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# A book of English

(second edition)



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# Part I

## Unit 1

### Economic Situation in Ukraine

To describe the economic situation in Ukraine let's begin with its foreign economic relations. After its departure from the former USSR Ukraine took an independent way of economic development. It means that our country can regulate its internal and foreign trade. Deep political, social and economic transformations are taking place in Ukraine. Our country is going over to a market economy. Now it has only a primitive market sector in the form of cooperatives, joint ventures, joint – stock companies, leaseholders. The transition to a market economy is burdened by many circumstances: the slow process of privatization of state property, inconvertibility of national currency, low competitiveness of our goods in foreign markets, shortage of hard currency, the production slump, hyperinflation, and others.

Our foreign experience is rather modest. We need highly qualified specialists in marketing and management, in organization of foreign economic activity. Ukraine is establishing new foreign ties with many countries. Among them are neighbour – countries – Russia, Hungary, Poland, countries with a high percentage of Ukrainian citizens – Canada, Australia, Argentina and countries that are crucial for Ukraine's economy (for instance, oil – producing Iran and Kuwait), as well as special – interest states, like the Vatican and Israel. Barter arrangements (exchanges) may provide solution of different problems. For example, Ukraine cannot survive without oil and gas. In its turn, Iran needs steel, cement and chemical industry products. It is not a secret that Ukraine is short of hard currency now. According to some experts it can export manganese ore, steel, iron ore, sulphur, electrical and radio technology. Yet, many branches of industry are in need of urgent technological reconstruction. It goes without saying, while dealing with foreign partners national interests should be taken into consideration.

It is evident now that the interest of foreign businessmen in significant investments in Ukraine's economy has recently grown. Free economic zones are supposed to be set up in our country. It means that free customs and a favourable regime of foreign economic activity should be set up in these regions. There is an opinion that one must not expect „an economic miracle”. It is essential now to elaborate new laws and mechanism on entrepreneurship and foreign economic relations.

## Learn the active vocabulary

Departure from –  
 To go over to – ,  
 Joint – stock company –  
 Leaseholder – ,  
 To be burdened by –  
 Inconvertibility –  
 Shortage –  
 Slump – ,  
 Modest – ,  
 Crucial –  
 Interest – ,  
 Arrangement –  
 To be short of –  
 Regime –  
 Customs free –  
 Miracle –  
 It goes without saying –

## Exercises

**Exercise 1.** Answer the following questions.

1. When did Ukraine take an independent way of economic development?
2. What does an independent way of economic development mean?
3. Are deep political, social and economic transformations taking place in Ukraine?
4. What is our country going over to?
5. What circumstances is the transition to a market economy burdened by?
6. What specialists do we need in marketing and management?
7. What countries is Ukraine establishing new foreign ties with?
8. Why is Ukraine establishing foreign ties with Canada, Australia and Argentina?
9. What cannot Ukraine survive without?
10. What can Ukraine export?
11. What has recently grown?
12. What can you say about free zones?

**Exercise 2.** Practice exercises.

Use speech patterns while discussing the information.

The information deals with .....

The text touches upon .....

It should be pointed out .....

emphasized that.....

mentioned.....

The author states .....

comes to the conclusion.....

Touching upon this problem .....

Therefore.....  
 On the contrary .....  
 It seems to be beyond reach.....

**Exercise 3.** Arrange these words in the right word order.

1. are, goods of, in, this company, you, interested.
2. he terms, want to, with him, we, of delivery of our equipment, we, discuss.
3. a discount, you, for a large order, can, us, give?
4. heavy, at this price, we, with orders, are.
5. a 2% discount, we, offer, you, can.
6. you, can, our delivery terms, accept?

**Exercise 4.** Put the Infinitives in brackets into the Present Indefinite Tense.

1. During the day our manager (to discuss) prices for different goods with businessmen.
2. He (not/to meet) customers in the office.
3. I (to be) interested in the latest business events.
4. We usually (to receive) much mail.
5. Our director (not/to agree) to this discount.
6. Enterprises usually (to save) money by cutting back on travel.
7. The money savings (to come) both in actual travel costs and in the costs of having employees out of action during a trip.

**Exercise 5.** Make all possible questions to the following sentences:

1. Each country regulates its internal and foreign trade.
2. There are joint ventures, joint-stock companies and leaseholders in Ukraine.
3. This technology allows companies to share information more cost-effectively, while maintaining better control over the flow of products and services.
4. Companies review their standard terms and conditions for sale or provision of goods or services.

## **Ukrtelecom today**

Nowadays Ukrtelecom has a bimodal management structure. It includes 30 affiliates (between them 27 regional directorates), and employs vertical organizational structures for operation of primary transmission networks, operation of local communication networks and radiofication, marketing and sales services. Thus sub-units dealing with consumer services are functionally and structurally separated from the technical operation services. This kind of company structure guarantees the unity of management and centralization of assets, allows to rebalance disproportion on technical equipment of regions, to improve payment discipline, to improve labor productivity, and to attract investments into the communication branch development.

Now the enterprise is facing new objectives. Their achievement is impossible without consideration of the new tendencies in telecommunications development based on the liberalization.

The priority direction in the transmission network development is the trunk digital fiber-optic cable lines (FOCL) and digital microwave links (DMWL) construction.

Successful solution of problems facing Ukrtelecom depends, first of all, on effective work of managerial personnel and specialists, their qualification and skills, and their understanding of the necessity of radical changes in manufacturing and social life. So manning of industrial sub-units with highly qualified specialists is the priority direction of the Ukrtelecom human resources policy.

### Learn the active vocabulary

Affiliate [ə'filiit] –

To employ – ,

Sub-unit –

Assets [æsets] –

Bimodal –

To rebalance –

Objectives –

Manning –

Human resources policy –

Labour productivity –

To face – ,

### Exercises

**Exercise 1.** Answer the following questions:

1. What management structure has Ukrainian Telecom nowadays?
2. What does a bimodal management structure mean?
3. How many affiliates does it include?
4. What does this kind of company structure guarantee?
5. What are new tendencies in telecommunications development based on?
6. What is the priority direction in the transmission network development?
7. What does successful solution of problems depend on?

**Exercise 2.** Refer the predicates to the future.

Make other changes if necessary.

Pattern: He can do it today.

He will be able to do it tomorrow.

1. You can give some money to her now.
2. Of course you must help me in this matter.
3. May I pull that little table over here to your chair?
4. Administra-

tors must choose the optimal combination of storage area network devices to build infrastructures. 5. The commercial and other advantages can give rise to intellectual property questions. 6. This invention may qualify for patent protection. 7. Other altered resources may not match the classical models of existing intellectual property regimes. 8. A successful multinational enterprise must have a reliable, high-quality communications partner.

**Exercise 3. Supply in, during and for.**

1. He was sent abroad ... his military service.
2. I watched a very nice film ... the flight to London.
3. We stayed there ... a week.
4. I'm going abroad ... August.
5. These projects will not achieve ROI (return on investment) ... a year.
6. I have worked in this Company ... five years.
7. Production at the factory was seriously affected ... the strike.
8. Many interesting suggestions will be made ... the meeting.
9. ... the meantime, alternative operators are fighting for scraps of market share.

**Exercise 4. Insert prepositions and post-verbal adverbs where necessary:**

1. The students ... group are very good ... English.
2. If I pass my exam ... English I'll be very happy.
3. Will you help me ... this exercise?
4. My friend fell ... the group because of his illness.
5. He'll have to work hard to catch ... with the group.
6. I'm afraid you'll fail ... Mathematics.
7. You work ... fits and starts.

## Unit 2

### Economic development of Great Britain

Great Britain is a highly developed industrial country. Shipbuilding is one of the principal industries of Great Britain. For centuries Britain has been the leading shipbuilder in the world.

Coal is the main source for the development of British industry. The biggest centres of iron and steel industries are situated in the neighbourhood of coal basins. They are Middlesbrough, Newcastle, Cardiff, Glasgow, Sheffield. The district around Birmingham is a land of factories and mines.

Coal-mining, metallurgy, textile, shipbuilding are the older branches of industry. The new industries are the chemical, electrotechnical, automobile, avia-

tion and electronics. The new industries have developed hand in hand with science and technology and are equipped to meet present technical demands.

Big cities and towns such as London, Glasgow, Manchester, Liverpool, Newcastle, Sheffield and Birmingham have enterprises of nearly all branches of industry, old and new. The main centres of cotton and woolen industry are Leeds, Bradford and Manchester.

London, Liverpool and Glasgow are the biggest English ports. The products of Britain economy, for example, automobiles, textile, machinery, electronic equipment and many others, are exported to many countries of the world.

Agriculture is one of the largest and most important activities in Great Britain. The greater part of the land here is used for sheep-,cattle-,and dairy farming. The chief grain crops are wheat and barley. Vegetables are grown in all parts of the country.

### Learn the active vocabulary

coal – (     ’     )

neighbourhood –                     ,

mine –                     ;

to equip –                     ,

to meet demands –

enterprise –

woolen –

cattle-farming –

hand in hand –         - -

wheat and barley –

### Exercises

**Exercise1.** Answer the following questions:

- 1.What are the main industrial centres of Great Britain?
- 2.What can you tell about Birmingham?
- 3.What is the main source for the development of British industry?
- 4.Why have the new industries developed hand in hand with science and technology?
- 5.What are the biggest English ports?

**Exercise2.** Complete the following sentences:

- 1.Coal is the main source for the development of ... .
- 2.The main center of cotton and woolen is ... .
- 3.Shipbuilding is one of the principal ... .
4. ... is one of the largest and most important activities in Great Britain.



**Exercise 3.** Give the degrees of comparison of the following adjectives: big, old, new, industrial, many, large, main, important, chief.

### Joint venturing of HP

Historically Hewlett-Packard (HP) has specialized in providing business support services, but in recognition of the convergence between administrative areas and network management itself, the company decided to create a joint venture with Ericsson to supply network management systems on a worldwide basis.

Ericsson has been developing network management products for a number of years. Ericsson's capabilities in the computer aspects of this technology is rather limited, and a joint venture with Hewlett-Packard was announced, in which Ericsson has a 60% share.

Under the terms of the agreement, product responsibility for Telecommunications Management and Operations Support and also Ericsson's Network Management System will be transferred to the new company, leaving a number of other Ericsson network management products in the main company. The new company, which has still not been given a name, will have its headquarters in Stockholm, and employ around 250 staff. The product will be sold through Ericsson's distribution channels, with H providing support services, including integration on the client site.

### Learn the active vocabulary:

To announce – ,  
 To create –  
 Distribution –  
 To employ – ,  
 Headquarters – ; -  
 Joint venture –  
 To sell (sold; sold) –  
 Share – , ,  
 Staff – ;  
 The terms –  
 To specialize in – -

### Exercises

**Exercise 1.** Make up 5 questions to the text.

**Exercise 2.** Put the infinitive in brackets in the Future Indefinite Tense.

1. The economic and non-disruptive integration of new technology into the network (to be) a major challenge. 2. The Company's plan (to include) service definition based on prioritized customer needs. 3. The novel collaborative approach to product development (to be) one of the most interesting and significant aspects in the emergent market. 4. The national Telcos (to lose) their monopoly on voice telephony. 5. Liberalization and competition in the supply of services (to affect) the access network. 6. Terminal equipment (to experience) the changes in the telecommunications business.

**Exercise 3.** Ask questions to which the following statements may serve as the answers.

1. The agency will hire some more employees. 2. I shall interview him for a permanent position. 3. We shall list our names at the employment agency. 4. An announcement will be made on new products and European development. 5. He will fill in the application form. 6. We shall enclose the copy of your order.

## Unit 3

### Building effective networks for business continuity

For many companies, disaster recovery is not enough to keep their business going in the event of an emergency. In fact, most companies today are looking to continue their operations in the event of a disruption, not merely to recover them days, or maybe weeks, later. This distinction is crucial to the notion of business continuity.

Business continuity is concerned with ensuring all essential corporate functions are available to employees, customers and partners alike, day or night, from anywhere in the world.

If a company's disaster recovery strategy allows a time gap between the outage and the time data becomes available again, then it doesn't have a business continuity strategy. Closing that gap is the goal of business continuity. Eliminating the gap is the ultimate goal – a goal now made possible by advances in storage networking technology.

Effective business continuity demands that the network moves data transparently in real time, or close to real time, between different locations and different environments.

The cost of business continuity is falling, even as its value rapidly increases, thanks to lower technology and wide area bandwidth costs.

By merging storage and IT (internet protocol) in the it department, companies leverage existing staff skills and management tools. At the network level, IP storage leverages the existing IP infrastructure, minimizing capital investments. And companies lower the total cost of ownership by sharing bandwidth between storage, client / server and business continuance applications.

## Learn the active vocabulary

Continuity – ,  
 Disaster – ,  
 Recovery –  
 In the event of – ( - )  
 Disruption –  
 Notion – , ,  
 Time gap –  
 Outage – ,  
 Ultimate – , ,  
 Transparently – ,  
 By merging – , ,  
 To leverage –

## Exercises

**Exercise 1.** Answer the following questions:

1. What is business continuity?
2. What is the goal of business continuity?
3. When is the cost of business continuity falling?
4. What does IP storage leverage at the network level?
5. What problems does this text touch upon?
6. Why are the risks of business disruptions for today's globally networked companies greater than ever?

**Exercise 2.** Change the following statements into questions.

1. Downtime includes unoccupied employees and lost revenues.
2. Disaster recovery is concerned with keeping their corporate information safe.
3. This office belongs to him.
4. Our engineers prefer computers to typewriters.
5. The manager calls to his partners every day.
6. Innovation is seen in the way in which existing data services are offered.
7. The company aims to create an entire experience with each event it produces.

**Exercise 3.** Put the adjectives in brackets into their correct form.

1. Tom is (clever) manager in the company .
2. Our secretary is as (good) as yours.
3. Spending on business continuity planning was (little) than 5 percent of budgets.
4. Services quality in this company is (good) than in that one.

5. This year you offer (appropriate and reliable) solutions for customers than last year.
6. Their office is not so (large) as ours.

**Exercise 4.** Supply prepositions where necessary

1. Payment was to be made ... cash.
2. Large global companies need to be able to rely ... free movement for their personnel.
3. The liberalization process is a fundamental component ... attracting inward direct investment and promoting ... competition.
4. A lot ... companies exhibited their equipment.
5. I want to test ... this equipment.
6. Have you written ... an employment agency?
7. We are interested ... importing your computers.

### **Supply chain value creation**

Achieving supply chain superiority is a necessity in today's business world. Focusing on optimization of processes and the latest technology is the way to accomplish this.

Today's customers are highly demanding. They want low-cost, yet customized, products – available when they want them. And if one business cannot provide them, a competitor's business can. So, how can businesses create demonstrably superior supply chains? Swisslog has six golden rules:

Business processes. Typically, businesses regard their processes as purely internal, with only the outputs of these processes being passed along the supply chain. But by understanding exactly where inventory is within the system, and how much free manufacturing capacity is available, companies gain a rich prize: the chance to optimize the whole supply chain, not just pieces of it.

Information technology. These days, it is not enough to simply connect companies' computer systems together – these systems must be capable of executing real-time supply chain management optimization decisions using collaborative planning principles. Although the majority of the collaborative planning tools use batch interfaces and therefore do not leverage the collaborative principles to their full extent, there are proven solutions that support real-time collaborative planning fully integrated with existing enterprise information systems.

Organization. But of course, information technology and business processes are just tools. Therefore, it is essential to actually possess the correct organization within which to use these tools.

Supply chain infrastructure. In today's terms, factories and distribution centers may be suboptimally sited or severely constrained by capacity.

Infrastructure can be optimized by state-of the art simulation tools, which model the supply chain and the markets it serves, looking for choke points and

ways of easing them. In addition, simulation tools can be integrated with collaborative planning tools to leverage operational data and support the business planning cycle.

Facilities and physical processes. Undeniably, the business's facilities and physical processes have to be equally state-of-the art. So it is time to look at advanced warehouse management systems, complete with the latest materials handling technologies.

Financing. While these technologies and capabilities may be very powerful adjuncts to the operation of a supply chain, they still have to be paid for. Innovative financing, such as the "off balance sheet" funding concept, allowing companies the investments without burdening the balance sheet, is one of the secrets of building a superior supply chain.

### Learn the active vocabulary

Adjunct – ;  
 Batch – ;  
 to be constrained –  
 to be highly demanding –  
 to be sited –  
 to burden –  
 competitor [kəm'petitə] –  
 to gain a prize –  
 inventory ['invəntri] – ,  
 leverage ['li:v(ə)ridz] – n. ;  
 v. ;  
 off balance-sheet – ;  
 simulation tools –  
 state-of-the art –  
 superiority [sju(:),piəri'oriti] –  
 supply chain –  
 swisslog – ;  
 tool –  
 undeniably [Andi'naiəbli] – ,  
 warehouse –

### Exercises

**Exercise 1.** Answer the following questions.

1. What is a necessity in today's businesses world?
2. What do today's customers want?
3. What six golden rules do you know?
4. How do businesses regard their processes?

5. What supports real-time collaborative planning?
6. Why can simulation tools be integrated with collaborative planning tools?
7. What is one of the secrets of building a superior supply chain?

**Exercise 2.** Choose the correct verb.

1. The challenge ( is / are ) to create integrated solutions, integrating the different components on different levels.
2. Supply chains ( is / are ) growing ever more complex.
3. Supply chain management ( has / have ) four main subdivisions – logistics, purchasing, manufacturing and distribution.
4. This means that more people and organizations ( is / are ) involved in the supply chain so managing the process better becomes imperative.
5. As global trade expands, and sourcing and supplying good ( is / are ) not restrained by geographical boundaries.
6. The Company ( has / have ) a large share of the electricity sales market in Europe and abroad.

**Exercise 3.** Write ing-forms of the following verbs:

to discuss, to achieve, to demand, to be, to understand, to manufacture, to plan, to exist, to look, to handle, to burden, to allow, to build, to know.

**Exercise 4.** Put the Infinitives in brackets in the Present Continuous Tense (Active).

1. Enterprises (to require) their trading partners to live up to a certain level of security in order to maintain their relationships.
2. New laws and regulations (to impose) information security requirements.
3. He (to make) a long distance call.
4. The manager (to read) an offer from GML.
5. (To speak) he with an engineer?
6. An administrator (to assign) users their access rights.
7. The General Director (to meet) customers.
8. I (not / to look through) the catalogues now.

**Exercise 5.** Make following sentences interrogative, translate them:

1. His office is being shown by him now.
2. Mr. Brown is being sent abroad on business.
3. Customers are being met by the General Director.
4. The new student is being examined now.
5. These operations are being run by separate European subsidiaries.
6. The offering is being made through underwriters led by Sachs and Co.
7. This approach to global branding is being implemented in phases.

## The online manager

Knowledge workers are finding it beneficial to form online social networks and virtual teams to manage their projects. But with the information explosion comes a need to deal with the overload. Web Desks help managers extract, organize and share all digital information. Every Web Desk can contain hundreds of links to the information that users need, on the Web or on their hard drive.

Users can organize their content per theme in their personal management dashboard with intuitive navigation. They can prepare reports using web research, extracting web page snippets in their Web Desk and discussing their work with colleagues in a secure web conference.

To write reports, users use the integrated web authoring environment, which allows to link any document to any other document.

When the knowledge product is ready, it can be published with the click of a button, with an option for turning password protection on or off. The result is spectacular: by clicking on a single link in their email, clients obtain an immediate overview of a manager's work. They can enter into dialogue, effectively creating a relationship with recurrent value.

Web Desks are used by professional knowledge workers in various disciplines – marketing, TQM, human resources and training, consultancy, knowledge management and business intelligence. They are used when workers have to manage complex information environments to guide important development processes on the right track.

Web Desk can facilitate the creation and selling of knowledge products and processes. Results can be published and distributed with or without password protection.

Whatever your business, access to the right information and proper management of the knowledge flows are vital keys to success. Web Desks for Workgroups can be integrated into any intranet and linked to any online tool.

A central administrator registers users and project managers who can add their own project participants, each with their own Web Desks. Project participants are automatically notified when something in their project changes, and they can choose to subscribe to the related discussions in the web conference to get the latest updates by email.

### Learn the active vocabulary

Beneficial –

online –

overload –

hard drive –

content –

dashboard –

snippet – ,  
 secure –  
 spectacular –  
 recurrent –  
 intelligence – ;  
 tool –  
 update – ,  
 password –

## Exercises

**Exercise 1.** Answer the following questions.

1. What comes with the information explosion?
2. What helps managers extract, organize and share all digital information?
3. How can users prepare reports?
4. Is it possible to publish the knowledge product when it is ready?
5. Where are Web Desks used?
6. What are vital keys to success?
7. What can project participants do when something in their project changes?

**Exercise 2.** Use the Infinitives in brackets in the Present Indefinite Tense:

The financial markets (to offer) opportunities for firms to restructure themselves.

1. The small business (to expect) a rapid return on its technology investment.
2. A few European companies also (to compete) in this market.
3. A principal means of achieving ROI (return on investment) (to come) from lowering costs.
4. Organizations embarking on significant e-business efforts (to need) first to understand their key business processes and to determine information assets and transactions.
5. With the growth of e-business, information security (to affect) all areas of an enterprise.
6. In many cases, transactions (to require) the movement of funds from one institution to another.

**Exercise 3.** Make the following sentences interrogative, translate them.

1. Enterprises must identify all costs associated with protecting their information assets.
2. Organizations should seek consultative and professional service firms for assistance.



3. Companies can assist in the formulation of an effective, long term strategy, and subsequently assist in making the appropriate product evaluations and solution consideration.

4. Considerations for long-term enterprise requirements should be made at every step of deployment.

5. All enterprises in a particular industry must comply with regulations, regardless of the size of the enterprise.

6. Organisations must evaluate the relative priority of integrating exiting applications into the strategy.

7. Protected data can help companies move forward swiftly and confidently.

## Unit 4

### **Skills and service – the most important means of competition**

For banks today, competition takes place through skills and service. In a world where organizations are increasingly decentralizing decisions and responsibility to the individual employees, it is extremely important that all employees possess the right skills to take the right decision. Furthermore, banks have similar products and therefore a crucial success factor is to provide efficient tools for skills development and the dissemination of knowledge.

Employees and managers are responsible for their work and their personal development. An important task for the managers will be to support and stimulate employees to develop on the basis of goals adopted in the business plan, and also to satisfy the employees' own wishes regarding personal development.

All skills development takes place on the basis of a business plan, which provides guidance as to which skills must be developed to achieve long – term and short – term goals. This is mainly a management responsibility.

The personal business plan, however, requires careful consideration of current areas of responsibility and skills, plans for career development and new skills required, and individual appraisal.

The appraisals discussion is the hub of all employee development. It should:

- Take place in pace with external changes and business plan changes
- Be viewed as a means for securing the goals in the business plan
- Give the employee the possibility to influence their work situation and their own development

What needs to be done to attain the goals is documented in a development plan. The development plan is intended to find solutions to attain the goals defined in the appraisals discussion. Each division within the group is responsible for finding solutions to increase its professional skills. Some skills enhancement activities take place at group level. The activities may be divided into two categories:

- Manager training – conducted from a global perspective in order to create managers who encourage initiative, creativity and participation.
- Staff training – intended to result in greater introspection, improved ability to assume responsibility and a strengthening of group affinity.

### Learn the active vocabulary:

- Affinity [ə'fɪnɪti] – ,
- Appraisal [ə'preɪz(ə)l] –
- To assume [ə'sju:m] –
- To attain [ə'teɪn] – ,
- Career [kə'reɪə] – ' ,
- Crucial [ˈkru:ʃəl] –
- Dissemination [di,semi'nei(ə)n] –
- Employee [ˌemplo'i:] – ,
- To encourage [ɪn'kʊrɪdʒ] – ,
- Enhancement [ɪn'hɑ:nsment] – ,
- Goal [gəʊl] – ,
- Hub [hʌb] –
- Introspection [ˌɪntro(u)'spekʃən] –
- Pace –
- To possess [pə'zes] –
- Regarding [rɪ'gɑ:di] – ,
- Responsibility –
- To secure [sɪ'kjʊə] – ,

### Exercises

**Exercise 1.** Answer the following questions:

1. What is important for all employees to take the right decision?
2. What is a business plan?
3. What is a development plan?
4. Where do some skills enhancement activities take place?
5. How many categories may the activities be divided into?
6. What are these categories?

**Exercise 2** Rewrite these sentences using a to – infinitive instead of that. Translate them.

Model: People know that he is an honest man.  
People know him to be an honest man.

1. I imagine that he works very hard.

2. We discovered that the claim was false.
3. I know that she has an interest in the company.
4. I found that the job was too difficult.

**Exercise 3** Make the following sentences interrogative:

1. A description of responsibilities and a requirements profile must be prepared prior to the appraisals discussion.
2. This should reflect the goals of the business plan.
3. These important solutions must be approached carefully in an organized, step-by-step manner.
4. Companies can handle incoming calls efficiently, increase information accuracy and make crucial meetings possible in a timely manner.
5. Global companies must provide service, maintenance and technical support.
6. Operating staff can now devote more time to the company's core activities.
7. The restructuring program must involve a set of organizational, economic, financial, legal and technical measures.

**Exercise 4.** Translate into English

1. .
2. -
3. .
4. -
5. -
6. .

**Exercise 5.** Retell the text.

## Distance learning

New technological developments provide increasing potential for the assessment of an individual's competence to perform the necessary skills in the workplace.

Computer aided learning is an effective method of acquiring knowledge, understanding and, in some cases, skills-depending upon the degree of sophistication and the interactive nature of the programming. Simulation modeling can readily be used with the powerful PC's of today to take reality in the workplace. The use of distance learning programmes is an attractive option. Support from CD-ROM and CD-I systems can ensure that library information and other databases are readily available.

Many practical training programmes can now be transferred to the workplace. Programmes dealing with operational practices can be sent «down-line» to allow for changes in technology and procedures.

How individuals can be monitored for competency standards is a little more difficult but not beyond solution.

Distance learning programmes consist of professionally developed and instructionally designed learning units with built-in teaching and learning mechanisms. Typically, they provide student interaction, feedback and evaluation, and direct tutor contact. A typical distance learning unit may consist of a unit guide, a study guide supplemented by a reading book. It may be further supported by a text book, computer software, or other media such as video or audio tape.

Teleconferencing, video conferencing and attendance at summer schools may all be features of the programme. The unit may be formally assessed. Units are structured to provide the student with the sense of communicating and interacting with the educational or training institution and the designated tutor. Correspondence courses lack most of these elements.

Assignments can be transmitted, marked and returned within a very short period of time. Queries can be responded to in a matter of hours by either fax, telex or telephone. The student benefits from the early response and feedback and the links developed with the tutor. The tutor benefits from a rapid perception and understanding of the student's difficulties and rate of progress. Examinations may be arranged to be taken in the workplace.

However, distance learning programmes must be planned carefully and be instructionally designed and edited by professionals so they are suitable for the market. This means producing relevant and qualitative units with effective and speedy feedback mechanisms. Computer-aided learning and computer-based resources can provide interactive support to the learning, training and skilling process.

### Learn the active vocabulary:

assessment [ə'sesmənt] –  
 skill – ;  
 sophistication [sə'fɪstɪ'keɪʃn] – ;  
 simulation modelling –  
 option – ;  
 to ensure [ɪn'ʊə] – ,  
 to deal (dealt) with – ;  
 to down-line – ( )  
 procedure [prə'si:dʒə] – ;  
 is not beyond solution –  
 feedback – ,

tutor ['t u:tə] – ;  
 to lack – - ;  
 attendance [ə'tennd əns] –  
 query ['kwɪəri] – ;  
 to benefit – , ; ( -  
 )  
 perception – , , ,  
 relevant ['reliv ənt] – , ,

## Exercises

**Exercise 1.** Answer the following questions:

1. Why must new technological developments be provided?
2. What can readily be used to take reality in the workplace?
3. What do distance learning programmes consist of?
4. What do they provide?
5. What other features of the programme do you know?
6. Within what period of time can assignments be transmitted, marked and returned?
7. What can provide interactive support to the learning, training and skilling process?

**Exercise 2.** Arrange these words and word groups in the right order. Use a capital letter to begin each sentence.

1. to be, every company, a software company, appears.
2. developed, at an increasing pace, a variety of purposes, software, to serve, is.
3. for, the technical integration, future extension, to offer, needs, scalability and openness, flexibility.
4. thousands of dollars, organizations, purchasing, spend, computer hardware.
5. work closely, and management consultants, must, human-resource specialists, hardware and software vendors.
6. these new business models, for clients, are embracing, companies, and, delivering innovative solutions.

**Exercise 3.** Supply fewer or less in these sentences.

1. The ... you pay, the ... services you get.
2. People have ... money to spend this year.
3. I've had ... lessons than you.
4. There are ... companies competing in this market nowadays.

5. The ... liberalization of the services is, the ... service companies will integrate into the trading system and the global economy.

## Videoconferencing

Enterprises can save money by cutting back on travel and substituting videoconferences for some face-to-face meetings. The savings come both in actual travel costs and in the costs of having employees out of action during a trip. However, videoconferencing should be implemented with care. The two general categories—conference room systems and desktop systems—have different benefits and drawbacks, but both impose costs and complexities beyond their initial installation.

Room systems are relatively expensive and usually work over switched circuits (generally ISDN), which ensure high quality, but impose ongoing costs.

Desktop systems are relatively inexpensive and work through the enterprise network.

Videoconferencing technology allows people to create the environment of a face-to-face meeting so that fast, interactive decisions can be made, wherever they may be in the world. Unlike email, or even a telephone call, videoconferencing facilitates closer relationships as you can clearly see who you are communicating with and respond to their body language—often essential on international calls when trying to overcome cultural barriers. It also allows individuals to share documents and demonstrate a product or visual concept.

Moreover, ongoing costs will decline and return on investment will increase over time as networks are upgraded and the quality differential declines.

Enterprises can save money with videoconferencing by reducing travel, but neither the initial investment nor the ongoing cost is trivial.

Room-based, circuit-switched conferencing provides the best quality, reliability and ease of use, but with higher initial cost and ongoing line charges. Systems can be installed with ISDN lines and migrated to network protocols when the infrastructure is sufficiently robust.

### Learn the active vocabulary

Charges – ; ,  
 To cut back – ;  
 To decline – ,  
 Drawback – ;  
 Employee – , ,  
 To ensure – ,  
 Enterprise – ,  
 To facilitate – ,  
 Impose –

To migrate – ,  
 Moreover – ,  
 Ongoing – ,  
 Robust – ,  
 Trivial –  
 Wherever –

## Exercises

**Exercise 1.** Answer the following questions.

1. How can enterprises save money?
2. Why should videoconferencing be implemented with care?
3. Are room systems relatively expensive?
4. What does videoconferencing technology allow?
5. Will return on investment increase over time?
6. What lines can systems be installed with?

**Exercise 2.** Paraphrase the following sentences referring them to the future and to the past:

1. He may watch television in the evening.
2. You must learn foreign languages.
3. They must pay attention to this postcard.
4. Desktop video appliances can deliver acceptable performance.
5. Uncontrolled conferencing can overload a network and affect the performance of other applications and users.
6. Some products may have difficulty connecting with other types of equipment.
7. To get around the risks of lost business and lost revenue, companies must use application management tools.

**Exercise 3.** Put the Infinitives in brackets in the Past Indefinite tense. Translate the sentences.

1. We (to provide) an understanding of different customer behavior and preferences two weeks ago. 2. For the business market, our company (to cover) subscriber segmentation, value chain and cost/benefit analysis. 3. Based on market segmentation, they (to design) service feature packages with different pricing approaches. 4. More than a third of the mobile telephone customers worldwide (to use) Prepaid cards last year. 5. By conducting a detailed analysis of the technical solution and investment, the manager (to forecast) a precise cost and profit situation.

**Exercise 4.** Insert the prepositions.

1. Most of the real benefits your organization will derive ... a digital asset management. 2. Mobile business will give rise ... new applications and services

for a variety of everyday transactions. 3. An essential success factor will be the provision of an adequate payment method ... consumers and service providers. 4. The company offers a business implementation workshop ... the goal of helping to develop an efficient and effective marketing plan. 5. When implementing new technology ... the software globalization process, companies will gain most by planning the implementation. 6. The company's strength is based ... its in-depth industry knowledge.

Keys: into, from, for, on, to, with.

## Unit 5

### Money and its Functions

All values in the economic system are measured in terms of money. Our goods and services are sold for money, and that money is in turn exchanged for other goods and services. Coins are adequate for small transactions, while paper notes are used for general business. There is additionally a wider sense of word "money", covering anything which is used as a means of exchange, whatever form it may take. Originally, valuable metal (gold, silver or copper) served as a constant store of value. Because gold has been universally regarded as a very valuable metal, national currencies were for many years judged in terms of so-called "gold-standard". (The US Government abandoned the gold standard in 1971.)

Nowadays however valuable metal has generally been replaced by paper notes. National currencies are considered to be as strong as the national economies which support them. Paper notes are issued by governments and authorized banks, and are known as "legal tender". Other arrangements such as cheques and money orders are not legal tender. They perform the function of substitute money and are known as "instruments of credit". Credit is offered only when creditors believe that they have a good chance of obtaining legal tender when they present such instruments at a bank or other authorized institution. If man's assets are known to be considerable, then his credit will be good. If his assets are in doubt, then, it may be difficult for him to obtain large sums of credit or even to pay for goods with a cheque.

The value of money is basically its value as a medium of exchange, or, as economists put it, its "purchasing power". This purchasing power is dependent on supply and demand. The demand for money is reckonable as the quantity needed to effect business transactions. An increase in business requires an increase in the amount of money coming into general circulation. But the demand for money is related not only to the quantity of business but also to the rapidity with which the business is done. The supply of money, on the other hand, is the actual amount in notes and coins available for business purposes. If too much



money is available, its value decreases, and it does not buy as much as it did, say, five years earlier. This condition is known as "inflation".

(Tom McArthur. "A Rapid Course in English for Students of Economics". Oxford)

### Learn the active vocabulary

value –

transaction – , ,

a means of exchange –

a store of value – ,

a constant store of value –

to back (paper, money, currency) – ,

,

store –

the store of gold –

currency – 1. – , , ,

2.

to abandon the gold standard –

to issue – ,

authorized – , ,

authorized banks – , ,

legal tender (banknotes) – ,

money order –

substitute money –

instruments of credit – , , ,

assets – 1. , 2. , ,

the value of money –

a medium of exchange – 1. , 2. (

)

purchasing power –

to reckon – ,

circulation (of money, capital) – ,

to come into general circulation –

to put into circulation –

the demand for money –

the supply of money (money supply) – 1. , 2.

the quantity of business – , ,

the rapidity of business –

## Exercises

**Exercise 1.** Check your comprehension:

1. What is the role of money and what are its functions?
2. What is the gold standard?
3. Why was the gold standard abandoned?
4. What backs national currencies now?
5. Why was valuable metal replaced by paper money?
6. Who can issue paper money?
7. What are money orders?
8. What function do money orders and cheques perform?
9. In what case can one obtain large sums of credit and even pay for goods with a cheque?
10. What is a purchasing power and what does it depend on?
11. How do we reckon the demand for money?
12. What is the demand for money related to?
13. What condition is known as "inflation"?

**Exercise 2.** Study text and:

- a) give the wider sense of the word "money".
- b) pick out derivatives and word combinations with the word "value". Translate them and use in the sentence of your own.
- c) find all the terms which you would use speaking about money.

**Exercise 3.** Give English equivalents of the following:

1. ; 2. , , ; 3. ; 4. ,
5. ; 6. -
7. ; 8. 9. ;
10. ; 11. ' ; 12. ; 13. -
14. ; 15. ,
16. , ; 17. , ;
18. .

**Exercise 4.** Complete the sentences:

1. All values in the economic system are measured ... .
2. Nowadays valuable metal has generally been ... .
3. Paper notes are issued by ... .
4. Other arrangements as ... and ... are not legal tender.
5. National currencies are considered to be as strong as ... .
6. An increase in business requires an increase in the amount of ... .
7. But the demand for money is related not only to the quantity of business but ... .

**Exercise 5.** Translate the following sentences into English in written form.

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

### Money supply

It is generally accepted that money has three functions in an economy: to act as a medium of exchange, as a store of value and as a unit of account.

As a medium of exchange money enables us to avoid the cumbersome process of barter, whereby products are exchanged against each other. Without money the modern economy as we know it would cease to function, such is the degree of specialization in goods and services.

Money is also useful as a store of wealth since it represents a claim on goods that can be exercised in the future. However, to be a satisfactory store of wealth prices should be stable.

Finally, the units in which money is measured (pounds and pence, dollars and cents) are generally used as the units in which values are expressed and debts defined and measured.

In modern monetary system the money supply consists of coins, bank notes and bank deposits. It should be mentioned that there is another one classification: money has four functions. It serves as a standard of value, as a medium of exchange, as store of value and as a standard of differed payment.

(T. Kempner. The Penguin Management Handbook. London)

## Learn the active vocabulary

standard of value –  
 medium of exchange –  
 store of value –  
 standard of differed payment –  
 debts –  
 cumbersome –

## Exercises

**Exercise 1.** Say what you have learned from Text about:

1. the functions of money in an economy;
2. money as a standard of value;
3. money as a medium of exchange;
4. money as a store of value;
5. money as a standard of differed payment.

**Exercise 2.** Put the Infinitives in brackets in Present Continuous, Present Indefinite or Future Indefinite.

1. My sister (to go) to the bank tomorrow.
2. Look! She (to go) to the bank.
3. Payment (to be made) within two days.
4. Our boss (to read) letters in the morning.
5. He (to open) a letter of credit tomorrow.
6. The manager (to discuss) business matters with clients now.
7. Enterprises (to seek) to achieve a greater percentage of revenue from e-business channels.
8. With proper calculation most identity management deployments (to achieve) return on investment within one or three years.

**Exercise 3.** Use the correct pronouns:

1. Our boss signs a lot of documents. He signs ... in the morning.
2. Mr. Stone is speaking to Mr. Bell now. He is speaking to ... about the contract.
3. Kate is our office secretary. I meet ... in the office every day.
4. Our office manager meets foreign businessmen and discusses prices for different goods with ... .
5. They learn English. Their work helps ... to speak English well.
6. Your General Director is reading a letter. He is reading ... with great pleasure.

## Types of money: Token and paper money

Most of us use money every day. We see it, touch it, and spend it. But how many of us can define it adequately? Usually money is defined too narrowly. Some define it as the currency of a nation; others think of it in terms of legal tender; still others often refer to it as the medium of exchange. Such definitions, however, automatically exclude large portions of our money. To include all segments of our money supply, we must use a broad definition. Thus, we can say that money is anything that is commonly accepted in exchange for other goods and services.

Commodity money refers to the use of some commodity as money. Many commodities – such as stones, shells, various crops, metal, and paper – have served as money in various countries of the world. American history reveals that tobacco, corn, beads, warehouse receipts, and bank notes, in addition to metal coins and paper currency, have served as money. In fact, many of these monies were given the status of legal tender, which means that they were acceptable for the payment of debts, both public and private.

There are two basic types of modern money, each of considerable importance: token money and paper money. Token or metallic money consists of coins - a special type of commodity money in which a metal such as gold, silver, or copper is used. Paper money takes the form of bills and notes. It may or may not be backed by gold or silver. Although the United States has had various types of commodity money in its history, all American currency today is in the form of paper money and coins.

(T.J. Hailstones and F.V. Mastrianna "Basic Economics". Ohio.)

### Learn the active vocabulary

commodity money –  
 beads –  
 warehouse receipt –  
 (                    )  
 token money –  
 bill –  
 note –

### Exercises

**Exercise 1.** Check your comprehension, answer the questions.

1. Usually money is defined too narrowly, isn't it?
2. How would you define money and its functions?
3. How do you understand the term "commodity money"?
4. What commodities have served as money in various countries?



## Unit 6

### Classification of money

Money may also be classified according to its inherent value. In full-bodied money, the intrinsic value of the money's material content has a value equal to its monetary value (face value). For example, the inherent value of \$50 gold piece was originally equal to its monetary value of \$10. Not only could you use the \$10 gold Eagle to buy \$10 worth of groceries, you could sell its gold content (melted down) for \$10 in cash on the gold market. Today, however, since the price of gold has increased, the gold in a \$10 gold piece is worth much more than \$10. In credit money, the intrinsic value of the money's material content is less than its monetary value.

Representative money is money (usually paper) that serves in place of commodity money. It may represent either full-bodied or credit money. The gold certificates that circulated in the United States before 1933 are a good example of full-bodied money. But the certificates are no longer used. An advantage of representative money is that it is more portable than commodity money.

The government sometimes issues fiat money, which is backed only by the promise of the government to redeem it or to exchange it for other types of money. To help finance the Civil War, Congress authorized the issue of paper money officially known as United States notes and popularly called greenbacks. This was fiat money; the notes were legal tender but were not redeemable for gold or silver.

Today most of American currency is in the form of Federal Reserve notes, which are issued by the Federal Reserve Banks with the approval of the U.S. Treasury. At one time the gold reserve required for these notes was 25 percent. The other 75 percent of the backing was in the form of additional gold certificates, government securities, or note assets of the bank. Today there is no gold reserve behind these notes, so they are also fiat money.

(Hailstones T.J. Op. cit., p.p. 151-153)

### Learn the active vocabulary

Inherent value of money –

Full-bodied money –

Intrinsic value of money's material content -

Monetary value –

Face value –

Gold Eagle – ( . ) " " , ,

10

Credit money – ,

In cash –  
 Representative money –  
 Fiat money –  
 To redeem – ,  
 Not redeemable (for gold) –  
 Note assets –  
 Backing (for the notes) – ( )  
 To issue (notes) - ( )  
 U.S. Treasury –  
 Securities –

## Exercises

### Exercise 1 Answer the questions

1. How can money be classified?
2. What type of money is called full-bodied one?
3. How do you understand the term "representative money"?
4. When did the gold certificates circulate in the United States?
5. What type of money were the gold certificates?
6. How can fiat money be characterized?
7. What did the Congress do to help finance the Civil War?
8. Were the greenbacks legal tender or not?
9. This was fiat money, wasn't it?
10. What form is American currency issued in?
11. Why are these notes also classified as fiat money?

### Exercise 2 Study the text and:

- a) Pick out word combinations with the word "gold". Translate them and use in the sentences of your own.
- b) Give the classification of full-bodied money.
- c) Find all the terms, which you would use speaking about money.

### Exercise 3 Give English equivalents of the following:

1. ( ); 2. ; 3. , -
4. ; 5. , ; 6. ; 7. ; 8. ; 9. ; 10. ; 11. ; 12. -
13. ; 14. , 15. -
16. ( )

### Exercise 4 Complete the sentences:

1. Money may also be classified according to....



2. In full-bodied money, the intrinsic value of money's material content has....

3. Today, however, since the price of gold has increased the gold in a \$10 gold piece is....

4. Representative money is money (usually paper) that serves...

5. The gold certificates that circulated in the United States before 1933 are....

6. The U.S. Congress authorized the issue of paper money officially known as...

7. The notes were legal tender but were....

8. Today there is no gold reserve behind Federal Reserve notes so they are...

**Exercise 5** Agree or disagree. Give your reasons.

1. In full-bodied money, the intrinsic value of the money's material content is less than its monetary value.

2. Representative money (usually paper) doesn't serve in place of commodity money.

3. The gold certificates that circulated in the United States before 1933 are a good example of full-bodied money.

4. An advantage of commodity money is that it is more portable than representative money.

5. To help finance the Civil War, the U.S. Treasury authorized the issue of paper money officially known as the United States notes and popularly called greenbacks.

6. These notes were not redeemable for gold or silver but they were legal tender.

7. Today American currency is full-bodied money.

### **What is the origin of the dollar sign**

The dollar, the standard unit of money in the United States, Canada, Mexico and several other countries, has an interesting history, and so has the \$ generally used to represent it.

The word "dollar" comes from the Low German, for Thaler, which is an abbreviation of Joachimsthaler. Joachimsthal (Joachim's dale) is a little town in Bohemia near which, in the beginning of the sixteenth century, a rich silver mine was discovered. The feudal lords of the town had coins made that, because of their excellence, were soon used all over Europe. These and similar coins were called Joachimsthaler, or simply Thalers.

Coins of similar value were issued in Spain. They were called "pieces of eight", because their value was divided into eight smaller coins. All these coins circulated freely in the colonies in both North and South America. In North America they were called "dollars".

When the United States had been formed, the word "dollar" was adopted for its unit of coinage, but the sign for the new coin was that of the Old Spanish pieces of eight. This sign showed a scroll, with the words Plus Ultra, waving between the Pillars of Hercules, the gateway between the Mediterranean and Atlantic. Thus the dollar sign has nothing to do with the letter S, nor was it, as some people believe, originally formed by placing a narrow U over an S to form the monogram of the United States.

(English Learner's Digest)

### Learn the active vocabulary

Origin –

Sign –

Unit –

Mexico –

Several –

Generally – ,

Represent –

Thaler – ( .)

Dale –

Silver –

Mine –

Discover –

Feudal –

Excellence –

Europe –

Similar –

Value – ,

Issue –

Circulate –

Adopt –

Coinage –

Scroll – ,

Pillars of Hercules – ,

Gateway – ,

The Mediterranean –

Originally –

Narrow –

### Exercises

**Exercise 1** Say what you have learned from Text about:

1. the scope of countries where dollar is used as the standard unit of money:  
(for additional information see Appendix III)

2. The word "dollar" origin;
3. The role of Spain in the first dollars appearing in North America;
4. The dollar sign origin and what it shows;
5. wrong opinions concerning the dollar sign;

**Exercise 2** Debate on the following topics:

1. Full-bodied money,
2. Representative money.
3. Fiat money.
4. The U.S. dollar and its sign history.

**Exercise 3** Make the following sentences interrogative. Begin your questions with the word(s) in brackets.

1. Up to now my brother has visited eight countries (How many?).
2. I have known him for three years (Whom?).
3. My manager hasn't signed the letter yet (What?).
4. Our parents have gone camping this summer (Who?).
5. I have typed the letter on my word processor (What?).
6. The secretary has lost the key from our office (What... from?).
7. They have already written a report on their experiment (Who?).
8. She has lived in London for five years (How long?).

**Exercise 4** Put the Infinitive in brackets in the Past Indefinite Tense.

1. I (to speak) to the manager about our visit to the Insurance Company fifteen minutes ago.
2. The secretary (to fax) the copies of these documents yesterday.
3. Our engineers (to study) the catalogues of Blake & Co last Tuesday.
4. The manager (to make) an appointment with American businessmen.
5. We (to discuss) the terms of payment with the Sales manager at 10 o'clock.
6. The General manager (to clarify) the details of that matter at the talks.

**Exercise 5** Ask general and special questions to the following sentences:

1. The U.S. Congress authorized the issue of paper money popularly called greenbacks.
2. Coins are adequate for small transactions.
3. Many commodities such as stones, shells, various crops, metals and papers served as money in different countries of the world.
4. Cheques and money orders perform the function of substitute money.
5. Spanish coins circulate freely in the colonies in both North and South America.

## How to pay in America

If you want to pay for something in an American store, you can pay in cash, by personal checks, or with a credit card.

If you have a credit card, you can use it in larger stores to pay for your purchases. Most gas stations, hotels and restaurants accept credit cards, too. Your credit card company sends you a bill once a month that shows your purchases and you only have thirty days to pay it. Otherwise, they'll charge you a penalty.

Credit cards have one disadvantage. It takes you much longer to pay with your credit card than in cash or by check. When you want to put a purchase on your credit card the store clerk takes the card and fills out a form. Then he asks you to sign the form and gives you a copy.

There are some problems paying by check, too. You cannot use your check-book if you don't have your driver's license or any other ID on you. Besides, you should be aware that if you bounce a check, that is, if you don't have enough money in your account to cover it, you'll have to pay your bank a very high penalty.

People usually buy expensive goods (such as washing machines, refrigerators, etc.) on financing. Customers make a down payment of 10% or more of the price of the purchase and pay the rest in monthly installments. They also have to pay interest.

(K. Dibrova, D. Hossamen "English for Moneyholders" SPb.)

### Learn the active vocabulary

- pay in/with cash for smth. –
- pay with a credit card –
- pay by check –
- pay a bill –
- accept –
- buy on financing/on credit –
- make a purchase –
- make a down payment for smth. –
- bounce a check –
- have in a checking account (Am.) –
- have in current account (Br.) –
- N percent of the price of the purchase – N
- change smb. a penalty for smth. –
- gas station –
- credit card company –
- otherwise –
- disadvantage –
- store clerk –

put on a credit card –  
 fill out –  
 form –  
 sign –  
 driver's license –  
 ID –  
 you should be aware that –                      co i                      ,  
 cover –  
 customer –  
 the rest –  
 in monthly installments –  
 interest –

## Exercises

**Exercise 1** . Check your comprehension, answer the questions:

1. What are the three ways to pay in America?
2. Where can you use your credit card?
3. Do gas stations accept credit cards?
4. How often do the credit card companies send bills to their customers?
5. How many days do you have to pay the bills you put on your credit card?
6. What do the companies do if their customers don't pay the bill?
- 7- What is the disadvantage of paying with a credit card?
8. What is the disadvantage of paying by personal checks?
9. What does the store clerk do when you want to pay for something with your credit card?
10. Do you need to have an ID on you if you want to pay for something by check?
11. What does your bank do if you bounce a check?
12. How do people usually buy expensive goods?
13. What does it mean "to buy something on financing"?

**Exercise 2.** Read and learn the dialog.

Dialog

- Hello, I'd like to buy this sweater.
- OK. How would you like to pay for it?
- Well, I guess that depends on how much it is.
- Did you find it on a sales rack?
- Um... I don't remember.
- Let me scan its tag on the computer, and I'll tell whether it is on sale. Yes, it's on sale. The original price was \$100, and now it is 20% off. It'll be \$80 plus tax.
- That is still expensive, but I'll take it.

- Will it be cash or charge?
  - I don't know ... Well, can I put it on my credit card?
  - Sure thing. Oh, I'm sorry, but I can't take this card. We only accept the major ones: American Express, Visa and MasterCard.
  - I'll write a check, then.
  - I'll need to see some form of identification. Do you have your driver's licence?
  - No, I don't, I do have some other identification, though. Will this student ID card be OK?
  - No, I need an official card with your photo and signature on it. What else do you have?
  - Oh, I almost forgot. I have my military ID on me.
  - Fine, I'll ring this up for you now.
  - Thanks.
- (K. Dibrova, D. Nossamen. "English for Moneyholders", SPb)

### Notes

rack –

sale –

tax –

tag – , ip a,

charge –

### Exercise 3. Use American equivalents to complete the sentences.

1. I ( ) the ( ) the refrigerator by check. 2. I don't have enough money ( ) to pay for the ( ) by check. 3. I ( ) and they ( ) it. 4. The down payment for the car was 20% ( ). 5. How much do we have ( )? 6. I don't have enough money ( ) to cover all these bills. 7. Why did you ( ) the ( ) that check? 8. Can I ( ) the ( ) the car by check?

### Exercise 4. Organize the words into affirmative, interrogative and negative sentences:

1. Pay, purchase, by check, the, or, with your credit card, can, in cash, you, for.
2. If, bounce, you, you, your, charges, check, a, penalty, a, bank.
3. How much, refrigerator, was, down, payment, the, for, the?
4. Think, buy, on, I, this, financing, machine, the, can, washing, we.
5. They, cards, they, why, I, credit, accept, say, don't.
6. Make, on, don't, purchases, like, credit, to, I.

**Exercise 5.** Make up a dialog using the following words and expressions:

to buy, to be on sale, the original price, 10% off, plus tax, expensive, to pay with a credit card, to accept, to write a check, form of identification, driver's licence, to be OK, an official ID card with photo and signature on it.

**Exercise 6 .** Translate the text. Be ready to render it in English.

**Exercise 7 .** Choose the correct modal verbs.

1. We (can, must, may) deliver the goods only next September.
2. - (Can, must, may) I smoke here?  
- Yes, you (can, must, may).
3. Passengers (can, must, may) come to the airport an hour before the take-off time.
4. If you want to pay for something in an American store, you (can, must, may) pay in cash, by personal checks, or with a credit card.
5. - (Can, must, may) I open my suit-case?  
- No, you (cannot, mustn't, mayn't, needn't).
6. If you have a credit card, you (can, must, may) use it in larger stores to pay for your purchases.
7. You (cannot, mustn't, mayn't, needn't) use your checkbook if you don't have your driver's licence or any other ID on you.
8. People (can, must, may) buy expensive goods on financing.

**Exercise 8** Ask and answer as in the model

*Model:* - Can you clarify the delivery dates?

- No, I can't. I must speak to the General Manager. I can clarify them in half an hour.

- Prompts:*
1. to look through the offer for computers;
  2. to meet the insurance agent;
  3. to fax the letter;
  4. to receive the customers.

**Exercise 9** Translate the sentences. Pay attention to modal verbs and their equivalents.

1. You will have to pay your bank a very high penalty if you bounce a check.
2. Customers have to make a down payment of 10% when they buy expensive goods on financing.
3. They also have to pay interest.
4. Do you often have to come to the office early?
5. Does he often have to contact manufacturers?
6. I couldn't meet you at the airport because I had to complete my work.
7. I know, you'll have to go on business very often.
8. They'll have to stay late in the office tomorrow to look through the contract.
9. Mr. Brown will be able to meet you next week only.
10. I'm afraid, we won't be able to deliver the goods urgently.
11. The General Director won't be able to receive you earlier.
12. When will you be able to clarify the details of this problem?

**Exercise 10** Respond to the questions according to the models.

*Model A:* - Can you give me 100 dollars now? (next Monday)

- No, I can't. I'll be able to give 100 dollars to you next Monday only.

1. Can Ann translate and fax the letter today? (tomorrow morning)
2. Can we make an appointment for 3 o'clock today? (tomorrow, at 10:30)
3. Can you give me a copy of this contract? (tomorrow morning)
4. Can your boss sign these papers now? (tomorrow, at 10 o'clock)

*Model B:* -Do you have go there now? (yesterday) - No, I had to go there yesterday.

1. Do you have to stay in the office tonight? (last night)
2. Do they have to leave for Boston today? (yesterday afternoon)
3. Does Mr. Brown have to phone in the afternoon? (last night)
4. Do you have to tell Mary about it now? (yesterday)
5. Do you have to meet the insurance agent today? (yesterday)

## Unit 7

### Banking system

Banks are closely concerned with the flow of money into and out of the economy. They often co-operate with governments in efforts to stabilize economies and to prevent inflation. They are specialists in the business of providing capital, and in allocating funds on credit. Banks originated as places to which people took their valuables for safe-keeping, but today the great banks of the



world have many functions in addition to acting as guardians of valuable private possessions.

Banks normally receive money from their customers in two distinct forms: on current account, and on deposit account. With a current account, a customer can issue personal cheques. No interest is paid by the bank on this type of account. With a deposit account, however, the customer undertakes to leave his money in the bank for a minimum specified period of time. Interest is paid on this money.

The bank in turn lends the deposited money to customers who need capital. This activity earns interest for the bank, and this interest is almost always at a higher rate than any interest which the bank pays to its depositors. In this way the bank makes its main profits.

We can say that the primary function of a bank today is to act as an intermediary between depositors who wish to make interest on their savings, and borrowers who wish to obtain capital. The bank is a reservoir of loan able money, with streams of money flowing in and out. For this reason, economists and financiers often talk of money being "liquid", or of the "liquidity" of money. Many small sums which might not otherwise be used as capital are rendered useful simply because the bank acts as a reservoir.

The system of banking rests upon a basis of trust. Innumerable acts of trust build up the system of which bankers, depositors and borrowers are part. They all agree to behave in certain predictable ways in relation to each other, in relation to the rapid fluctuations of credit and debit. Consequently, business can be done and cheques can be written without any legal tender visibly changing hands.

(Tom McArthur. "A Rapid Course in English for Students of Economics". Oxford)

### Learn the active vocabulary

the flow of money – *pyx*,

to provide capital –

to allocate –

to allocate funds on credit –

safe keeping –

( )

guardian –

possessions *pl.* - ,

account –

current account (Br.); checking account (Am.) –

deposit account –

( . ),

( . )

to issue a cheque –

to pay interest –

to lend money –  
 to lend money at 12 percent interest – 12%  
 deposited money – ,  
 to earn interest –  
 depositor –  
 intermediary –  
 to act as an intermediary for smb. –  
 savings *pl.* -  
 to make interest on one's savings –  
 ,  
 borrower –  
 reservoir – ,  
 to loan –  
 loanable money –  
 liquid – ,  
 liquidity –  
 to render useful –  
 trust –  
 credit and debit –

## Exercises

**Exercise 1.** Read and translate the text.

**Exercise 2.** Answer the following questions.

1. What are banks closely concerned with and what was their original function?
2. In what way do banks cooperate with governments?
3. How do banks function now and what is their primary function?
4. How does the bank make its main profit?
5. What is the liquidity of money?
6. What is trust for the banking system?

**Exercise 3.** Study the text and:

- a) find in the text the terms which are used to describe banks operations.
- b) pick out set expressions with the word "interest".

Translate them and use in the sentences of your own. c) find in the text word combinations with the word "account" and explain their meanings. What other meanings of this word do you know?

**Exercise 4.** Give English equivalents of the following:

1. ; 2. ; 3. ;
4. ; 5. ; 6. ; 7. ; 8. -

9. , ; 10. ; 11. ;  
 12. ; 13. , ; 14. ;  
 15. ; 16. , -  
 ; 17. ; 18. ;  
 19. , ; 20. ; 21. .

**Exercise 5.** Complete the sentences:

1. Banks are closely concerned with...
2. Banks often co-operate with governments in efforts to...
3. Banks are specialists in the business of...
4. Today the great banks of the world have many functions in addition to ...
5. Banks normally receive money from their customer in two distinct forms: ...
6. With a current account, a customer can ...
7. With a deposit account , a customer undertakes to ...
8. Interest is ...
9. The bank in turn lends the deposited money to ...
10. This activity earns interest for the bank, and this interest is at a higher rate than ....
11. In this way the bank ...

**Exercise 6.** Translate the following sentences into English in written form.

1. , ' , o6i .
2. :
3. ,
4. , .
5. ,
6. -
7. .
8. .
9. , ,

## Spoken practice in American English

### How to keep your money

In order to keep your money safely you can set up an account with a bank. There are different types of accounts you can open. Most people open savings accounts and checking accounts. You can have easy access to your money, that is, you can withdraw and deposit it any time you want and keep it safely. Service fees for the account, if any, are low. The difference is that a checking account does not usually earn you interest, i.e. it won't increase your money.

On the other hand, if you make a deposit in a savings account your money will bring you interest. The annual interest rate varies from bank to bank and from time to time but usually people deposit their money at 2 or 3 percent a year. You only have to keep the minimum balance in your savings account. Otherwise, the bank will charge you a penalty.

To set up a savings account, you need to show the bank teller your passport, driver's licence or another form of identification. You also need to have a social security number. You should be aware, however, that you can only open an account in an American bank in U.S. dollars. If you want to set up an account at a bank, you should bring your money or checks to the bank and the bank teller will open the account for you. After that he or she will give your account number, a record of the amount you have deposited and, usually, an automatic teller card.

You can easily withdraw your money from your account either from the teller window or an automatic teller ("money") machine.

(K. Dibrova, D. Nossamen. "English for Moneyholders". SPb)

### Learn the active vocabulary

automatic teller (money) machine – \_\_\_\_\_ ,  
 keep safely – \_\_\_\_\_  
 easy access – \_\_\_\_\_  
 i.e. (that is) – \_\_\_\_\_  
 increase – \_\_\_\_\_  
 vary – \_\_\_\_\_ ,  
 balance – \_\_\_\_\_ ,  
 identification – \_\_\_\_\_ ,  
 social security number – \_\_\_\_\_  
 bank teller – \_\_\_\_\_ ,  
 record of the amount you deposited – \_\_\_\_\_  
 teller window – \_\_\_\_\_  
 automatic teller card – \_\_\_\_\_



( )

**Exercise 5.** Ask as in the model.

*Model:* A. Didn't you meet him when you were in Boston?

B. Don't you know this man? He is the General Manager of: our company.

C. Isn't it interesting to look through the catalogues?

*Prompts:*

to go on business to France last month;

to contact Blake & Co yesterday;

to phone the White Star Hotel two days ago;

to know m address;

to like hot coffee;

to translate from English;

to make a report at the conference;

to deliver the goods urgently;

to discuss business matters;

to modify one of these models;

to fly to New York;

**Exercise 6.** How could you express your surprise if your friend tells you that he:

1. can't make a report at the conference;
2. doesn't want to phone you;
3. won't fly to New York;
4. doesn't know this man;
5. didn't see the new model of computer when he visited exhibition;
6. isn't interested in going on business to Spain;
7. isn't interested in listening to this journalist;
8. won't discuss business matters.

**Exercise 7.** Say and respond as in the model.

*Model:* - The Sales manager was looking through the catalogues at two yesterday.

- No, he wasn't looking through the catalogues at that time. He was writing letters to our foreign partners.

*Prompts:* to receive American businessmen; to speak to the secretary; to study the offer of Bell & Co; to clarify the delivery terms with Mr. Bell; to fly to Canada; to read an urgent cable from GML

## Unit 8

### From the history of banking

#### Amsterdam discoveries and the bank of England

For full view of banks and money the city to visit is Amsterdam. It is associated with not one but two of great developments in their history.

In 1609, money – hard, coined money – was abundant in Amsterdam. Everywhere in Europe men were taking the coins and sweating and clipping them, thereby getting metal to make more of them. It was to the problem of quality that the merchants of Amsterdam now addressed themselves. They created a bank owned by city; the bank solved the problem of the quality of the coins by going back to the system that antedated the invention of coinage. That was weighing. A merchant brought his good and wretched coins to the bank, the bank weighed them, and the weight of the pure metal was credited to his account. This deposit was a highly reliable form of money. A merchant could transfer it to the account of another merchant. Payments through the bank commanded a premium.

Then came the second Amsterdam discovery. The deposits so created did not need to be left idle in the bank. They could be lent. The bank then got interest. The borrower then had a deposit that he could spend. But the original deposit still stood to the credit of the original depositor. That too could be spent. Money, spendable money had been created. The important thing, obviously, is that the original depositor and the borrower must never come at the same time for their deposits - their money. If they do, they cannot be paid.

In 1694, the Bank of England was formed; its founders subscribed the money the King needed. In return, they were given the right to make loans to others with newly issued notes backed by the King's promise to pay. The Bank became an accomplished instrument for regulating the creation of money by lesser banks – in placing limits on lending and consequent deposit expansion and note issue. In London in the eighteenth century the goldsmiths made loans in notes against the holdings of gold and silver coin. The Bank of England, when it received these notes, returned them for collection in gold or silver. This required the banks to maintain reasonable reserves of cash against their note issues. They could not be reckless in the issue of notes as was Law. Later the Bank acquired for itself a monopoly of note issue, first in London, then throughout the country.

The subordinate or commercial banks could still lend the funds of the depositors. This would mean deposits – money – for those who borrowed. And this money creation could be carried to excess. The Bank of England developed a method of preventing this. When the ordinary or common banks seemed too generous with their loans, the Bank allowed some of their loans to run out or it

sold some of the securities it held. This is the procedure now celebrated as open market operations. The commercial banks could replace their depleted reserves by borrowing from the Bank of England. But that could be restrained by raising the rate of interest. This charge by the Bank of England came to be called the Bank Rate, in the last century a mysterious and wonderful thing. In the United States the Bank Rate is the rediscount rate or, latterly, the discount rate.

Such were the regulatory functions as developed by the Bank of England.

The Bank of England disciplined its subordinate banks by presenting their notes systematically for collection in silver or gold. Thus it required them to keep their loans and resulting deposits in some reasonably safe relationship to their hard cash. This would be the basic function of an American central bank.

(J.K. Galbright "The Age of Uncertainty". Boston)

### Learn the active vocabulary

to be abundant –

to sweat –

to antedate –

wretched coin –

to command –

premium –

idle money –

to stand to the credit of the original depositor –

to subscribe –

an accomplished instrument –

goldsmith –

holding –

to make loans in notes against holdings of gold coin –

( )

to return banknotes for collection in gold –

to run out –

to deplete –

rate of interest –

charge –

The Bank Rate –

discount rate –

rediscount rate –

### Exercises

**Exercise 1.** Read and translate the text.



**Exercise 2.** Check your comprehension, answer the questions:

1. What role did Amsterdam play in the economic life of Europe at the beginning of the 17th century?
2. Why did its role decline?
3. What was typical of coined money circulation in European countries at that time?
4. How was the problem of coins quality solved by the Bank of Amsterdam?
5. How were deposits created?
6. What was necessary for a normal money circulation when banking was just developing?
7. What was the principle difference between the Bank of England and those of Amsterdam?
8. How did the Bank of England regulate the creation of money by lesser banks?
9. What mechanism of regulating money circulation did the Bank of England develop in the 18th century?
10. What changes in monetary regulation were introduced by the Bank later?

**Exercise 3.** Study the text and:

- a) pick out word combinations with the word "rate". Translate them and use in the sentences of your own;
- b) find all the terms which you would use speaking about open market operations;
- c) give the sense of the word combination "idle money".

**Exercise 4.** Give English equivalents of the following:

1. ; 2. po i; 3. ; 4. , -
- ; 5. ; 6. ; 7. ;
8. ( ); 9. ; 10. ;
11. ; 12. ; 13. aci
- ; 14. ; 15. , a epo i po i, ;
18. ; 17. o i , .

**Exercise 5.** Complete the sentences:

1. For the full view of banks and money the city to ... .
2. Everywhere in Europe men taking the coins and sweating and clipping them, thereby ... .
3. It was to the problem of quality that ... .
4. A merchant brought his good and wretched coins to the bank, the bank weighed them, and ... .
5. This deposit was a ... .
6. The deposits so created did not need to ... .
7. In 1694 ... formed.

8. The Bank became an accomplished instrument for ... .
9. The Bank of England, when received these notes, ... .
10. Later the Bank acquired for itself ... .
11. The Bank of England disciplined its subordinate banks by... .

### **U.S. Central bank. The history of establishing**

A few banks existed in the United States during colonial days, but the first real attempt at centralized banking occurred when the federal government chartered the First Bank of the United States in 1791. The primary functions of this central bank were to provide commercial banks services for individuals and business, to act as a banker's bank, to serve as a fiscal agent for the federal government, and to maintain some order in the banking business by exercising restraints on state banks. Political and business opposition to the bank led to the defeat of its recharter in 1811. For the following 5 years only state banks existed.

In 1816, however, the Second Bank of the United States was chartered for a 20-year period. Although it was designed to perform functions similar to those of the First Bank, it had more capital stock and operated on a broader scale. Despite its efficient operation, many people opposed the Second Bank. Some opponents disliked the idea of central authority; others objected to its strict regulations; others were alarmed by the fact that foreigners owned a certain amount of the bank's stock; and still others thought the bank was unconstitutional. Political tensions between the bank's officials and the presidential administration of Andrew Jackson were instrumental in defeating its recharter in 1836.

Between 1836 and 1863 – an era known as the "wildcat banking period" – there was no central authority in the U.S. banking system, and abusive banking practices were prevalent. The National Banking Act of 1864 brought some order to the chaos by creating a National Banking System. Its stringent requirements and provisions for note security ended many unsound operations of private commercial banks. The system had several noticeable weaknesses, however, such as the perverse elasticity of the money supply, the gravitation of reserves towards the money center, and the lack of assistance to the farm sector of the economy because real estate could not be used as collateral for loans. After several years of research and study of foreign central banks such as the Bank of England and the Bank of France, lawmakers replaced the National Banking system in 1913 with the Federal Reserve System by passing the Federal Reserve Act. This established a central-type bank for the United States.

#### **Learn the active vocabulary**

to charter (Am) – , ,  
 fiscal – ,

restraint – ,  
 capital stock –  
 to be instrumental (in doing smth.) – ,  
 opra i a i  
 "wildcat banking period" – ,  
 abusive banking practices – .  
 prevalent – ,  
 note security –  
 unsound –  
 perverse elasticity – ,  
 the Federal Reserve System (or Fed.) –

### Exercises

**Exercise 1.** Say what you have learned from the text about:

- 1) the First Bank of the United States (1791) and the primary functions of that central bank;
- 2) the Second Bank of the United States (1816);
- 3) political and business opposition to the Second Bank;
- 4) "wildcat banking period";
- 5) the Federal Reserve System establishing.

**Exercise 2.** Debate on the following topics

1. The "wildcat banking period" and the National Banking Act of 1864.
2. The history of central bank establishing in the United States and the Federal Reserve Act of 1913.

**Exercise 3.** Say and respond as in the model.

*Model:* - You have received a copy of this letter, haven't you?

- Yes, I have.

- When did you receive it?

- I received it last week.

*Prompts:* 1. to discuss the terms of payment with Mr. Blake;

2. to study the contract form of Brown & Co;

3. to fax the letter to our partners;

4. to phone Dunn & Co.

5. to make an appointment with the sales manager for Friday.

**Exercise 4.** Ask and answer as in the model.

*Model:* - Have you discussed the terms of payment and delivery yet?

- We've already discussed the terms of payment but haven't discussed the terms of delivery.

- Prompts:* 1) to look through the latest catalogues and quotations;  
2) to receive cables from White & Co and Bell & Co;  
3) to find the Telex number of Brown & Co and Smith & Co;  
4) to be to Kiev and New York;  
5) to sign contract with Smith & Co

**Exercise 5.** Ask disjunctive questions to the sentences.

1. Most of people use money every day.
2. All American currency today is in the form of paper money and coins.
3. Many commodities have served as money.
4. Coinage wasn't the invention of the Italians.
5. The U.S. Congress authorized the issue of paper money.
6. We'll clarify the details tomorrow.
7. Some opponents disliked the idea of central authority.
8. He didn't pay in cash for his house.
9. People usually buy expensive goods on financing.
10. This store doesn't accept credit cards.

## Unit 9

### The federal reserve system

The Federal Reserve System (or Fed) is a complex and intricate system composed of a Board of Governors, a Federal Advisory Council, a Federal Open Market Committee, 12 Reserve Banks, 25 branch banks, many member banks, and several minor organizations. It is an instrument of the government and yet is not owned by the government. Instead, it is owned by the member banks; however, its most important officials are appointed by the president of the United States. Each body within the Fed has its own individual function, but the functions of each body are interrelated.

The most important instrument of monetary management is the Federal Reserve open – market operations. Open-market operations are the Fed's continuous purchases and sales of government securities on the open market, to affect bank reserves. The securities used are primary U.S. Treasury bills (T-bills), with a maturity of 1 year or less. Most banks hold government securities, and the Fed can induce banks to sell or buy government securities by offering to buy them at a premium price or to sell them at a discount.

A bank's ability to create money is affected by the amount of reserves it must hold for its checkable deposits. An increase in the reserve requirement decreases the bank's ability to increase the money supply, and vice versa. The Board of

Governors of the Federal Reserve has the authority to determine, within limits, the amount of reserves that banks must hold against checkable deposits. These moneys as designated by the Fed, are referred to as required reserves. Any reserves over and above this amount that bank may have are excess reserves. Both are important to the potential size of the money supply. The Fed may decrease the reserve requirements during periods of low production, income, and employment, to increase the money supply and expand business activity.

The Fed can decrease the banks' ability to expand the money supply by raising the reserve requirement. If the Fed increases the reserve requirement from 10 per cent to 20 per cent, the banks will be short of required reserves. As a result, they must either increase their reserves or recall some of the loans outstanding to bring their reserves up to 20 percent of their checkable deposits. The action of the banks in recalling loans reduces their checkable deposits.

The Fed is an independent organization within the government, not apart from it. As such, it exercises a considerable amount of autonomy. Because the Fed is responsible only to Congress, it may or may not agree with the economic policies of a given presidential administration. But since both have the same objectives (economic growth and high employment, along with a stable price level), their actions usually complement each other.

The Fed bought securities in open-market conditions, lowered reserve requirements, reduced the discount and Fed fund rates, and used moral suasion in an attempt to increase the money supply during the 1990-1981 recession. Similar measures were taken in previous recessions.

During inflationary periods over the past three decades, the Fed has tried to slow the growth of money supply by selling government securities, raising the discount rate, and (at times) raising the reserve requirements. It has also attempted moral suasion, especially through strong public testimony before Congress, in an effort to combat inflation.

Although the Fed usually works hand-in-hand with the administration to stabilize the level of economic activity and the price level, differences of opinion do occur. The most recent instance of this was in 1990, when the annual rate of economic growth fell below 2 per cent and the annual rate of inflation moved above 5 percent. As the economy slowed, the Secretary of the Treasury, the Director of the Office of Management and Budget, the Chairman of the Council of Economic Advisers, and even the president made public statements asserting that lower interest rates were needed to stimulate the economy. The Fed, however, steadfastly maintained its high interest rates at least into the fall of 1990 as a means of combating the inflationary pressures that it felt were developing in the economy.

(Based on Hailstones T.J. Op. cit., p.p. 164-181)

## Learn the active vocabulary

intricate –

Board of Governors – Kepi i

Federal Advisory Council –

a member bank – –

a Treasury bill (T-bill) –

maturity (of a bill) – ( ) , ( )

required reserves –

to sell at a discount –

excess reserves –

reserve requirements –

to recall a loan –

an outstanding loan – ,

moral suasion –

recession – ( )

public testimony –

the Office of Management and Budget –

the Council of Economic Advisers –

## Exercises

**Exercise 1.** Read and translate the text.

**Exercise 2.** Check your comprehension, answer the questions:

1. What is the structure of the Federal Reserve System (Fed)?
2. Is the Fed an instrument of the government?
3. Is the Federal Reserve System owned by the government?
4. What can you say about the functions of each body within the Fed?
5. What is the most important instrument of monetary management?
6. How would you describe the Fed open-market operations?
7. What is the Fed responsible to?
8. In what way has the Fed tried to slow the growth of the money supply during inflationary periods?
9. The Fed usually works hand-in-hand with the administration, doesn't it?
10. Do the differences of opinion occur or not? Give an example if any.

**Exercise 3.** Study the text and:

- a) pick out word combinations with the word "reserve";
- b) translate them and use in the sentences of your own;

c) find all the terms which you would use speaking on T-bill;

**Exercise 4.** Give English equivalents of the following:

1. \_\_\_\_\_ ; 2. \_\_\_\_\_ ; 3. \_\_\_\_\_ -
- \_\_\_\_\_ ; 4. \_\_\_\_\_ ; 5. \_\_\_\_\_ ( \_\_\_\_\_ ) ; 6. \_\_\_\_\_ ,
- \_\_\_\_\_ ; 7. \_\_\_\_\_ ; 8. \_\_\_\_\_ ; 9. \_\_\_\_\_ -
- \_\_\_\_\_ ; 10. \_\_\_\_\_ ( \_\_\_\_\_ ) ; 11. \_\_\_\_\_ ( \_\_\_\_\_ ) -
- \_\_\_\_\_ ; 12. \_\_\_\_\_ , \_\_\_\_\_ ; 13. \_\_\_\_\_ ; 14. \_\_\_\_\_ -
- \_\_\_\_\_ ; 15. \_\_\_\_\_ .

**Exercise 5.** Complete the sentences:

1. The Federal Reserve System (Fed) is a complex and intricate system composed of \_\_\_\_\_
2. The Fed is an instrument of the government and yet it ... .
3. The Fed's most important officials are ... .
4. Each body within the Fed has its own individual function, but ... .
5. The most important instrument of monetary management is... .
6. Open-market operations are the Fed's ... .
7. The securities used are primarily ... .
8. The Fed can decrease the bank's ability to expand ... .
9. Because the Fed is responsible only to Congress ... .
10. During inflationary periods over the past three decades, the Fed has tried to slow the growth of the money supply by ... .
11. Although the Fed usually works hand-in hand with administration ... .
12. The most recent instance of this was... .

### **Crime in banking. Money washing**

Washing money, once a Swiss speciality, was made a crime in that country in 1990. Switzerland's Federal Banking Commission has now published some belated tips for bank employees on how to recognise dirty money on the move when they see it. Grounds for suspicion unastonishingly include sudden activity in a previously dormant account; cash being withdrawn soon after it is deposited; dealings outside the usual pattern; transactions with no recognizable economic motive; a customer's refusal to provide information, or provision of false information.

Banks are told to check carefully when they are asked to open accounts with more than \$67,800 of cash or precious metals. Subsequent big transactions should be scrutinized. Counter staff should question people without accounts who produce suitcases full of bills that they want to change into other currencies.

All this is fine, as long as banks do not then ignore what they find. In Switzerland's biggest money-laundering scandal it emerged that Credit Suisse had

been told by an internal audit committee that two Lebanese brothers were conducting questionable business through their account. The bank did nothing about it. In 1990 the brothers were jailed for laundering millions of drug-dollars. ("The Economist")

### Learn the active vocabulary

belated tips – , ,  
 grounds for suspicion –  
 dormant account (inactive account) – ,

dealings outside the usual pattern – , ,

to scrutinize –  
 to launder (to wash) money –  
 Credit Suisse (in Zurich) – ( )  
 audit – , , ,  
 questionable business – ,

drug –

### Exercises

**Exercise 6.** Say what you have learned from Text about:

- 1) "a Swiss specialty";
- 2) the tips for bank employees published by Switzerland's Federal Banking Commission;
- 3) grounds for suspicion in dirty money recognition;
- 4) preventive measures against crime in banking;
- 5) the biggest money-laundering scandal.

**Exercise 7.** Put the Infinitive in brackets in the Past Perfect Tens.

- 1) When I phoned him he (not / to come) to the office yet.
- 2) He (to return) from the meeting of stockholders when I arrived.
- 3) The rain began after we (to come) from the Institute.
- 4) The secretary (to translate) the contract before she typed it.
- 5) We (to discuss) business matters before the manager signed the contract.
- 6) He came back from the business trip after he (to do) everything.



## Unit 10

### Granting a loan

Assume that farmer Charles Lindale needs \$6,000 to buy seed and fertilizer and to pay wages to laborers he must hire to work his farm. Assume further that he does not have the cash he needs, so he goes to the only bank in his community to borrow funds.

The bank loan officer tells Lindale that if he wants a loan, he must put up collateral – property that is pledged by a borrower to protect the lender's investments. Lindale has equipment valued at \$10,000, so he pledges this as collateral for a \$6,000 loan. To protect itself, a bank generally required collateral in excess of the amount borrowed. If the loan is for 1 year, Lindale signs a note payable to the bank stating that he will repay the \$6,000 plus 12 percent interest (\$720) at the end of the year.

If the bank were to give Lindale \$6,000 in currency, he could easily buy the goods and services needed since people would accept the currency without question. But if it were to do so, the bank would restrict its own ability to make loans and thus to make profit in the form of interest income. Suppose that the bank has \$100,000 in cash reserves. If it lends all this money at 12 percent interest, it will make only \$12,000 per year in interest. This limitation led banks to search for a more profitable method of lending money.

If Lindale comes to the bank today to borrow \$6,000, the bank, instead of giving him the loan in the form of cash, will grant the loan by creating a derivative deposit\* for him. Lindale then writes checks against the created checkable deposit. These checks, which are draft against the bank to pay the bearer a stipulated amount, serve as money. People usually accept them in good faith in exchange for goods and services. Thus, the money supply increases to the extent of checkable deposits created. Since the bank does not lend currency, it might seem able to make an unlimited number of loans in the form of checkable deposits. However, it has to keep sufficient cash on hand to provide for those who want to redeem the checks. (T.J. Hailstone and F.V. Mastrianna "Basic Economics" Ohio)

\* A derivate deposit arises when you borrow money from the bank. It is so named because the deposit derives from the loan. Instead of giving you cash, the bank may open a checking account in your name for the amount of the loan.

### Learn the active vocabulary

seed –

fertilizer –

to borrow – ( )  
 an officer – ,  
 loan –  
 to take out a loan from –  
 collateral – ,  
 to put up collateral –  
 to pledge –  
 lender –  
 loan –  
 to grant a loan –  
 to sign a note payable to the bank –  
 cash reserves –  
 derivative deposit – ( )  
 checkable deposit – , ,

draft – ( )  
 bearer – ,  
 a stipulated amount –  
 to redeem (cheques) – ,

## Exercises

**Exercise 1.** Read and translate the text.

**Exercise 2.** Check your comprehensions, answer the questions:

1. What is the usual procedure in the bank for making a loan?
2. How does the bank protect itself?
3. What is collateral?
4. Why doesn't the bank give loans in currency?
5. What would happen if it did?
6. What is a more profitable method of lending money?
7. How does a derivative checkable deposit increase the money supply, whereas a primary deposit does not?
8. Why does the bank have to keep sufficient cash on hand?

**Exercise 3.** Study the text A and:

- a) give synonyms of the word "loan". Use them in the sentences of your own,
- b) pick out the terms which are used in the text for describing the usual procedure of the bank when granting a loan;
- c) explain the difference between "to create money" and "to make money";

**Exercise 4.** Give English equivalents of the following:

1.           ; 2.           (           ); 3.           ; 4.           -
- ; 5.           ; 6.           ; 7.           ; 8.           '-
- ; 9.           ,           ; 10.           ; 11.           ;
12.           ,           ; 13.           -
- ; 14.           ; 15.           ; 16.           ,           ;
17.           .

**Exercise 5.** Complete the sentences

1. Assume that farmer Charles Lindale doesn't have the cash he needs to buy seed and fertilizer and to pay wages to laborers he must hire, so he ... .
2. The bank loan officer tells Lindale that if he wants a loan, he must ... .
3. To protect itself, a bank ... .
4. If the loan is for 1 year, Lindale signs a note payable to the bank stating that he ... .
5. This limitation led banks to search for ... .
6. If Lindale comes to the bank today to borrow \$6,000, the bank, instead of ... .
7. Since the bank doesn't lend currency, it might seem able to make ... .
8. However, the bank has to keep ... .

**Exercise 6.** Translate the following sentences into English in written form:

1.           ,           -
2.           ,           ,
3.           ,           ,           -
4.           ,           -
5.           ,
6.           .
7.           ,           .

## Spoken practice in American English

### How to start your own business

Mr. Jones made up his mind to start his own business in the retail trade. He did not have enough money so he had to take out a loan from the bank. He used his house as collateral for the loan and borrowed \$3,000 at 5 percent annual in-

terest. That meant that he would have to pay \$150 as interest back to the bank every year.

He bought a stock of CDs from a wholesale company at \$10 a CD. The difference between the wholesale and the retail price on the same item is typically 25 percent, but Mr. Jones knew that CDs are always in great demand and he set the price on the CDs at \$14 per CD. His make-up from the wholesale price was 40 percent.

His goods sold well and during the first month he sold all the stock. He repaid 10 percent of his proceeds to the bank and used the rest to buy a new stock of CDs at the same wholesale price per CD.

By the end of the second month, he sold two-thirds of the stock. He paid 10 percent of the money he made in sales to his bank and bought a stock of the goods at the same price of \$10 again.

He raised the price of CDs to \$15 per item but then sold only 100 CDs. So, he had to reduce the price of CDs by \$2 and within the next four weeks he sold the whole stock. He repaid 10 percent of his proceeds to the bank and continued with his business.

(K. Dibrova, D. Nossamen. "English for Moneyholders". SPb)

### Learn the active vocabulary

Make up one's mind – ,

own –

stock –

CD (compact disk) –

sell (sold, sold) –

at the price of –

make-up from –

sell well –

proceeds – ,

be in demand –

make in sales –

whole –

raise the price by –

wholesale price –

reduce the price by --

retail price –

item – ,

per item –

to take out a loan from – /

to pay bac-- ,

**Exercise 7.** Answer the following questions:



		\$12	-
(package).			\$18,
25%		102	
	\$18		
10%			
	\$12.	\$17	-

**Exercise 11.** Say and respond as in the model.

*Model:* - I work at the bank.

- And I thought you worked at the college.

*Prompts:* 1) to cost \$100;

2) to go to the office by car;

3. to be going to send the shipping documents on Friday;

4. to buy computers from "HiTech" Company

**Exercise 12.** Say and respond as in the model.

*Model:* - The secretary sent a telex to Paris in the morning.

- I didn't know she had sent it in the morning.

*Prompts:* 1) to establish contacts with Christian Dior

2) to sign the contract with Smith S Co;

3) to place an order with Bond & Co

4) to sent a cable to the partners.

**Exercise 13.** Ask and respond as in the model:

*Model:* - The company manager will go on business to France in two weeks.

- And I thought he would go there this week.

*Prompts:* 1) to be back from business trip;

2) to fly to Las Vegas;

3) to start producing a new model;

4) to reduce the price.

**Exercise 14.** Translate the sentences

1. , .
2. , .
3. , .
4. , 12% .
5. , .

6. ,
7. .
8. ,
9. -  
1%

## Unit 11

### Spoken practice in American English

#### Investments: Bonds

Investments are savings that are put to work to earn more money. For example, money in a savings account is an investment because the savings account earns interest. Depositing money in a savings account is an easy way to invest money. Like savings accounts, bonds are an unconditional liability, that is, the organization issuing bonds is liable to redeem the bonds and pay the interest promised at the stated period.

When you buy a bond, you are lending money to the organization selling the bond. You become its creditor. Interest is typically paid twice a year on most bonds. Each bond has its face value printed on the front of the bond certificate. The face value is the amount being borrowed by the seller of the bond. Interest is paid to the investor on that amount. The face value is paid on the bond's redemption date.

Bonds issued by corporations are called corporate bonds. Bonds issued by city and state governments are called municipal bonds. Municipal bonds have an advantage over corporate bonds since the interest earned on the municipal bonds may not be subject to federal income tax. However, the interest rate on municipal bonds may not be as high as that earned on corporate bonds. On the other hand, municipal bonds are usually the safer investment.

The safest investments in securities, especially for small investors, are federal government savings bonds. There are several types of these bonds but the series EE savings bonds are the most popular with customers. Series EE bonds can be purchased for as little as \$25 or as much as \$5000. Savings bonds are bought at a lower price than their face value. For example, series EE bonds are bought at half their face value. A \$50 Series EE bond costs \$25. When the bond is redeemed at the end of the stated period, the government pays the face value. The difference between the purchase price of \$25 and the face value of \$50 is interest earned. A lower amount of interest is earned if these bonds are cashed before the end of the stated time period, which for Series EE bonds is 10 years.

(K. Dibrova, D. Nosamen "English for Moneyholders" SPb)

## Learn the active vocabulary

investment in securities –  
 invest in –  
 municipal bonds –  
 corporate bonds –  
 savings –  
 at half price –  
 purchase for – (       -       )  
 at face value –  
 issue –  
 redeem –  
 at the stated period/date –  
 have an advantage over – /  
 depending on/upon –  
 regardless of –  
 put to work –  
 unconditional liability – ,  
 is liable – ,  
 on the front –  
 seller –  
 redemption date –  
 be subject –  
 tax on –  
 as little as –  
 as much as –  
 lend –  
 state government –

## Exercises

**Exercise 1.** Check your comprehension, answer the questions:

1. What is an investment?
2. Is money deposited in a checking account an investment?
3. What is a bond?
4. What does the term "unconditional liability" mean?
5. How often is interest on bonds paid?
6. What is the face value of the bond?
7. When can the face value of the bond be received?
8. What is the bond's redemption date?
9. What advantage do municipal bonds have over corporate ones?
10. Which bonds usually bring higher interest, corporate or municipal?
11. Which bonds are safer investments?



12. What is the price range of Series EE bond?

13. What is interest on the bonds?

**Exercise 2.** Give English equivalents of the following:

1.                   ; 2.                   ; 3.                   ; 4.                   ; 5.                   -  
                           ; 8.                   ; 7.                   ; 8.                   -  
   ; 9.                   ; 10.                   ; 11.                   ;  
 12.                   ; 13.                   ,                   ; 14.                   ;  
 15.                   ; 16.                   ; 17.                   ; 18.                   ; 19.                   ;  
 20.                   .

**Exercise 3.** Organize the words into affirmative and negative sentences.

1. has, the, by 20%, months, purchase, the, 6, in, price of, risen, bonds, the, last.
2. before, shouldn't, stated, cashed, the bonds, the, have, period, we.
3. they, bonds, did, their, at, redeem, the, stated, period, not.
4. important, corporate, municipal, an, bonds, advantage, over, bonds, have.
5. have, shouldn't, all, invested, you, savings, your, bonds, in, these.
6. market conditions, on, securities, rate, the, the, these, on, changes, depending, interest.
7. have, amount, \$1,000,000, issued, of, bonds, in, the, these, they.
8. safe, I, that, bonds, think, these, don't, are.
9. half, purchase, price, bonds, we, these, could, at.
10. purchase, we, have, bonds, should, of, those, bought, their, regardless, price.
11. the, demand, changes, price, depending on, of, securities supply, and, purchase.
12. knows, less, are, than, ones, knows, that, bonds, everybody, these, those, safe.
13. in, sure, should, we, these, I'm not, whether, invest, bonds.

**Exercise 4.** Translate the sentences, use words and word-combinations from the text above.

1.                   -                   ,                   ,                   ,  
                           .
2.                   -                   ,
3.                   ,                   ,
4.                   ,                   ,
5.                   ,                   -                   .

6. - 1 .  
 7. ?  
 8. , 20%.  
 9. - , , -  
 , , .  
 10. - .  
 11. , .

**Exercise 5.** Translate the sentences.

1. .  
 2. .  
 3. .  
 4. 100 .  
 5. .  
 6. , .  
 7. .  
 8. , -  
 .  
 9. .  
 10. , -  
 .

**Exercise 6.** Act out the dialogs using the given remarks as main ideas.

- I think the best way to use money is to invest it, that is, to buy safe bonds and gradually earn more money.

- I think the best way to use money is to invest it in the things you like, that is, to go shopping and spend it as fast as you can.

\* \* \*

- If we buy those bonds, we'll earn 100% interest in 10 years.

- Does that mean I'll have to wait for 10 years till you buy me the gold ring you promised?

\*\*\*

- Investments in bonds are very safe and profitable. These municipal bonds can earn 100% interest in two years.

- With this inflation rate, your interest will only be enough to buy a match box.

**Exercise 7.** Translate the text. Be ready to render it in English:

, , , , ,

**Exercise 8.** Ask and answer as in the model.

*Model:* - Does your company do good business?

- Yes, many contracts are signed by our company every year.

- Prompts:*
1. to place orders;
  2. to receive enquiries;
  3. to conclude transactions;
  4. to receive offers;
  5. to establish business contacts.

**Exercise 9.** Ask and answer as in the model.

*Model:* - Have you signed the contract yet?

- Yes, it was signed two days ago.

- Prompts:*
1. to make a reservation for the flight;
  2. to discuss the terms of the contract;
  3. to establish business relations with American companies.
  4. to meet the insurance agent;
  5. to pay the bill.

**Exercise 10.** Ask and answer as in the model.

*Model:* - When are you going to buy the bonds?

- They will be bought next Monday.

- Prompts:*
1. to clarify the details;
  2. to test the computer;
  3. to send the cable;
  4. to arrange the exhibition of new samples;
  5. to answer the partner's offer.

**Exercise 11.** Use the Passive Voice, saying why:

1. you didn't send the copy to the partner;
2. the Buyers didn't accept the price;
3. you didn't look through the catalogues;
4. the secretary didn't type three copies of the letter;
5. you will not sign the contract tomorrow;
6. you will not pay the bill this week;
7. your company will not export the good next year;
8. the shipping company will not deliver the goods on time;

**Exercise 12.** Read the models:

*Models:* a) When was interest paid on these bonds? b) When were the bills paid?

Ask your partner as in the models:

- Prompts:* 1. to obtain the information;
2. to fax the letter to the Insurance Company;
  3. to translate the contract into English;
  4. to publish the telex numbers in Telex Directory;
  5. to receive the cables.

**Exercise 13.** Read the text. Pay attention to the Passive Voice frequent using in the sentences.

### Making money

The paper used for money is made out of cotton because this is strong. The bills have to be difficult to copy, so they have a watermark and often a security thread in them.

*The Watermark.* The watermark is made by making the paper thicker in some places and thinner in others when it is still wet. Look out for them in other types of paper too. You can see the watermark if you hold a note up to the light.

An artist designs a new bill. An engraver cuts the design into a sheet of steel. This is used to make printing plates with many copies of the design on each one.

*Printing.* A machine presses the inked plates onto paper to make a sheet of bills. It can make 9000 sheets an hour in up to eight colors.

The sheets are then cut into single bills and packed.

(From "How Things Are Made")

### Learn the active vocabulary

cotton –

strong –

bill –

watermark – (            )

security thread –

engraver –  
steel –  
ink –  
single –

## Unit 12

### Investments: Stocks

Another way of investing money are stocks. Investing in stocks is quite different from investing in bonds. When you invest in bonds, you lend money. When you invest in stocks, you become a part owner of a firm. If a business is profitable, part of the profits may be distributed among the stockholders proportionally to the number of stocks they own.

Stocks are popular with many people because they are attracted by the chance of earning a high rate of return. But the risk of losing your savings invested in stocks is usually greater with stocks than with bonds. Bonds are an unconditional liability whereas stocks are not. This means that a company must pay its bondholders the rate of interest promised regardless of whether its business has been profitable or not and before it can pay any dividends to stockholders.

The dividend rate on stock, however, changes up and down depending on whether the company has been profitable or not. If there is not enough money left to pay dividends, or if the general meeting of company on the proposal of the Board of Directors decides to use the money earned for business expansion, stockholders might get nothing back from their investment. On the other hand, if the corporation does well and the Board of Directors declares dividends the stockholders can get a lot of dividends.

There are two major classes of stocks issued by corporations, preferred and common stocks. Preferred stock has priority over common stock in the payment of dividends. A preferred stockholder, for example, is paid first if profits are used to pay any stock dividends. The dividends paid to preferred stockholders are usually limited to a certain rate, which is indicated on the stock certificate. Preferred stock is less risky than common stock.

Common stock provides ownership in a stock company and a share of its profits. Common stockholders are eligible to vote at the general meetings to determine the strategy of the company. On a show of hands every stockholder has one vote and on a poll he has one vote for every stock he owns. Common stock, however, has no stated dividend rate. Common stockholders only receive dividends after preferred stockholders receive their share of dividends. Yet, if the profits of a company are large the common stockholders may receive more in dividends than preferred stockholders.

In selecting stock to purchase, you need to determine for yourself which of these factors are most important to your personal investment plan: safety, liquidity, or rate of return? If you buy stocks of a company with good business record, your investment can be very safe, i.e. you can be sure that the money you have invested will be returned to you but the profit it earns might be low.

On the other hand, an investment can earn you a very high rate of return but might not be liquid. In other words, if you need money right away you may find it difficult to turn your investment into cash quickly. You should be aware that no single investment can give you the highest possible rate of return and still be very liquid and safe.

(K. Dibrova, D. Nossamen.. "English for Moneyholders". SPb)

### Learn the active vocabulary

common stock (Am.) –  
 ordinary share (Br.) –  
 preferred stock ( m.) –  
 preference share (Br.) –  
 Board of Directors –  
 pay (out) dividends on – ,  
 receive N in dividends – N  
 liquid –  
 have a high/low rate of return – /  
 Market value –  
 risky –  
 corporation - A/O –  
 joint stock company –  
 common stockholder –  
 preferred stockholder –  
 stated dividend rate on –  
 at the general meeting of stockholders –  
 part owner –  
 on the proposal –  
 be eligible to vote –  
 a show of hands –  
 a poll –  
 a share – ,  
 business record –  
 business expansion –

### Exercises

**Exercise 1.** Check your comprehension, answer the questions.

1. What are the main differences between bonds and stocks?
2. How are dividends distributed?
3. Why do people invest in stock?
4. What is the disadvantage of investing in stock compared with investing in bonds?
5. Why is not stock an unconditional liability?
6. What does the rate of dividends depend on?
7. What happens if the company does not make profits?
6. What is the stated dividend rate?
9. What advantage do preferred stocks have over common stocks?
10. What right does common stock give to its holder?
11. How many votes does a stockholder have at the meetings of his company?
12. What is safety of an investment?
13. What is liquidity of an investment?
14. What is rate of return?

**Exercise 2.** Give English equivalents of the following

1. ; 2. ; 3. ; 4. , -
5. ; 6. ; 7. -
8. ; 9. ; 10. -
11. ; 12. ; 13. -
14. ; 15.
16. ; 17. ; 18. ; 19.
20. ; 21. ; 22. ;
23. ; 24. ; 25. ; 26. ;
27. ; 28. ; 29. .

**Exercise 3.** Use American equivalents to complete the sentences.

1. They ( ) to set up ( ) with the capital of \$10,000.
2. He said that he is not sure whether the ( ) will agree to use all the profits for ( ).
3. How much is the ( ) this stock?
4. ( ) the ( ) promised the ( ) to pay dividends on both preferred and common stocks.
5. The ( ) to call the annual ( ) for December 20.
6. The ( ) the common stock is 20% lower than the interest on these bonds.
7. I'm not quite sure that preferred stocks are an unconditional liability of a ( ), that is, whether it can avoid paying dividends on them or, not.
8. ( ) receive ( ) but ( ) can receive a higher rate of return if the company does well.

**Exercise 4.** Translate the sentences:

1. , , -
2. , .
3. , -
4. .
5. , , ?
6. ,
7. , , , .
8. ?
9. , ,
10. 30% - .
11. .
12. -
13. , . -
14. , .
15. - .
16. .
17. , -
18. .
19. , .
20. , , , .

**Exercise 5.** Read and learn the dialog.**Dialog**

- I always like to invest my savings in bonds.
- Why? I guess it's boring to invest in bonds and then wait for years until they redeem them. Stocks are much more exiting.
- But stocks are risky.



- Yes, they are, but you can gain a lot of money.
  - Yes, but can lose a lot as well. With bonds, your original investment is in very little danger.
  - Well, but you don't stand to gain as much as with stocks. Have you ever invested in stock?
  - No, but my parents did, and they lost a lot of money in 1995. That's why I avoid playing the stock market.
  - I see. To be successful takes a combination of luck, skill and good advice. I have been pretty lucky so far, and I have a good stockbroker. If you ever interest in stocks you should call him. Some stocks are no more risky than some bonds, you know.
  - I see. Well, I'll think about it. I'm in a hurry - maybe I'll give you a call later.
  - OK. You have my number. Bye!
  - Bye.
- (K. Dibrova, D. Nossamen. "English for Money holders". SPb)

**Exercise 6.** Organize the words into affirmative, negative and interrogative sentences.

1. paid out, the, yet, they, dividends, shocks, have not, on, these.
2. A very, these, have, high, safe, stocks, rate of, they, are not, return, but.
3. Did, in, on, stocks, dividends, how much, you, those, receive?
4. Value, of, rising, the, month, market, has been, these, stocks, by 5%, every, since October.
5. A lower, preferred, common, a safer, stocks, have, return, than, ones, are, but, they, rate of, investment.
6. Liquid, these, lower, they, stocks, and, of, return, but, have, a, rate, are, safe.
7. The, dividends, this, general, stockholders, decided, out, year, meeting, of, not, to, pay.
8. We, invest, decided, the, all, business, profits, to, expansion, in.
9. Rate, common, stated, do, stocks, not, have, a, dividend.
10. What, decide, the, of, on, this, Directors, did, question, Board?

**Exercise 7.** Act out the dialogs.

1. A broker and a client: which stocks to purchase?
  2. You were constantly telling me that their stocks are absolutely safe. Do you know that they declared bankruptcy?
  3. When they pay dividends on our stocks we'll buy us a home in Paris – That'll be the day!
  4. We are ruined. They stopped dividend payments! – I knew as much!
- a broker: an agent who negotiates contracts of purchase and sale for a fee or commission; also: a dealer.

**Exercise 8.** Translate the text. Be ready to render it in English.

**Grammar Revision: The Passive Voice (The Present and Past Perfect Tenses)**

**Exercise 9.** Translate the dialogs. Pay attention to the use of the Passive Voice.

A. - Where is today's mail?

- I haven't seen it. I think it hasn't been delivered yet.

B. - We signed the contract for computers with HiTech Company only two days ago.

- Did you? I thought the contract *had been signed* a week before.

**Exercise 10.** Ask and answer as in the model.

*Model:* - When did they complete the construction of the new hotel? - It had been completed by last June.

*Prompts:* 1. to establish the commercial centre;

2. to build the new assembly shop;

3. to ship the good to Smith and Co;

4. to introduce the latest model of computer to the market.

**Exercise 11.** Say:

1. What has not been done at your office this week.

2. What has not been done by the end of office hours yesterday.

3. What had not been done before you went on a business trip.

**Exercise 12. Ask and answer as in the models**

A. *Models:* - Has the equipment been delivered to Brown and Co? – It certainly has. It was delivered in May.

*Prompts:* 1. to settle the price problem with Green and Co;  
2. to introduce the latest model of PC to the market;  
3. to open the new commercial centre;  
4. to test the new equipment.

B. *Model:* - Had accommodation **been** reserved for Mr. Hunt before he left for London? – Yes, it had.

*Prompts:* 1. to give any instructions;  
2. to study the latest catalogues; 3. to send a telex; 4. to study the contract form.

**Exercise 13.** Make up affirmative, negative or interrogative sentences using the Passive Voice (Present and Past Perfect).

1. to sign the contract with Blake and Co;  
2. to discuss all the terms of the contract; 3. to deliver the goods to Bell and Co; 4. to send the exhibits to the international exhibition; 5. to complete the talks with Brown and Co; 6. to advertise the good in the "Foreign Trade" journal.

## Part II

This part of the course is for intermediate and more advanced students who need, or will soon need, to use English in their work. There are 6 units, each centered around a different economics item, designed to involve students in a variety of task-oriented "integrated activities". As there is no international standard form of English, we have incorporated both British and American usage into the book.

### Unit 1

#### Introduction to economics

What is Economics?

Central Questions in Economics

Text for retelling (Adam Smith, Father of Modern Economics)

The Price System

Text for retelling (How the price system determines the rate of economic growth)

#### What is Economics?

According to one standard definition, economics is concerned with the way resources are allocated among alternative uses to satisfy human wants. This definition is fine, but it does not mean much unless we define what is meant by human wants and by resources.

Human wants are things, services, goods, and circumstances that people desire. Wants vary greatly among individuals and over time for the same individual. Besides the basic desires for food, shelter, and clothing, which must be fulfilled to some extent if the human organism is to maintain its existence.

Resources are the things or services used to produce goods which then can be used to satisfy wants. Economic resources are scarce, while free resources, such as air, are so abundant that they can be obtained without charge. The test of whether a resource is an economic resource or a free resource is price: economic resources command a nonzero price, but free resources do not. Economic resources can be classified into three categories: land (a shorthand expression for natural resources, land includes minerals as well as plots of ground); labour (human efforts both physical and mental); capital (buildings, equipment, inventories, and other nonhuman producible resources that contribute to the production, marketing and distribution of goods and services all fall within the economist's definition of capital).

## Central questions in economics

Economists are particularly concerned with four basic questions regarding the working of any economic system - ours or any other. These questions are:

1) What to produce?

a) Food (You have to have food)

b) Clothing

c) Housing (shelter)

2) How much or how many?

Geography may answer this question.

3) What method to use?

Handle, mechanic resources, robotacts; i.e. kind of labour.

There should be economic decision of the problem: government and private business can work together. It's not easy, but it is possible.

4) How to distribute? (Goods and services).

How to get it from A to B. A <----->

These questions lie at the core of economics, because they are directed at the most fundamental characteristics of economic systems. They are problems of choice.

Economists often distinguish between positive economics and normative economics. Positive economics contains descriptive statements, propositions and predictions about the world; whereas normative economics contains statements about what ought to be, or about what a person, organization, or nation ought to be. In normative economics, the results you get depend on your basic values and preferences; in positive economics, the results are testable, at least in principle, by an appeal to the fact.

(Edwin Mansfield, Economics, University of Pennsylvania)

### Terms to understand

Human wants, economic resources, positive economics, normative economics.

### Terms to memorize

Shelter, maintain, capital, marketing, choice, distribution, equipment, statement, resource.

### Glossary

Economics the study of how resources are allocated among alternative uses to satisfy human wants.

Resources inputs used to produce goods and services.

Normative economics economic propositions about what ought to be, or about what a person, organization, or nation ought to do.

Opportunity cost the value of what certain resources could have produced had they been used in the best alternative way; also called alternative cost.

### Questions for Discussion

1. What do we mean by "efficient" economic system?
2. Why does poverty exist in the world today, and what can be done to abolish it?
3. We described four basic questions that any economic system must answer. Which of these questions is involved in following problem:  
Should more of our nation's industry be used to produce food?

### Grammar Review

1. Find sentences in the above text that contain the past participle of verbs that are indicated below:  
consider, mean, use, classify, direct, allocate, fulfill, obtain, concern.
2. Find sentences that contain modal verbs and translate them.
3. Word-formation. Give all possible forms of the word.  
define, satisfy, economy, produce, govern, distribute, describe, organize, state.

### Text for retelling

#### Adam Smith, father of modern economics

Economics has influenced generations of statesmen, philosophers, and ordinary citizens, and has played a significant role in shaping our society today.

To illustrate the importance of economic ideas, let's consider some of the precepts of Adam Smith (1723 - 90), the man who is often called the father of modern economics. Much of his masterpiece "The wealth of Nations" seems trite today, because it has been absorbed so thoroughly into modern thought, but it was not trite when it was written. On the contrary Smith's ideas were revolutionary. He was among the first to describe how a free, competitive economy can function – without central planning or government interference – to allocate resources efficiently. He recognized the virtues of "invisible hand" that leads the private interest of firms and individuals toward socially desirable ends, and he was properly suspicious of firms that are sheltered from competition, since he recognized the potentially undesirable effects on resource allocation. In addition Smith was interested in the forces that determined the evolution of the economy that is the forces determining the rate of growth of average income per person. Smith felt that saving was good because it enabled society to invest in machinery and other forms of capital. Accumulating more and more capital would, according to Smith, allow output to grow. In addition, he emphasized the impor-

tance of increased specialization and division of labour in bringing about economic progress.

All in all, Smith's views were relatively optimistic, in keeping with the intellectual climate of his time – the era of Voltaire, Franklin, and Jefferson, the Age of the Enlightenment, when men believed so strongly in rationality. Leave markets alone, said Smith, and beware of firms with too much economic power and government meddling. If this is done, there is no reason why considerable economic progress cannot be achieved. Smith's work has been extended in a variety of ways in the past 200 years. But his influence on modern society has been enormous.

(Edwin Mansfield, Economics, University of Pennsylvania)

### **Extra discussion idea:**

"Resources are scarce and once a decision is made to use them for one purpose, they are no longer available for another. One opportunity cost of reading an article, for example, is not simultaneously being able to read another article."

(Adam Smith, *The Wealth of Nations*, New York: Modern Library, 1937)

Explain, and relate to the question of how a student should allocate his time among various course assignment.

Explain the meaning of the following word combinations:

standard definition; human wants; to maintain the existence of human organism; to satisfy wants; nonzero price; shorthand expression; human producible resources.

### **Oral topics:**

- 1) What is economics?
- 2) What determines what, how much, how is produced?
- 3) What is opportunity cost?

## **The price system**

There are two sides of every market: the demand side and the supply side. The demand side can be represented by the market demand curve, which almost always slopes downward to the right and whose location depends on consumer tastes, the number and income of consumers, and the price of other commodities.

The demand side can be represented by a market demand curve, which shows the amount of the commodity buyers would like to purchase at various prices.

The supply and demand of market can be represented by the market supply curve, which generally slopes upward to the right and whose location depends on technology and resource prices.

The equilibrium price and equilibrium quantity of the commodity are given by the intersection of the market demand and supply curves. If conditions remain reasonably stable for a time, the actual price and quantity should move close to the equilibrium price and quantity.

Changes in the position and shape of the demand curve – in response to changes in consumer tastes, income, population, and prices of other commodities - result in changes in the equilibrium price and equilibrium output of a product. Similarly, changes in the position and shape of the supply curve in response to changes in technology and resource prices, among other things – also result in changes in the equilibrium price and equilibrium output of a product.

To determine what goods and services society will produce, the price system sets up incentives for firms to produce what consumers want. To the extent that they produce what consumers want and are willing to pay for, firms reap profits; to the extent that they don't, they experience losses.

The price system sets up strong incentives for firms to produce goods at minimum cost. These incentives take the form of profits for firms that minimize costs and losses for firms that operate at relatively high costs.

To determine who gets what, the price system results in each person's receiving an income that depends on the quantity of resources he or she owns and the prices that they command.

The price system establishes incentives for activities that result in increases in a society's per capita income. For example it influences the amount of new capital goods produced, as well as the amount society spends on educating its labour force and improving its technology.

They are circular flows of money and products in a capitalist economy. In product markets, firms provide products to consumers and receive money in return. In resource markets consumers provide resources to firms, and receive money in return.

(Edwin Mansfield, Economics, University of Pennsylvania)

### **Terms to understand**

Equilibrium price, equilibrium quantity, market demand, price system, capita income.

### **Terms to memorize**

Slope down; commodity; incentives; cost, loss, profit

### **Glossary**

Market a group of firms and individuals that are in touch with each other in order to buy or sell some good or service.



Price system a system under which every good and service has a price, and which in a purely capitalistic economy carries out the basic functions of an economic system (determining what goods and services will be produced, how the output will be produced, how much of it each person will receive, and what the nation's growth of per capita income will be).

Actual price the price that counts in the real world. The actual price will approximate the equilibrium price.

### **Questions for discussion:**

- 1) How the price system determines what is produced.
- 2) How the price system determines how goods are produced.
- 3) How the price system determines who gets what.
- 4) How the price system determines the rate of economic growth.

### **Grammar Review**

1. Find all the examples of Participle II in the above text.
2. Find the verb-forms in the Simple and Perfect Tenses.

### **Text for retelling**

## **How the price system determines the rate of economic growth**

A nation's rate of increase of per capita income depends on the rate of growth of its resources and the rate of increase of the efficiency with which they are used. First, consider the rate of growth of society's resources. The price system influences the amount society invests in educating, training, and upgrading its labour resources. To a considerable extent, the amount invested in such resource – augmenting activities is determined by the profitability of such investments, which is determined in turn by the pattern of prices.

Next, consider the rate of increase of the efficiency with which a society's resources are used. Clearly, this factor depends heavily on the rate of technological change. If technology is advancing at a rapid rate, it should be possible to get more and more out of a society's resources. The price system affects the rate of technological change in a variety of ways: it influences the profitability of investing in research and development, the profitability of introducing new processes and products into practice, and the profitability of accepting technological change – as well as the losses involved in spurning it.

The price system establishes strong incentives for firms to introduce new technology. Any firm that can find a cheaper way to produce an existing product or a way to produce a better product, will have a profitable jump on its competitors. Until its competitors can do the same thing, this firm can reap higher profits than it otherwise could. Of course, these higher profits will eventually be competed away, as other firms begin to imitate this firm's innovation. But lots of

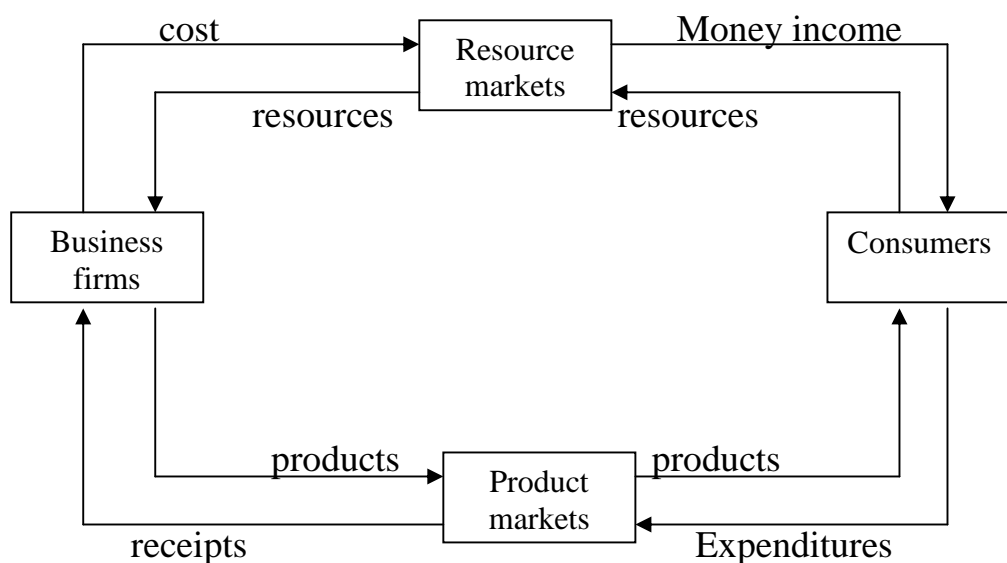
money can be made in the period during which this firm has a lead over its competitors. These profits are an important incentive for the introduction of new technology.

(Edwin Mansfield, Economics, University of Pennsylvania)

### Oral topics:

1. Actual price
2. The price system in action
3. Price ceilings and price supports
4. The circular flows of money and products.

Do it with the help of figure below.



## Unit 2

### Money and the economy

What is Money?

Money Matters

Methods of Payment in Foreign Trade

Extra Activity (Business Situations)

Money and the Economy

### What is money?

We begin by defining money. At first, it may seem natural to define it by its physical characteristics. You may be inclined to say that money consists of bills

of a certain size and colour with certain words and symbols printed on them, as well as coins of a certain type. But this definition would be too restrictive, since money in other societies has consisted of a variety of things. Thus it seems better to define money by its functions than by its physical characteristics. Like beauty, money is as money does.

According to an ancient Roman "Money alone sets all the world in motion".

So, first, money acts as a medium of exchange. People exchange their goods and services for something called money, and then use this money to buy the goods and services they want. To see how important money is as a medium of exchange, let's suppose that it did not exist. To exchange the goods and services they produce for the goods and services they want to consume, people would resort to barter, or direct exchange. Of course this would be a very cumbersome procedure, since it would take lots of time and effort to locate and make individual bargains with each of these people.

Secondly, money acts as a standard of value.

It is the unit in which the prices of goods and services are measured. Money prices tell us the rates at which goods and services can be exchanged.

Third, money acts as a store of value.

A person can hold on to money and use it to buy things later. You often hear stories about people who have a lot of money under their mattresses or bury it in their back yards. But even those of us who are less miserly use this function of money, keep some in the bank to make future purchases.

Finally, it should be recognized that money is a social invention. It is easy to assume that money has always existed, but this is not the case. But regardless of its form or characteristics, anything that is a medium of exchange, a standard of value, and a store of value is money. Money has value because people will accept it in payment for goods and services.

(Edwin Mansfield, Economics, University of Pennsylvania)

### **Terms to understand**

Medium of exchange, standard of value, store of value, social invention.

### **Terms to memorize**

Cumbersome procedure, individual bargains, recognize, regardless of, purchase, payment.

### **Glossary**

Money anything that serves as a medium exchange and a standard and store of value; the unit in which the prices of goods and services are measured.

Consumer an individual or household that purchases the goods and services produced by the economic system.

### Questions for Discussion

1. Money as a medium of exchange.
2. Money as a standard of value,
3. Money as a store of value.
4. Money is a social invention.

### Money matters

Very often in business situations people have to talk about money with clients and customers and either physically handle money or perhaps deal with figures and money on paper. Particularly if you work in the accounts department of a large firm you may have to send a customer a reminder because they have not paid an invoice. Or you may have to fill in invoices for customer's orders. You may even have to decide whether customers can have further credit and delay paying their outstanding bills: this is called "credit assessment". If you are working in international trade you may need to be familiar with the different types of payment that exist.

In most middle-sized and large firms there is an accounts department which deals with the money paid out to clients for goods delivered and the money received from customers for goods supplied.

The following table gives you a very general idea of the different activities which involve money in an accounts department. Two of the most important processes are paying customers and billing or controlling credit of customers. It is normal to send a pro-forma invoice in advance when supplying goods to a customer. In a situation in which the customer is known and reliable, firms may send an invoice after the delivery.

(International Business English, Cambridge University Press)

Accounts-dealing with money coming in and going out from a firm

Purchasing:	delivery notes :	in	from customer
	Invoices		
	cheques	out	to customer
	payments –		
	(you pay the invoice)		
Sales:	delivery note :	in	
	internal		
	invoice	out	to customer
	credit notes		
	payments -	in	from customer
	cheques etc.		
	(you invoice the customer)		

Various types of payment may be encountered in international trade. Some of the more common ones are discussed below.

### **Methods of payment in foreign trade**

1. CWQ-Cash with order: This is uncommon since you are in effect extending credit to your supplier: in addition you run the risk that the goods will not be dispatched in accordance with the contract terms. Nevertheless, provision for partial advance payments in the form of deposits, or progress payments at various stages of manufacture, is often included in the contract terms. The remainder of the payment will usually be made by one of the methods described in the following section headed "Open Account".

2. Open Account: This is a simple agreement whereby you agree to pay for the goods after you have received them, usually on a monthly basis. There are various ways in which you can send money to your supplier under open account, for example:

**Cheque**: This is usually the slowest method of payment and may result in your supplier having to bear charges from his own bank and also from UK banks since a cheque has to be cleared through the international banking system before he receives credit.

**Bankers Draft**: You can arrange for your bank to issue a draft on an overseas bank in either sterling or foreign currency. You send this direct to your supplier who pays it into his bank account.

**Telegraphic Transfer**: This is the fastest method of sending money abroad but costs a little more than most other methods of transferring funds. If you wish, the overseas bank can be instructed to advise your supplier immediately funds arrive.

**International Payment Order**: These orders may be slower than telegraphic transfers, but are slightly cheaper because there are no cable costs.

**International Money Order**: You post the money order to your supplier and he receives immediate credit from his bank in the same way as with a draft. This is a very cheap and simple way to make payment of relatively small amounts.

3. Documentary Bill of Exchange: This is a popular way of arranging payment and offers benefits for both you and your supplier. The main advantage is that you are not required to make payment until your supplier has dispatched the goods. The overseas bank will send the bill and documents to a bank in the UK for "collection", the latter will notify you of the arrival of the documents and will release them to you provided that if the bill is drawn at "sight" you pay him amount of the bill in full when it is presented to you.

(International Business English, Cambridge University press)

### A partial Glossary of some of the terms:

Bills of exchange – documents containing an instruction usually to a bank to pay a stated sum of money at a specified future date or on demand.

Drawn at sight, – a bill of exchange which is payable when the beneficiary present it at the bank is said to be drawn at sight.

Revocable – a letter of credit etc. which is able to be cancelled.

Port of discharge – the port at which the cargo is unloaded etc.

### Follow-up discussion

1. What are your own experiences of making foreign payments?
2. What methods do you use in your firm?
3. What methods do you never use and why?
4. What methods would you advise small companies in your country to use? Why?

### Extra Activity

Business situations: Please, show your reaction.

Your firm receives an invoice from a supplier, Mr. Robertson. You find he has changed the method of payment. He wants you to pay by letter of credit instead of by cheque. What do you say when you ring him up about this?

(Really, Mr. Robertson, we didn't at all expect/ we can't accept a change in/ You never informed us/ should have told us there was going to be changed. )

Your company have received a bill for a large sum of money. Your account will not have sufficient money in it to pay by cheque. You ring the credit controller of your supplier to ask to delay payment. What do you say to her?

### Oral topics:

1. Retell the text "Money Matters"
2. Speak about methods of payment in foreign trade.

## Unit 3

### The Banking System

The Banking System  
 Text for retelling  
 (The Bank of America)  
 Sample dialogue  
 (In the bank)

## The Banking System

Banking is often viewed as a colorless, dull profession whose practitioners are knee-deep in deposit slips and canceled checks. Yet despite these notions, most people recognize the importance of the banks in our economy, perhaps because the banks deal in such an important and fascinating commodity money. Most of the banks are state banks and there are commercial banks as well.

Commercial banks have two primary functions. First, they hold demand deposits and permit checks to be drawn on these deposits.

Second, banks lend money, to industrialists, merchants, home owners, and other individuals and firms. Most of our money supply is not coin and paper currency, but bank money – demand (and other checkable) deposits. This money is created by banks.

Although it is difficult to generalize about the operations of commercial banks because they vary so much, certain principles and propositions generally hold.

1. Banks generally make loans to both firms and individuals, and invest in securities of state, local and federal government. The relationship between a business firm and its bank is often a close and continuing one. The relationship between an individual and his or her bank is much more casual, but banks like consumer loans because they tend to be relatively profitable.

2. Banks, like other firms, are operated to make a profit. They don't do it by producing and selling a good, like automobiles or steel. Instead, they perform various services, including lending money, making investments, and so on.

3. Banks must constantly balance their desire for high returns from their loans and investments against the requirement that these loans and investments be safe and easily turned into cash.

Since a bank's yield a high interest rate, it is clear why a bank favour high returns from its loans and investments.

The banking system as a whole can increase its demand deposits by an amount equal to its excess reserves divided by legally required ratio of reserves to deposits. Thus, if excess reserves in the banking system equal a certain amount, the banking system as a whole can increase demand deposits by the amount of the excess reserves divided by the legally required ratio of reserves to deposits. We have assumed that the banks want to hold no excess reserves. Since banks make profits by lending money and making investments, this assumption is generally sensible. But when loans are risky and interest rates are low, banks have been known to hold large excess reserves. Clearly, an injection of excess reserves or a deficiency of reserves will not have their full, or maximum, effect on demand deposits if the banks do not lend and invest as much as possible.

(Edwin Mansfield, Economics, University of Pennsylvania)

### Terms to understand

State bank, commercial bank, national bank, member bank, central bank.

### Terms to memorize

Deposit, slip, cancel, security, local, supply, currency, coin, federal, invest, interest, rate, loan, lend, casual, sell, assumption, profit.

### Glossary

Central bank: a government – established agency that controls the supply of money and supervises the country's commercial banks.

Member banks the commercial banks all of the national banks and many of the larger state banks that belong to the Federal Reserve System.

National banks commercial banks chartered by the federal government.

### Questions for Discussion

1. Banks do not create money. After all, they can only lend out money that they receive from depositors. Comment and evaluate.
2. Demand deposits are increased by banks when they call in loans and sell investments. Comment and evaluate.
3. Describe the way in which the banking system can create money if there is a single monopoly bank in the nation.

### Grammar review

Each of the following sentences contains verbal. Underline each of them. Identify each verbal in order it appears and classify it as follows: G – gerund; P1 present participle; I – infinitive; P2 past participle;

1. Banking is often viewed as a colourless, dull profession.
2. The banks deal in such an important and fascinating commodity money.
3. They permit checks to be drawn on these deposits.
4. This money is created by banks.
5. The relationship between a business firm and its bank is often a close and continuing one.
6. They tend to be relatively profitable.
7. Banks are operated to make a profit.
8. They don't do it by producing and selling a good.
9. They perform various services, including lending money, making investments, and so on.
10. We have assumed that the banks want to hold no excess reserves.



## Text for retelling

### The bank of America

We can learn something about banking in the United States from the history of a particular bank – the Bank of America, one of the nation's largest commercial banks. In 1904, Amadeo Peter Gannini, a 34-year old son of Italian immigrant, founded the Bank of Italy in the Italian district of San Francisco.

Gannini showed the sort of entrepreneurial zeal in banking that would be expected from his previous track record. As an illustration, consider the following example:

In 1906, the city of San Francisco was rocked by earthquake and swept by fire. As the flames approached the little Bank of Italy, the young banker piled his cash and securities into a horsedrawn wagon and took them to his home at San Mateo, where he buried them into the garden; and while the ruins of the city were still smoking he set up a desk in the open air, put up a sign over the desk which read Bank of Italy, and began doing business again. Gannini's bank prospered and grew. By the time he was 50, it had over 25 branches. This was the fourth largest commercial bank in the country.

In 1930, Gannini's bank was renamed the Bank of America. In the next 50 years, the Bank of America grew and grew. By 1983, it had deposits of about \$ 90 billion, and was the largest commercial bank of the United States.

(Frederick Lewis Allen, The Lords of Creation, New York)

### Oral topics:

1. How bank operates.
2. Commercial Banks
3. Member banks.

### Sample dialogue

#### In the bank

A: When does the Bank close?

B: At 5 p.m. Do not be in a hurry. You've got plenty of time.

A: I'd like to open a checking account.

B: You are welcome. In a minute you'll have your checkbook.  
Here it is.

A: Can I open a saving account with \$100?

: I'm sorry it's impossible. You may have credit card instead.

A: O.K. Should I fill out the form? And where should I sign?

B: That's the place. Thank you. You are always welcome.

\*\*\*

A: I have a number of questions to you:

First, I'd like to deposit this check. Second, can you cash this check? Then ...

B: Sorry for interruption, but do you have an account here?

A: Here is my checkbook.

Third, will you accept my check?

B: Do you have identification? We require two proofs of identity.

A: Yes, of course. But... I'll continue my list ...

Large bills, please. Oh, can you give me some small change?

..., Thanks a lot ... Then ...

Fourth, do you accept traveler's checks? ...

Please cash this traveler's check ...

And, at last, what papers do I have to fill out to get a credit card?

## Unit 4

### Market

Market Structure

Text for retelling

(Marketing)

(Sales)

Sample dialogue

(TV commercials)

### Market structure

Many economists have come to the conclusion, based on their studies of the working of markets, that certain kinds of market organization are better, from society's point of view, than others. This is a much stronger statement than merely saying, that market structure influences market behaviour.

Economists have generally found it useful to classify markets into four broad types: perfect competition, monopoly, monopolistic competition, and oligopoly. Each of these terms describes a particular type of market structure or organization.

Perfect competition requires that the product of any seller be the same as the product of any other seller, that no buyer or seller be able to influence the price of the product, and that resources be able to switch readily from one use to another.

Price and output under perfect competition are determined by the intersection of the market supply and demand curves. In the market period, supply is fixed; thus price plays the role of the allocating device. In the short run, price influences as well as rations the amount supplied.

In a perfectly competitive economy, prices are the signals that are used to guide the reallocation of resources in response to changes in consumer tastes, technology, and other factors.

(Edwin Mansfield, Economics, University of Pennsylvania)

### Terms to understand

Perfect competition, monopoly, monopolistic competition, oligopoly.

### Terms to memorize

Society seller, buyer, price, output, run, intersection, supply, reallocation, taste.

### Glossary

Monopoly a market structure (such as those for public utilities) in which there is only one seller of a product.

Monopolistic competition a market structure in which there are many sellers of somewhat differentiated products, where entry is easy, and where there is no collusion among sellers. Relating seems to have many of the characteristics of monopolistic competition.

Oligopoly a market structure (such as those for autos and steel) in which there are only a few sellers of products that can be either identical or differentiated.

### Questions for Discussion

One of the basic ideas in economics is as follows:

To determine the profit-maximizing output rate of a firm, compare the extra revenue with the extra cost of each additional unit of output. If the extra revenue (which equals the price in the case of perfect competition) is greater than the extra cost (which equals marginal cost), the extra unit should be produced; otherwise, it should not be produced.

Give an example illustrating this idea.

### Grammar Review

Be ready to translate the following blocks:

are better than others;

a particular stronger than merely saying;

a particular type of;

be the same as;

in the short run;

as well as;

### Oral topics:

1. Market structure

## Text for retelling

### Marketing

Underlying all marketing strategy is "The Marketing Concept" explained below:

#### The Marketing Concept

(We must produce what people want, not what we want to produce)

This means that we Put The Customer First  
(We organize the company so that this happens)

We Must Find Out What The Customer Wants  
(We carry out market research)

We must SUPPLY exactly what the customer wants

We can do this by offering right Marketing Mix:

"The Four P's"= the right PRODUCT

at the right PRICE

available through the right channels of distribution: PLACE

presented in the right way: PROMOTION

Nowadays, all divisions of a company are urged to "Think Marketing".

To think marketing we must have a clear idea of:

What the customers need

What the customers want

What causes them to buy

What the product is to the customer: functional, technological,  
economic + aesthetic, emotional, psychological aspects

"FEATURES" (what the product is)+ "BENEFITS"  
(which means that ...)

A company that believes in marketing is forward thinking and doesn't rest on its past achievements: it must aware of its strengths and weaknesses as well as the opportunities and threats it faces in the market.

*More about "The Marketing Mix" and the "4P's"*

**Product** = the goods or service that you are marketing.

The product is not just a collection of components, but includes its design, quality and reliability. Products have a life-cycle, and forward-thinking companies are continually developing new products to replace products whose sales

are declining and coming to the end of their lives. A "total product" includes the image of the product as well its features and benefits. In marketing terms political candidates and non-profit-making public services are also "products" that people must be persuaded to "buy" and which have to be presented and packaged attractively.

**Price** = making it easy for the customer to buy.

The marketing view of pricing takes account of the value of a product, its quality, the ability of the customer to pay, the volume of sales required the level of market saturation and the prices charged by the competition. Too low price can reduce the number of sales just as significantly as too high a price. A low price may increase sales but not as profitably as fixing a high, yet still popular, price. As fixed costs stay fixed whatever the volume of sales, there is usually no such thing as a "profit margin" on any single product.

**Place** = getting the product to the customer. Decisions have to be made about the channels of distribution and delivery arrangements. Retail products may go through various channels of distribution:

1. Producer -> sells directly to end users via own sales force direct response advertising or direct mail (mail order)
2. Producer -> retailers -> end-users
3. Producer -> wholesalers/agents -> retailers -> end-users
4. Producer -> wholesalers -> directly to end-users
5. Producer -> multiple store groups (department stores) mail order houses ~> end-users.
6. Producer -> market -> wholesalers -> retailers -> end-users

Each stage must add "value" to the product to justify the costs: the middle – man is not normally someone who just takes his "cut" but someone whose own sales force

and delivery system can make the product more easily and cost-effectively available to the largest number of customers.

**Promotion** = presenting the product to the customer. Promotion involves considering the packaging and presentation of the product, its image, the product name, advertising and slogans, brochures, literature, price lists, after-sales service and training, trade exhibitions or fairs, public relations, publicity, and personal selling, where the seller develops a relationship with the customer. Every product must possess a "unique selling proposition" (USP) – features and benefits that make it unlike any other product in its market. In promoting a product, the *attention* of potential customer is attracted and an *interest* in the product aroused, creating a *desire* for the product and encouraging customers to take prompt action ("AIDA").

(International Business English, Cambridge University Press)

## Text for retelling

### Sales

Some people believe that you have to be a special kind of person to sell a product. But although it is clear that a successful sales rep does need special talents and an outgoing personality, many of the skills he uses are used by us all: We build and maintain relationships with different kinds of people, we listen to and take note of what they tell us and don't just enjoy the sound of our own voices, and we explain things to them or discuss ideas with them.

A firm may depend on their own sales team and /or on the salesmanship of their distributors, wholesalers or retailers. But any company needs to establish a personal relationship with its major clients ("key accounts") and potential customers ("prospects"). It is often said that people do business with people: a firm doesn't just deal impersonally with another firm, but a person in the buying department receives personal visits from people representing the firm's suppliers on a regular basis - or in the case of department stores or chain stores, a team of buyers may travel around visiting suppliers.

Keeping sales people "on the road" is much more expensive than employing them to work in the office and much of their time is spent unproductively traveling. Telephone selling may use this time more productively but face-to-face meeting and discussion is much more effective. Companies involved in the export trade often have a separate export sales force, whose travel and accommodation expenses may be very high. Many firms appoint an overseas agent or distributor whose own sales force takes over responsibility for selling their products in another country. (International Business English, Cambridge University Press)

### Oral topics:

1. Marketing your own region:
  - a) analysing statistics;
  - b) strength and weakness of the product;
  - c) drafting an advertisement.
2. Questionnaire the students in order to find out their attitude to the region and also their attitude to competing countries or regions.

### Sample dialogue

### TV commercials

A: In 1936, television broadcasts began with one channel.

B: In 1955, we got a second.

A: By 1982, we had a grand total of four.

B: But now you can get up to 16 channels from Telecom Satellite Systems. We can install a complete satellite system for under L900 and you'll receive showing movies, sport, music, the arts, news – even a channel for kids. For further information and free site survey, call Telecom Satellite Systems on 01 446 4444. That's 44S 4444.

\* \* \*

A: Morning.

B: Morning.

A: I'd like to buy selling spot, please.

B: A radio commercial, yes sir. What did you have in mind?

A: Well, something with plenty of oomph".

B: I see, "oomph".

A: Lots of noise and somebody shouting.

B: Well, how about this model?

A: Yes, sort of late 70s glam rock. I like that. I'll take it.

Radio Voice: Why buy w secondhand advertising idea when your agency should be able to give you a brand new one? Radio advertising: it's only dull if you are. It is even possible to come up with a better idea than using Smith and Jones.

## Unit 5

### The nature of management

The Nature of Management

Managerial Defined

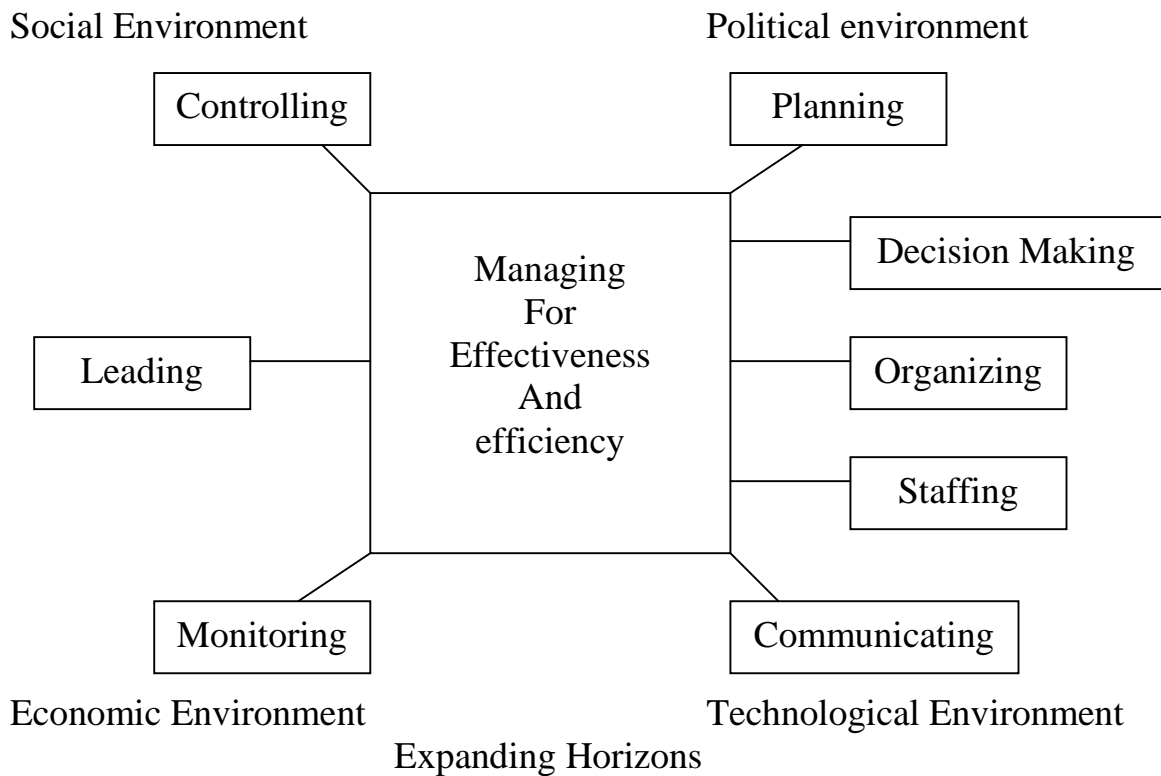
Management functions

Sample dialogue

(Life in the office)

### The nature of management

Effective management is the key to a better world, but mismanagement wastes resources and exposes to danger our well-being. Every manager, regardless of his or her level of responsibility, is either part of the solution or part of the problem. The choice is yours, management or dismanagement.



Management is the process of working with and through others to achieve organizational objectives in a changing environment. Central to this process is the effectiveness and efficient use of limited resources.

Five parts of this definition require closer examination: (1) working with and through others, (2) organizational objectives, (3) effectiveness versus efficiency, (4) limited resources and (5) changing environment.

(1) Management is a local process. For whatever collective purpose that individuals are brought together, managers are responsible for getting things done by working with and through others.

(2) An objective is a target to be obtained. Organizations, like individuals are usually more successful when their activities are guided by achievable objectives. From an individual perspective, the scheduling of a student's course load becomes more systematic and efficient when he or she sets on objective, such as graduating with a specific degree by a given date. Although personal objectives are typically within the reach of individual effort, organizational objectives require joint or collective action. Organizational objectives give purpose and direction to the management process.

(3) Distinguishing between effectiveness and efficiency is much more than an exercise in semantics. The relationship between these two terms is important, and it presents managers with a never-ending dilemma. Effectiveness defines achieving a stated objective (for example-effective way of killing a bothersome fly). But given the reality of limited resources, effectiveness alone is not enough. Efficiency enters the picture when the resources required to achieve an objective are weighed against what was actually accomplished. The more favorable the



ratio benefits to costs, the greater the efficiency. Managers are responsible for balancing effectiveness and efficiency. On the one hand, managers must be effective by getting the job done. But on the other hand, they need to be efficient by containing costs as much as possible and concerning limited resources. Managers who waste resources may get the job done but risk bankruptcy in the process.

(4) We live in a world of scarcity (deficiency). The United States, for example, with one-sixteenth of the world's population is currently consuming about one-third of the world's annual output of nonrenewable resources. Although experts and nonexperts alike may avoid the fact how long it will take to exhaust our nonrenewable resources or come up with exotic new technological alternatives, one bold fact remains. Our planet is becoming increasingly crowded.

(5) More and more, the world is characterized by rapid change. Managers face the difficult task of preparing for and adapting to change rather than being passively swept along by it. Futurist Alvin Toffler has isolated five major sources of change likely to affect the practice of management: physical environment, social environment, informational, political and moral environment. Considering the variety of these sources of change, progressive managers will be those who are aware of world events and trends outside their organizations.

Although nearly all aspects of modern life are touched at least indirectly by the work of managers, many people do not really understand what the management process is. Management is much more than familiar activity of telling employees what to do. Management is a complex and dynamic mixture of systematic techniques and common sense. As with any complex process, the key to learning about management lies in dividing it into readily understood subprocesses. Currently, there are two different approaches to dividing the management process for study and discussion. One approach is to separate management functions. A second, more recent approach focuses on managerial roles:

Managerial functions are general administrative duties that need to be carried out in all productive organizations.

Managerial roles are specific categories of managerial behavior. Stated another way, roles are means and functions are the ends of the manager's job.

## Managerial Functions

A brief overview of eight managerial functions will describe what managers do:

Planning. Commonly referred to as the primary management function, planning is the formulation of future courses of action. Plans and the objectives on which they are based give purpose and direction to the organization, its subunits, and contributing individuals.

Decision making. Managers choose among alternative courses of action when they make decisions. Making the correct decision in today's complex world is a major management act.

Organizing. Structural considerations such as the chain of command, division of labour, and assignment of responsibility are part of the organizing function. Careful organizing helps ensure the efficient use of human resources.

Staffing. Organizations are only as good as the people in them. Staffing consists of recruiting, training and developing people who can contribute to the organized effort.

Communicating. Today's managers are responsible for communicating to their employees the technical knowledge, instructions, rules, and information required to get the job done.

Motivating. An important aspect of management today is motivating individuals to pursue collective objectives by satisfying with meaningful work and valued rewards.

Leading. Managers become leaders adapting their management style to the demands of the situation.

Controlling. When managers compare desired results with actual results and take the necessary corrective action, they are keeping things on through the control function.

(Robert Kreitner, Management, Arizona State University)

### **Terms to understand**

Management, effectiveness, efficiency, managerial roles, managerial ability, motivation to manage, small business, organizational productivity.

### **Terms to memorize**

Manage - manager - management,  
Control - controlling,  
Environment, objectives,  
Achieve - achievement - achievable  
Schedule, exhaust, duties, staff-staffing.

### **Glossary**

Management information system (MIS). - a computer-based network that integrates the collection, processing, and transmission of information.

Managerial ability - the demonstrated capacity to achieve organizational objectives both effectively and efficiently.

Small business - an independently owned and managed profit-seeking enterprise employing fewer than 100 persons.

### Questions for Discussion

1. Drawing on your own experience, can you recall any specific examples of effective management and mismanagement?
2. In your opinion, what is the single most important aspect of the definition of management? Why?
3. Are you interested in owning and managing your own business? Explain why.
4. What is your experience with managers who are successful but not effective?
5. If you were the manager, what would you have done first? Why?

### Grammar Review

1. Word-formation. Give all possible forms of the word.  
*Pattern:* Comfort - comfortably, discomfort, comfortable, etc.  
Manage, effect, organise, define, require, consider, plan, control, staff, decide, motivate, communicate, lead, economy, response, solve.
2. Each of the following sentences contain verbals. Underline each one of them. Identify each verbal in order it appears and classify it as follows: G - gerund, PI - present participle, PII - past participle, I - infinitive.
  1. Management is the process of working with and through others to achieve organizational objectives in a changing environment.
  2. For whatever collective purpose that individuals are brought together, managers are responsible for getting things done by working with and through others.
  3. An objective is a target to be obtained.
  4. Effectiveness defines achieving a stated objective.
  5. But given the reality of limited resources, effectiveness alone is not enough.
  6. Managers are responsible for balancing effectiveness and efficiency.
  7. Managers must be effective by getting the job done.
  8. They need to be efficient by containing costs as such as possible and conserving limited resources .
  9. Our planet is becoming increasingly crowded.
  10. One approach is to separate managerial functions.

**Sample dialogue.** For the reading activity, which is also preparation for the conversation activity to come, students work in pairs. The main points are written differently in the transcript.

### Life in the office

A: First of all, when do people start work in American offices?

B: Right, well the *official work day starts at 9.00 am*. This should really mean 9 o'clock - *not ten past or half past nine*.

A: Would you say that people work very hard in offices in America?

B: Well I don't know about employees in your country. But some nations have a philosophy that *you work when the "boss" is around*. And any time he's not there, one can relax by reading the newspaper or whatever one likes doing in a personal way.

A: And *things are different* in the States, you're saying?

B: Well, in *mer one is being paid for your time*. So employees are expected to find other work if their own desks are clear, or to help someone else with his or her work.

*But you never sit idle, or doing nothing.*

A: Yes, as the saying goes: "Time is money?"

B: Exactly. Your employer "owns" your time while he is paying you for it. That is precisely what "time is money" means. And anyway the boss doesn't ask more of you than he is doing himself: *he will probably work through the lunch hour him-self* and even take work home at night.

A: Oh, I see. The employee's lunch hour should be taken within the period allowed, unless you are officially discussing company business on a business lunch. It's the same too with the end of the day. I mean work until the day officially ends at five o'clock, unless you are in an office *where "flextime" is the accept practice*.

B: Oh yes, sure. Flexible working hours - *I know that that is very common in Europe. But here in the U.S.A. it is still relatively new*. Certainly there are a million or so Americans on the system today. And the number is growing.

A: *Could you say something about contracts of hiring in America, please?*

B: Well, it's different in America from say Asia, perhaps Europe, too, I am not sure. We are more democratic, I think. *I know that in some countries people relax when they have once got a job, because they know they will almost never be fired - unless they do something awful,*

A: You mean that your employer can just fire you in America?

B: No, no, no. There are legal protections in the U.S.A. So employees cannot be unjustly fired without good reason. *Workers must do a good job, produce well, and get along with their colleagues* - or they can be "let go", as it is called.

A: From one day to the next, you mean?

B: Well it's rarely done without warning, but it is important to remember that *in the USA you are member of a business firm and not a family*. It makes a difference.

(Leo Jones & Richard Alexander, International Business English, Cambridge University Press)

### Extra discussion ideas

1. Compare the situation with other situations or companies with which you may be familiar in your country.
2. Is there a general philosophy in your country that workers and employees should be involved as much as possible?
3. Do you feel that workers work better or more willingly, if they know the objectives and the long-term plans of their managers?

### Explain the meaning of the following word combinations:

Effective management; dismanagement; organizational objectives; changing environment; limited resources; planning; discussion making; staffing motivating; communicating.

Write down a brief report concerning management and managers.

### Oral topics:

1. The key to a better world.
2. Aspects of modern life.
3. Today's managers.

## Unit 6

### The Primary Management Function

The Primary Management Function

Planning .....

The Basic Planning

/Control Cycle .....

Sample dialogue (Some Predictions) . . .

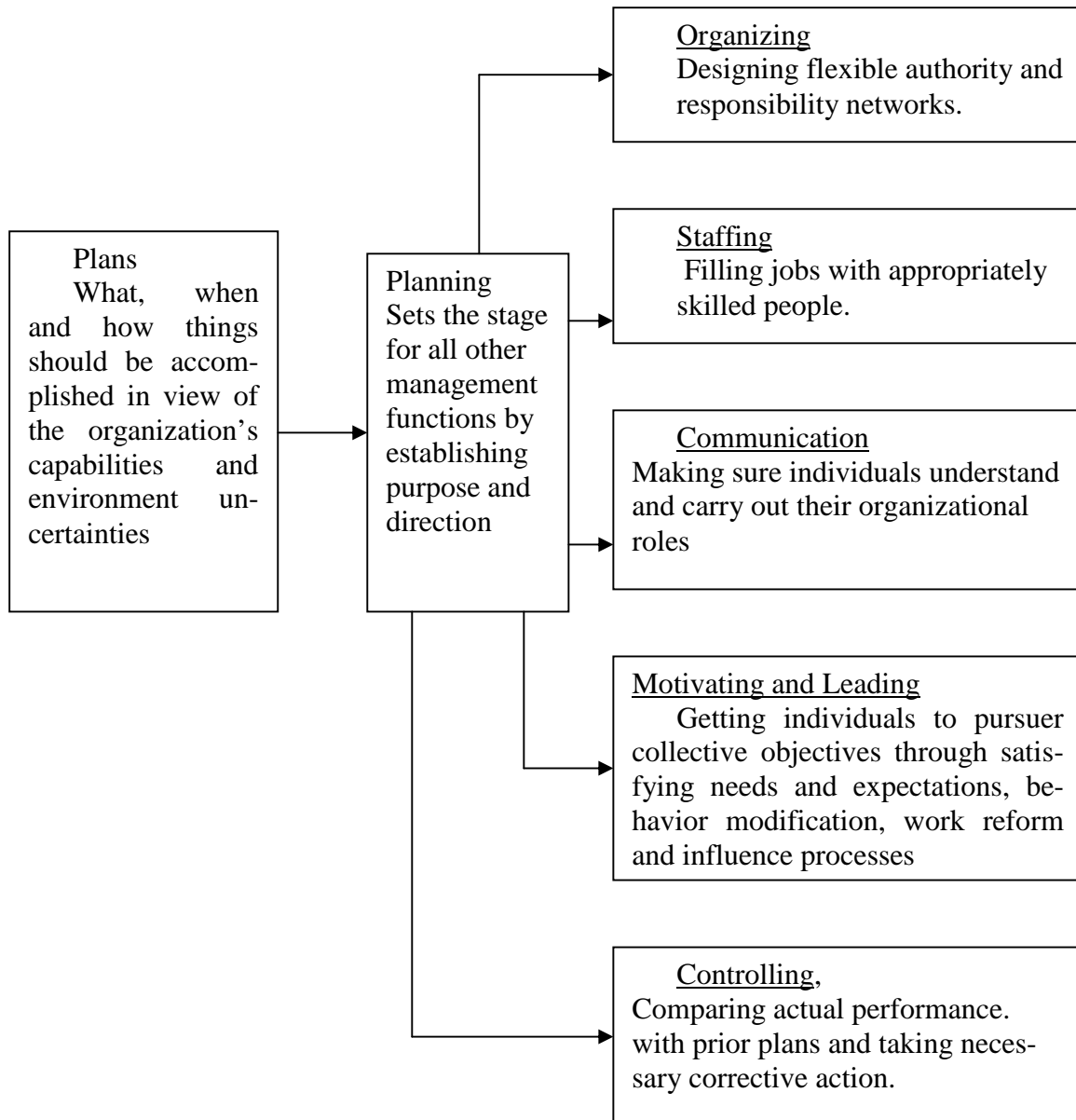
Controlling .....

Text for retelling

(Internal Auditing in Japan) .....

### The Primary Management Function: Planning

Planning is defined as the process of preparing for change and coping with uncertainty by formulating future courses of action. Because planning paves the way for all downstream management functions by serving as a bridge between the present and the future, it has been called the primary management function.



With these trends in mind, we shall explain why planning is necessary. Why plan? Two conceptual reasons supporting systematic planning by managers are limited resources and an uncertain environment. Let's examine each.

Resource deficiency is an especially important consideration today because it will be a major factor in our lives for the foreseeable future. As surprising as it may sound, in view of the worldwide population explosion, even human resources are limited. This is true because an uneducated or untrained person, or one who lives too far away to commute to a particular job, can contribute little to a productive organization or to the economy as a whole. There would be little need for planning if material, financial, and human resources were unlimited. Modern planners, in both private industry and government are challenged to stretch our limited resources through intelligent planning.

It is often remarked that the only sure things in life are death and taxes. Although this is a gloomily prospect, it does capture a key theme of modern life.

We are faced with a great deal of uncertainty. As a context of planning, let us explore environmental uncertainty from two different perspectives: (1) types of uncertainty and (2) organizational responses to environmental uncertainty.

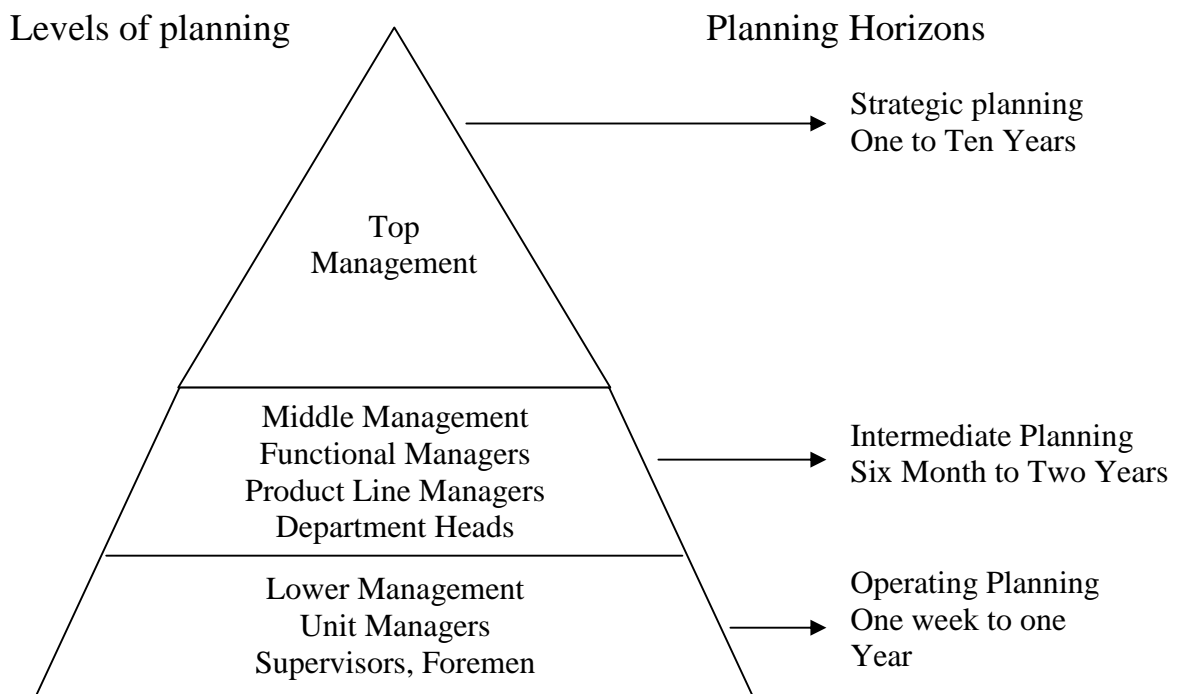
A New York University management scholar has recently pointed out three different types of environmental uncertainty.

State uncertainty occurs when the environment or a portion of the environment is considered unpredictable. A manager's attempt to predict the effects of specific environmental changes or events on his/ her organization involves effect uncertainty. Response uncertainty relates to being unable to predict the consequences of a particular decision or organizational response. Each of the three types of perceived uncertainty could affect the attitude and performance. Similarly, managers are affected by their different perceptions of environmental factors.

Planning is an ever-present feature of modern life, although there is no universal approach. Virtually, everyone is a planner, at least in the informal sense. Plans are truly the working documents by which we manage our business. A plan is a specific, documented intention consisting of an objective and an action statement. Properly conceived plans tell what, when and how something is to be done.

Successive levels of plans are made by top, middle and lower management.

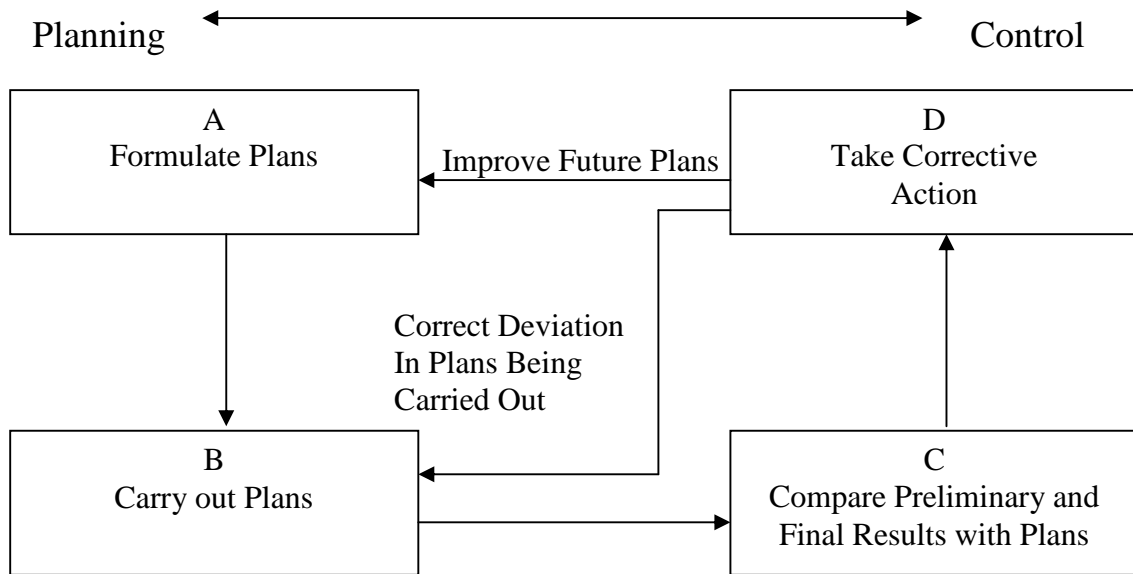
### The Managerial Pyramid



*Top Management:* Chief Executive Officer – Chief Executive of Division Heads, President, Vice President, General manager.

(Robert Kreitner, Management, Arizona State University)

### The basic Planning/control Cycle



Plans are formulated and executed as part of a more encompassing planning/control cycle.

(Robert Kreitner, Management, Arizona State University)

#### Terms to understand

Planning

State uncertainty

Effect uncertainty

Response uncertainty

Plan

Strategic planning

Intermediate planning

Operational planning

#### Terms to memorize

Primary, accomplish, flexible authority, pave the way, skilled people, pursue, foresee, downstream management function, explore, perceive encompass.

#### Glossary

Planning horizon - The time that elapses between the formulation and the execution of a planned activity.

Staffing - Human resources planning, acquisition, and development aimed at providing the talent necessary for organizational success.

Communication - The transfer of information and understanding from one person to another person.

Motivation to manage - One's desire to be a manager which can be measured with Miner's psychometric instrument.

Strategic planning - The process of determining how to pursue the organization's long-term goals with the resources expected to be available.

Intermediate planning - The process of determining the contributions that subunits can make with allocated resources.



Operational planning - The process of determining how specific tasks can best be accomplished on time with available resources.

Objective - A specific commitment to achieve a measurable result within a given time frame.

Problem - The difference between an actual state of affairs and a desired state of affairs.

### Questions for Discussion

1. Why is planning the primary management function and why is it particularly important today?
2. What kinds of state, effect, and response uncertainty can you detect in your present life?
3. Can you write five good objectives for things you intend to accomplish in the next six months?
4. Why is it important to establish priorities when planning?
5. What is the relationship between planning and control?

### Grammar Review

Write "A" for active voice; "P" for passive voice.

1. Planning is defined as the process of preparing for change and coping with uncertainty by formulating future courses of action.
2. It has been called the primary management function.
3. We shall explain why planning *is* necessary.
4. It will be a major factor in our lives.
5. There would be little need for planning if material and human resources were unlimited.
6. It is often remarked that only sure things in life are death and taxes.
7. Managers are affected by their different perceptions of environment factors.
8. Planning is an ever - present feature of modern life.
9. Plans are truly the working documents.
10. Properly conceived plans tell what, when and how something is to be done.
11. We are faced with a great deal of uncertainty.
12. He has recently pointed out three types of uncertainty.
13. This is a gloomy prospect, it does capture a key theme of modern life.
14. The environment or a portion of environment is considered unpredictable.

### Sample dialogue

Students make notes and finally they write a sentence giving their own view on each prediction.

## Some Predictions

A: What do you think might happen in the business world in the next 20 years or so?

E: Um... There'll be no more telexes businesses will only use fax and electronic mail.

C: Mm... office cleaning will be done by robots.

: Well, there will be much more unemployment.

C: Well, I think, people will have to retrain for new skills every ten years.

: I think robots will replace production workers.

C: Computers will replace clerical workers.

: People will buy their food from home.

C: There'll be less need for transport, as people will work from home.

: Most consumer advertising will be delivered directly to the home.

C: Well, business travel will be replaced by live video meetings, there won't be any need to go to see the client any more.

(Leo Jones and Richard Alexander, International Business English, Cambridge University Press)

### Extra discussion ideas

1. Types of forecasts:

(1) Event outcome forecast

(2) Event timing forecast

(3) Time series forecast

Distribute the questions below among these types accordingly.

What will happen when a given event occurs?

When will a given event occur?

What value will a series of periodic data have at a given point in time?

2. What may top management strategists be interested in? (concerning forecasting).

3. Try to formulate strategic plans for your own business.

### Explain the meaning of the following word combinations:

Resource deficiency; state uncertainty; effect uncertainty; response uncertainty; top management; lower management.

### Oral topics:

1. Plans and planning

2. Levels of planning

3. The basic planning/control cycle.

## Controlling

The separation of planning and control is more a conceptual convenience than a reflection of actual managerial practice.

Planning and control are cornerstones of the management process. Control complements planning by introducing corrective action as events unfold. The word control suggests the operations of checking, testing, regulation, verification, or adjustment. As a management function, control is the process of taking the necessary corrective action to ensure that the organization's mission and objectives are accomplished as effectively and efficiently as possible. The purpose of the control function is always the same: get the job done despite environmental, organizational, and behavioural obstacles and uncertainties.

Notice that there are two types of control, feed forward control and feedback control. Feed forward control – the only way managers can exercise control effectively is to see the problems coming in time to do something about them.

Feedback control is gathering information about a completed activity, evaluating that information, and taking steps to improve similar activities in the future. This kind of control is beneficial because it permits managers to use information on past performance to bring future performance into line with planned objectives and acceptable standards.

Control systems in well-managed organizations are attuned to social, political/ legal, economic, and technological realities. A good planning/control system enables management to identify and respond in a timely and effective manner to situations that threaten the organization's survival. Organizational crises and employee theft are two serious threats that require systematic control. The four key elements of a crisis management program are: conduct a crisis audit; formulate contingency plans; create a crisis management team; and perfect the program through practice.

(Robert Kreitner, Management, Arizona State University)

### Terms to understand

Control  
Feed forward Control  
Feedback control  
Crisis management

### Terms to memorize

Cornerstones, theft, threat, audit, contingency, threaten.

### Glossary

Control - The process of taking the necessary corrective action to ensure that organizational objectives are accomplished as effectively and efficiently as possible.

Budget - A formal financial projection.

Social audit - A commitment to systematic assessment of and reporting on some meaningful, definable domain of a company's activities that have social impact.

Authority - The right to direct the actions of other.

Flexible budget - A budgeting technique using standardized costs that allows managers to exercise feed forward control over the expenditure of funds.

### **Questions for Discussion**

1. How do planning and control functions work together?
2. In your opinion, which type of control – feed forward or feedback - is more desirable to an organization.
3. Do you agree with the claim that tomorrow's managers are not cost-conscious? How about yourself? Explain.
4. Why is cash management especially important today?
5. In your experience, how bad is the problem of employee theft? What needs to be done to control it?

### **Grammar Review**

Write S for simple tense; C for progressive tense; P for perfect tense.

1. Planning and control are cornerstones of the management process.
2. Control is the process of taking the necessary corrective action.
3. Feedback control is gathering information about a completed activity.
4. Long before the process reached the top, control adjustments had been made.
5. If this adjustment leads to a default rate that eats up the additional profits, then the credit criteria will have to be tightened a bit through yet another round of feedback control.
6. Because not all employees perform equally, some sort of performance evaluation is required to find out who has done what.
7. Control was found to be focused almost exclusively on operations and short-term financial performance.

### **Text for retelling**

## **General auditing in Japan**

There appears to be almost a consensus among Japanese managers that the need for audit, especially internal audit within the Japanese firm, is far less than it is for Western companies. The nature of the Japanese people is frequently identified as the most important reason for this difference. The Japanese are an insular, homogeneous people. Traditionally, they are an agrarian society and

throughout their history have shared very scarce natural resources of land and water in order to survive.

Many managers believe that their workers do work honestly, efficiently, and effectively to reach the primary goal of the company,

This is the reason why some managers insist that audit is not necessary for their organization. This reason lies in a basic desire of many managers to avoid any analysis or evaluation of their actions that would result in criticism by having a direct confrontation with auditors. The Japanese are tried to avoid "loss of face".

(Arthur R Kagle, Audit Needs of the Japanese Corporation)

**Oral topics:**

1. A degradation of service.
2. Employee dissatisfaction.
3. Idle facilities and personnel.
4. Financial Control.

## Part III

This part is intended to practice the skills of advanced learners to read and comprehend series of authentic texts based on the subject: Economics.

It consists of 16 units with 16 texts containing words and word-combinations commonly used in Economic contexts, and grammar structures characteristic of the texts on the Subject.

Specific terminological and linguistic competence is reached through reading and comprehension of the number of texts. Control of skills is performed by questions to the texts, implying understanding of their essence and speech habits are developed by monologue or dialogue activities based on the topics of points for discussion, suggested in each unit.

Before each text we give a list of words and word-combinations with translation into Ukrainian, aimed for both making understanding easier and increasing students terminological competence.

### Unit 1

#### I. Read and remember the following words and word-combinations:

mention -

income -

income distribution -

provide -

national defence -

firefighting service -

transfer payments -

require -

expenditure - ( )

borrowing -

debt -

revenue -

allocate -

ensure -

scale - ,

sufficient -

target - ,

scarce (resources) - , ( )

**II. Read and translate the text, paying attention to the words and word-combination given above.**

## The role of Government

1. Having mentioned the effect of government tax policy on the income distribution, we now examine in greater detail the role of government in society. In every society governments provide such services as national defence, police, firefighting services, and the administration of justice. In addition, governments make transfer payments to some members of society.

2. Transfer payments are payments made to individuals without requiring the provision of any service in return. Examples are social security, retirement pensions, unemployment benefits, and in some countries, food stamps. Government expenditure, whether on the provision of goods and services (defence, police) or on transfer payments, is chiefly financed by imposing taxes, although some (small) residual component may be financed by government borrowing.

3. Table 1.1. compares the role of the government in four countries. In each case, we look at four measures of government spending as a percentage of national income: spending on the direct provision of goods and services for the public, transfer payments, interest on the national debt, and total spending. Italy is a "big-government" country. Its government spending is large and it needs to raise correspondingly large tax revenues. In contrast, Japan has a much smaller government sector and needs to raise correspondingly less tax revenue. These differences in the scale of government activity relative to national income reflect differences in the way different countries allocate their resources among competing uses.

**Table 1.1.**  
Government spending as a percentage of national income in 1985

Country	Purchase of goods and services, %	Transfer payments, %	Debt interest, %	Total %
UK	23.0	17.2	5.1	46.3
Japan	14.9	12.7	4.6	32.2
USA	20.0	12.2	4.8	37.1
Italy	27.0	23.0	9.2	59.4

Source: IMF World Economic Outlook, 1986

4. Government spend part of their revenue on particular goods and services such as tanks, schools, and public safety. They directly affect *what* is produced. Japan's low share of government spending on goods and services in Table 1.1. reflects the very low level of Japanese spending on defence. Governments affect *for whom* output is produced through their tax and transfer payments. By taxing the rich and making transfers to the poor the government ensures that the poor are allocated more of what is produced than would otherwise be the case; and the rich get correspondingly less.

5. The government also affects *how* goods are produced, for example through the regulations it imposes. Managers of factories and mines must obey safety requirements even where these are costly to implement, firms are prevented from freely polluting the atmosphere and rivers, offices and factories are banned in attractive residential parts of the city.

6. The scale of government activities in the modern economy is highly controversial. In the UK the government takes nearly 40 per cent of national income in taxes. Some governments take a larger share, others a smaller share. Different shares will certainly affect the questions what, how, and for whom, but some people believe that a large government sector makes economy inefficient, reducing the number of goods that can be produced and eventually allocated to consumer.

7. It is commonly asserted that high tax rates reduce the incentive to work. If half of all we earn *goes* to the government, we might prefer to work fewer hours a week and spend more time in the garden or watching television. That's one possibility, but there is another one: if workers have in mind a target after-tax income, for example to have at least sufficient to afford a foreign holiday every year, they will have to work more hours to meet this target when taxes are higher. Whether on balance high taxes make people work more or less remains an open question. Welfare payments and unemployment benefit are more likely to reduce incentives to work since they actually contribute to target income. If large-scale government activity will affect not only what, how, and for whom goods are produced, but also *how much is* produced by the economy as whole.

8. This discussion of the role of the government is central to the process by which society allocates its scarce resources. It also raises a question. Is it inevitable that the government plays an important role in the process by which society decided how to allocate resources between competing demands? This question lies at the heart of economics, and we return to it shortly when we examine the role of markets in economics life.

9. First, however, we must refine our notion of scarce resources. To do so, we introduce a useful tool of economic analysis, the production possibility frontier.

### III. Find the terms, corresponding the following:

- \* money, paid to people without asking for service in return;
- \* money paid to people when they stop working;
- \* money paid to people who have no work;
- \* money received by government from taxation
- \* money a worker keeps after paying taxes.

### Points for discussion

1. The role of government in the income distribution.



2. The scale of government activities in the modern economy.
3. Types of money people are to pay or receive in society.

## Unit 2

### I. Read and remember the following words and word-combinations:

market -  
 buyer -  
 seller -  
 goods -  
 stock market -  
 remote control -  
 household -  
 adjustment of prices -  
 demand - ,  
 viewpoint -  
 rent - ,  
 wage -  
 to sell at a profit -  
 part-time-job –  
 cost -  
 running a cafe - ( )  
 purchase - ,  
 wholesale market -  
 cheap -  
 expensive –

### II. Read and translate the text, paying attention to the words and word-combinations, given above:

#### The role of market

1. Markets bring together buyers and sellers of goods and services. In some cases, such as a local fruit stall, buyers and sellers meet physically. In other cases, such as the stock market, business can be transacted over the telephone, almost by remote control. We need not go into these details. Instead, we use a general definition of markets.

2. A market is a shorthand expression for the process by which household decision about consumption of alternative goods, firms' decision about what and how to produce, and workers' decisions about how much and for whom to work are all reconciled by adjustment of prices.

3. Prices of goods and of resources, such as labour, machinery and land, adjust to ensure that scarce resources are used to produce those goods and services that society demands.

4. Much of economics is devoted to the study of how markets and prices enable society to solve the problems of what, how, and for whom to produce. Suppose you buy a hamburger for your lunch. What does this have to do with markets and prices? You chose the cafe because it was fast, convenient and cheap. Given your desire to eat, and your limited resources, the low hamburger price told you that this was a good way to satisfy your appetite. You probably prefer steak but that is more expensive. The price of steak is high enough to ensure that society answers the "for whom" question about lunchtime steaks in favour of someone else.

5. Now think about the seller's viewpoint. The cafe owner is in the business because, given the price of hamburger *meat*, the rent and the wages that must be paid, it is still possible to sell hamburgers at a profit. If rents were higher, it might be more profitable to sell hamburgers in a cheaper area or to switch to luxury lunches for rich executives on expense accounts. The student behind the counter is working there because it is a suitable part-time job which pays a bit of money. If the wage were much lower it would hardly be worth working at all. Conversely, the job is unskilled and there are plenty of students looking for such work, so owners of cafes do not have to offer very high wages.

6. Prices are guiding your decision to buy a hamburger, the owner's decision to sell hamburgers, and the student's decision to take the job. Society is allocating resources -meat, buildings, and labour - into hamburger production through the price system. If nobody liked hamburgers, the owner could not sell enough at a price that covered the costs of running the cafe and society would devote no resources to hamburgers production. People's desire to eat hamburgers guides resources into hamburger production. However, if cattle contracted a disease, thereby reducing the economy's ability to produce meat product, competition to purchase more scarce supplies of beef would bid up the price of beef, hamburger producers would be forced to raise prices, and consumers would buy more cheese sandwiches for lunch. Adjustments in prices would encourage society to reallocate resources to reflect the increased scarcity of cattle.

7. There were several markets involved in your purchase of a hamburger. You and the cafe owner were part of the market for lunches. The student behind the counter was part of the local labour market. The cafe owner was part of local wholesale meat market and the local market for rented buildings. These descriptions of markets are not very precise. Were you part of the market for lunches, the market for prepared food, or the market for sandwiches to which you would have turned if hamburgers had been more expensive? That is why we have adopted a very general definition of markets which emphasizes that they are arrangements through which prices influence the allocation of scarce resources.

**III. Answer the following questions:**

1. Whom do markets bring together?
2. How are household decisions of what to buy reconciled?
3. Why do prices adjust?
4. What problems do markets and prices solve for society?

**IV. Explain the terms (See paragraphs 5-6):**

rent, profit, expense account, part-time job.

**V. Points for discussion:**

1. Markets and prices enable society to solve economic problems.
2. The owners' viewpoint on running business.
3. Types of markets involved into making household decision.

## Unit 3

**I. Read and remember the following words and word-combinations:**

distinguish -

positive economics -

negative economics -

aim -

consumption -

predict -

circumstances -

political persuasions -

objective truth -

**II. Read and translate the text, paying attention to the words and word-combinations, given above:**

### Positive and normative economics

1. In studying economics it is important to distinguish two branches of the subject. The first is known as "positive economics" the second as "normative economics".

Positive *economics* deals with objective or scientific explanations of the working of the economy.

The aim of "positive economic" is to explain how society makes decision about consumption, production, and exchange of goods. The purpose of this investigation is twofold to satisfy our curiosity about why the economy works as it does, and to have some basis for predicting how the economy will respond to changes in circumstances. Normative economics is very different.

*Normative economics* offer precisions or recommendations based on personal value judgements.

In positive economics, we hope to act as detached scientists. Whatever our political persuasion, whatever our view about what we would like to happen or what we would regard as "a good thing", in the instance we have to be concerned with how the world actually works. At this stage, there is no scope for personal value judgements. We are concerned with propositions of the form if this is changed then that will happen. In this regard, positive economics is similar to the natural sciences such as physics, geology, or astronomy.

2. Here are some examples of positive economics in action. Economists of widely differing political persuasions would agree that, when the government imposes a tax on a good, the price of that good will rise. The normative question of whether this price rise is desirable is entirely distinct. Similarly, there would be substantial agreement that the following proposition of positive economics is correct: favourable weather conditions will increase wheat output, reduce the price of wheat, and increase the consumption of wheat. Many propositions in positive economics would command widespread agreement among professional economists.

3. Of course, as in any other science, there are unresolved questions where disagreement remains. These disagreements are at the frontiers of economics. Research in progress will resolve some of these issues but new issues will arise and provide scope for further research.

4. Although competent and comprehensive research can in principle resolve many of the outstanding issues in positive economics, no corresponding claim can be made about the resolution of disagreement in normative economics. Normative economics is based on subjective value judgements, not on the search for any objective truth.

The following statement combines positive and normative economics: "The elderly have very high medical expenses compared with the rest of the population, and the government should subsidize health bills of the aged." The first part of the proposition - the claim that the aged have relatively high medical bills - is a statement in positive economics. It is a statement about how the world works, and we can imagine a research programme that could determine whether or not it is correct. Broadly speaking, this assertion happens to be correct. The second part of the proposition - the recommendation about what the government should do could never be "proved" to be correct or false by any scientific research investigation. It is simply a subjective value judgement based on feeling of the person making the statement. Many people might happen to share this subjective judgement, for example those people who believe that all citizens alive today should be able purchase roughly equal amounts of luxury and recreational goods after paying for necessities of life. But other people might reasonably disagree. You might believe that it is more important devote society's scarce resources to improving the environment.

5. There is no way that economics can be used to show that one of these normative judgements is correct and the other is wrong. It all depends on the preferences or priorities of the individual or the society that has to make this choice. But that does not mean that economics can throw no light on normative issues. We can use positive economics to spell out the detailed implications of making the choice one way or the other. For example, we might be able to show that failure to subsidize the medical bills of the elderly leads middle-aged people to seek a lot of unnecessary medical check-ups in an attempt to detect diseases before their treatment becomes expensive. Society might have to devote a great deal of resources to providing check-up facilities, leaving less resources available than had been supposed to devote to improving the environment. Positive economics can be used to clarify the menu of options from which society must eventually make its normative choice.

**III. Answer the following questions:**

1. What is positive economics?
2. What is normative economics?
3. What is the basis of normative economics?

**IV. Points for discussion:**

1. Differences between positive and normative economics.
2. The importance of positive economics.

## Unit 4

**I. Read and remember the following words and word-combinations:**

branch –  
labour -  
monetary –  
urban –  
approach –  
commodity -  
equilibrium –  
to tend -  
phenomenon –  
to neglect –  
interaction –

**II. Read and translate the text, paying attention to the words and word-combinations, given above:**

## Microeconomics and Macroeconomics

1. Many economists specialize in a particular branch of the subject. For example, there are labour economists, energy economists, monetary economists, and international economists. What distinguishes these economists is the segment of economic life in which they are interested. Labour economics deals with problems of the labour market as viewed by firms, workers, and society as a whole. Urban economics deals with city problems: land use, transport congestion and housing: However, we need not classify branches of economics according to the area of economic life in which we ask the standard questions what, how, and for whom. We can classify branches of economic according to the approach or methodology that is used. The very broad division of approaches into microeconomic and macroeconomic cuts across the large number of subject grouping cited above. (Microeconomics analysis offers a detailed treatment of individual decision about particular commodities). For example, we might study why individual households prefer cars to bicycles and how producers decide whether to produce cars or bicycles. We can then aggregate the behaviour of all households and all firms to discuss total car purchases and total car production. Within a market economy we can discuss the market for cars. Comparing this with the market for bicycles, we may be able to explain the relative price of cars and bicycles and the relative output of these two goods. The sophisticated branch of microeconomics known as *general equilibrium theory* extends this approach to its logical conclusion. It studies simultaneously every market for every commodity. From this it is hoped that we can understand the complete pattern consumption, production, and exchange in the whole economy at a point in time.

If you think this sounds very complicated you are correct. It is. For many purposes, the analysis becomes so complicated that we tend to lose track of the phenomena in which we were interested. The interesting task for economics, a task that retains an element of art in economic science, is to devise judicious simplifications which keep the analysis manageable without distorting reality too much. It is here that microeconomists and macroeconomists proceed down different avenues. Microeconomists tend to offer a detailed treatment of one aspect of economic behaviour but ignore interactions with the rest of the economy in order to preserve the simplicity of the analysis. A microeconomic analysis of miners' wages would emphasize the characteristics of miners and the ability of mine owners to pay. It would largely neglect chain of indirect effects to which a rise in miners' wages might give rise. For example, car workers might use precedent of the miners pay increase to secure higher wages in the car industry, thus being able to afford larger houses which burned more coal in heating systems. When microeconomic analysis ignores such indirectly induced effects it is said to be partial analysis.

In some instances, indirect effects may not be too important and it will make sense for economists to devote their effort to very detailed analysis of particular industries or activities. In other circumstances, the indirect effects are too important to be swept under the carpet and alternative simplification must be found. Macroeconomics emphasizes the interactions in the economy as a whole it deliberately simplifies individual building blocks of the analysis in order to retain manageable analysis of the complete interaction of the economy.

**III. Answer the following questions:**

1. How can economists be classified?
2. What does the general equilibrium theory examine?
3. What does partial analysis ignore?
4. What can keep an analysis manageable?

**IV. Points for discussion:**

1. Microeconomic analysis.
2. Macroeconomics.
3. General equilibrium theory.
4. Economics needs simplification.

## Unit 5

**I. Read and remember the following words and word-combinations:**

tools of economic analysis -  
 topic -  
 overall -  
 trend -  
 penalize -  
 emphasis -  
 user -  
 manageable – pls,ybq lj rthsdybwndf  
 to be congested -  
 coincidence –

**II. Read and translate the text, paying attention to the words and word-combinations, given above:**

### Tools of economic analysis

1. Positive economics analysis issues relating to the description of the past and the prediction of the future. It tries to explain why the oil price shock led to a switch to smaller cars and whether this trend will continue. Normative economics analysis issues relating to society's value judgements. Should society try

to conserve scarce and expensive oil by raising the tax on petrol even though this will penalise car users still further?

2. In this chapter the emphasis is not on learning economics but on mastering the tools of the trade. To analyse economic issues we use both models and data.

A model or theory makes a series of simplifying assumption from which it deduces how people will behave. It is a deliberate simplification of reality.

Models are frameworks for organising the way we think about a problem. They simplify by omitting some details of the real world to concentrate on the essentials. From this manageable picture of reality we develop our analysis of how the economy works.

3. An economist uses a model in the way a traveller uses a map. A map of London misses out many features of the real world – traffic lights, roundabouts, the exact width of streets – but if you study it carefully you can get a good picture of how the traffic is likely to flow and what will be the best route to take. This simplified picture is easy to follow, yet helps you understand real world behaviour when you must drive through the city in the rush hour.

4. The data or facts interact with models in two ways. First, the data help us quantify the relationships to which our theoretical models draw attention. It may be insufficient to work out that all bridges across the Thames are likely to be congested. To choose the best route we need to know how long we would have to queue at each bridge. We need some facts. The model is useful because it tells us which facts are likely to be the most important. Bridges are more likely to be congested than six-lane motorways.

5. Second, the data help us to test our models. Like all careful scientists, economists must check that their theories square with relevant facts.

Here the crucial word is relevant. It is this that prevents a chimpanzee or a computer sifting through all the facts in the world to establish the single definitively correct theory. For example, it turns out that the number of Scottish dysentery deaths is closely related to the actual inflation rate in the UK over many decades. In this a factual coincidence or the key to a theory of inflation in the UK? The facts alert us to the need to ponder this question, but we can make a decision only by recourse to logical reasoning.

6. In this instance, since we can find no theoretical or logical connection, we regard the close factual relationship between Scottish dysentery deaths and UK inflation as a coincidence that should be ignored. Without any logical underpinning, the empirical connection will break down sooner or later. Paying attention to this spurious relationship in the data neither increases our understanding of the economy nor increases our confidence in predicting the future.

7. The blend of models and data is thus a subtle one. The data may alert us to logical relationships we had previously overlooked. And whatever theory we wish to maintain should certainly be checked against the facts. But only theoretical reasoning can guide an intelligent assessment of what evidence should be regarded as being of reasonable relevance.



8. To introduce the tools of the trade we begin with the representation of economic data in tables, charts, and figures (diagrams). Then we show how an economist might approach the development of a theoretical model of an economic relationship. Finally, we discuss how actual data might be used to test the theory that has been developed.

**III. Answer the following questions:**

1. What do we use to analyse economic issues?
2. What is a model?

**IV. Points for discussion:**

1. What a model does.
2. How an economist use a model.
3. How data interact with models.

## Unit 6

**I. Read and remember the following words and word-combinations:**

retail price index -

news media -

typical bundle of goods -

percentage increase -

a

**II. Read and translate the text, paying attention to the words and word-combinations, given above:**

### The retail price index and other indices

1. In the UK the most famous price index is the retail price index (RPI). Announced monthly, and closely watched by the news media economic commentators, the RPI is an index of prices of goods purchased by a typical household. It includes everything from food and housing to entertainment. The RPI is used to measure changes in the cost of living, the money that must be spent to purchase the typical bundle of goods consumed by a representative household. The percentage increase in the RPI over 12 months, comparing say, its value in September 1987, with its value in September 1986, is the most widespread definition of the inflation rate in the UK.

2. The RPI is constructed in two stages. First, index numbers are calculated for each of the main categories of commodities purchased by households. For example, the index of food prices averages the price of individual foods such as coffee, bread and milk. Again, the relative weights reflect the relative importance of the different commodities. Then the RPI is constructed by taking a weighted average of the different commodity groupings. Table 6.1. shows the

weights used and the main commodity groupings. A 10 per cent rise in food prices will change the RPI more than 10 per cent rise in tobacco prices because food has a much larger weight than tobacco.

Other examples of indices are the index of wages in manufacturing, a weighted average of wages in manufacturing industries, and the Financial Times 30 share index, a weighted average of the share prices of 30 of Britain's largest companies. Nor need the use of index numbers be confined to the prices of goods, labour, or corporate shares. The index of industrial

**Table 6.1.**

Item	Weight
Food	0,190
Transport and vehicles	0,156
Housing	0,153
Clothing and footwear	0,075
Alcohol	0,075
Miscellaneous goods	0,077
Services	0,062
Durable household goods	0,065
Fuel and light	0,065
Restaurant meals	0,045
Tobacco	0,037

Source CSO, Monthly Digest of Statistics

production is a weighted average of the quantity of goods produced by British industry. However, the procedure by which index numbers are calculated is always the same. We choose a base date and set the index equal to 100 at that date. Where the index refers to more than one commodity, we have to choose weights by which to average across the different commodities that the index describes.

**III. Answer the following questions:**

1. What is RPI?
2. How is RPI constructed?
3. What other indices do you know?

**IV. Points for discussion:**

1. The most famous price index in the UK.
2. The ways of calculating index numbers.

## Unit 7

### I. Read and remember the following words and word-combinations:

controversy -  
 fare -  
 extra revenue -  
 disastrous losses -  
 simplified picture -  
 equation -  
 neglect -  
 argue -  
 compete –  
 demand -  
 theory of demand -  
 reduce –  
 relative to -                    ...  
 remain unaltered -  
 bare-bones model -  
 quantity -  
 error –

### II. Read and translate the text, paying attention to the words and word-combinations, given above:

#### Economic models

1. Now for an example of economics in action. In the early 1980s there was a controversy over the "Fares Fair" policy of cutting bus and tube fares in London. Some people thought low fares would increase passengers and bring in extra revenue for London Transport, which runs the bus and tube services. Other thought that low fares would lead to disastrous losses in running London Transport. Eventually the matter was referred to the courts. Suppose you had been a consultant brought in to analyse the relationship between tube fares and revenue from running the tube: how would you have analysed the problem?

2. To organize our thinking, or - as economists describe it - to build a model, we require a simplified picture of reality which picks out the most important elements of the problem. We begin with the simple equation.

$$\textit{Total fare collection} = \textit{fare} \times \textit{number of passengers} \quad (1)$$

In this stark form, equation (1) emphasizes, and thus organizes our thoughts around, two factors: the fare and the number of passengers. London Transport directly controls the fare, but can influence the number of passengers only

through the fare that is set. (Cleaner stations and better service might also encourage passengers, but we neglect these effects for the moment.)

3. It might be argued that the number of passengers is determined by habit, convenience, and tradition, and is therefore completely unresponsive to changes in fares. This is not the view or model of traveller behaviour that an economist would initially adopt. It is possible to travel by car, bus, taxi, or tube, and decisions about mode of transport are likely to be sensitive to the relative costs of the competing alternatives. Thus in equation (1) we must not view the number of passengers as fixed but develop a "theory" or "model" (we use these terms interchangeably) of what determines the number of passengers. We must model the demand for tube journeys.

4. In later chapters we study the theory of demand in detail. Applying a little common sense, we can probably work out the most important elements straight away. First, the fare itself matters. Other things equal, higher tube fares reduce the quantity of tube journeys demanded. Of course what matters is the price of the tube relative to the price of other means of transport - cars, buses, and taxis. If their prices remain constant, lower tube fares will encourage tube passengers. Rises in the price of these other means of transport will also encourage tube passengers even though tube fares remain unaltered.

5. We now have a bare-bones model of the demand for tube journeys. We summarize this model in the formal statement:

$$\begin{aligned} \text{Quantity of tube journeys demand} &= \\ &= f(\text{tube fare, taxi fare, petrol price, bus fare ...}) \end{aligned}$$

This statement reads as follows: The quantity of tube fares "depends on", or "is a function of", the tube fare, the taxi fare, petrol prices, bus fares, and some other things. The notation  $f( )$  is just a shorthand for "depends on all the things listed inside the brackets". In equation (2) we have named explicitly the most important determinants *of* the demand for tube journeys. The row of dots reminds us that we have omitted some possible determinants to simplify our analysis.

For example, tube demand probably depends on the temperature. It gets very uncomfortable in the underground when it is very hot. Since the purpose of our model is to study changes in the number of tube passengers, it will probably be all right to neglect the weather provided weather conditions are broadly the same every year.

6. To answer our original question, it is not sufficient to know the factors on which the demand for tube journeys depends. We need to know how the number of passengers varies with each of the factors we have identified in our model. Other things equal, we assume that an increase in tube fares will reduce tube passengers and that an increase in the price of any of the competing modes of transport will increase tube passengers. To make real progress, we shall somehow have to quantify each of these separate effects. Then, given predictions for

bus and taxi fares and the price of petrol, we would be able to use our model to predict the number of tube passengers who would travel at each possible tube fare that might be set by London Transport. Multiplying the fare per journey by the predicted corresponding number of journeys demanded at this fare, we could then predict London transport revenue given any decision about the level of tube fares.

7. Writing down a model is a safe way of forcing ourselves to look for all the relevant effects, to worry about which effects must be taken into account and which are minor and can probably be ignored in answering the question we have set ourselves. Without writing down a model, we might have forgotten about the influence of bus fares on tube journeys, an omission that might have led to serious errors in trying to understand and forecast revenue raised from tube fares.

### III. Answer the following questions:

1. Why is it necessary to build a model?
2. What influences demand?
3. What is the importance of a model?

### IV. Points for discussion:

1. The importance of a model.
2. The factors necessary for the economists to state demand.

## Unit 8

### I. Read and remember the following words and word-combinations:

market -  
 Stock Exchange -  
 intermediaries -  
 on behalf of clients -  
 quantity -  
 exceed - , y a  
 essential features -  
 demand -  
 supply -  
 assume -  
 reduce -  
 recognise -  
 demand - schedule -

II. Read and translate the text, paying attention to the words and word-combinations, given above:

## The market

We defined markets in a very general way as arrangements through which prices guide resource allocation. We now adopt a narrower definition.

*A market is a set of arrangements by which buyers and sellers are in contact to exchange goods or services.*

Some markets (shops and fruit stalls) physically bring together the buyer and seller. Other markets (the London Stock Exchange) operate chiefly through intermediaries (stockbrokers) who transact business on behalf of clients. In supermarkets, sellers choose the price, stock the shelves, and leave customers to choose whether or not to make a purchase. Antique auctions force buyers to bid against each other with the seller taking a passive role.

2. Although superficially different, these markets perform the same economic function. They determine prices that ensure that quantity people wish to buy equals the quantity people wish to sell. Price and quantity cannot be considered separately. In establishing that the price of a Rolls Royce is ten times the price of a small Ford, the market for motor cars simultaneously ensures that production and sales of small Fords will greatly exceed the production and sales of Rolls Royces. These prices guide society in choosing what, how, and for whom to purchase.

3. To understand this process more fully, we require a model of a typical market. The essential features on which such a model must concentrate are demand, the behaviour of buyers, and supply, the behaviour of sellers. It will then be possible to study the interaction of these forces to see how a market works in practice.

4. Demand is the quantity of a good buyers wish to purchase at each conceivable price. Thus demand is not a particular quantity, such as six bars of chocolate, but rather a full description of the quantity of chocolate the buyer would purchase at each and every price which might be charged. The first column of Table 8.1 shows a range of prices for bars of chocolate. The second column shows the quantities that might be demanded at these prices. Even when chocolate is free, only a finite amount will be wanted. People get sick from eating too much chocolate. As the price of chocolate rises, the quantity demanded falls, other things equal. We have assumed that nobody will buy any chocolate when the price is more than \$0.40 per bar. Taken together columns (1) and (2) describe the demand for chocolate as a function of its price.

Again, supply is not a particular quantity but a complete description of the quantity that sellers would like to sell at each and every possible price. The third column of Table 8.1 shows how much chocolate sellers wish to sell at each price. Chocolate cannot be produced for nothing. Nobody would wish to supply if they receive a zero price. In our example, it takes a price of at least \$0.20 per bar before there is any incentive to supply chocolate. At higher prices it becomes increasingly lucrative to supply chocolate bars and there is a corresponding in-

crease in the quantity of bars that would be supplied. Taken together column (1) and (3) describe the supply of chocolate bars as a function of their price.

**Table 8.1.**  
The demand for supply of chocolate

Price (\$ /bar)	Demand (million bars/year)	Supply (million bars/year)
(1)	(2)	(3)
0.00	160	0
0.10	200	0
0.20	120	40
0.30	80	80
0.40	40	120
0.50	0	160
0.60	0	200
0.70	0	240

Supply is the quantity of a good sellers wish to sell at each conceivable price.

5. Notice the distinction between demand and the quantity demanded. Demand describes the behaviour of buyers at every price. At a particular price such as \$0.30, there is a particular quantity demanded, namely 80 million bars/ year. The term quantity demanded makes sense only in relation to a particular price. A similar distinction applies to supply and quantity supplied.

6. In everyday language, we would say that when the demand for football tickets exceeds their supply some people will not into the ground. Economists must be more precise. At the price charged for tickets, the quantity demanded exceeded the quantity supplied. Although the size of the ground sets an upper limit on the quantity of tickets that can be supplied, a higher ticket price would have reduce the quantity demanded perhaps leaving empty space in the ground. Yet there has been no change in demand, the schedule describing how many people want admission at each possible ticket price. The quantity demanded has changed because the price has changed.

7. As in our discussion of tube fares in the previous chapter, we must recognize that the demand schedule relating price and quantity demanded and the supply schedule relating price and quantity supplied are each constructed on the assumption of "other things equal". In the demand for tube tickets, the "other things" were the cost of alternative modes of transport. In the demand for football tickets one of "other things" that is important is whether or not the game is being shown on television. If it is, the quantity of tickets demanded at each and every price will be lower than if the game is not televised. To understand how a market works we must first explain why demand and supply are, what they are.

(Is the game on television? Has the ground capacity been extended by building a new stand?) Then we must examine how the price adjusts to balance the quantities supplied and demanded, given the underlying supply and demand schedules relating quantity to price.

8. Let us think again about the market for chocolate described in Table 8.1. Other things equal, the lower the price of chocolate, the higher the quantity supplied. A campaign by dentists warning of the effect of chocolate on tooth decay, or a fall in household incomes, would change the "other things" relevant to the demand for chocolate. Either of these changes would reduce the demand for chocolate, reducing the quantities demanded at each price. Cheaper cocoa beans, or technical advances in packaging chocolate bars, would change the "other things" relevant to the supply of chocolate bars. They would tend to increase the supply of chocolate bars increasing the quantity supplied at each possible price.

**III. Answer the following questions:**

1. What is a market?
2. What are the functions of different markets?
3. What is demand?
4. What is supply?

**IV. Points for discussion:**

1. A market in general sense.
2. Demand.
3. Supply.
4. Demand and quantity demanded.

## Unit 9

**I. Read and remember the following words and word-combinations:**

price responsiveness -  
slope -  
demand curve -  
argue -  
price cut -  
similarly -  
price elasticity -  
extra sale -

**II. Read and translate the text, paying attention to the words and word-combinations, given above:**



## The Price responsiveness of demand

1. The downward slope of the demand curve shows that quantity demanded increases as the price of a good falls. Frequently we need to know by how much the quantity demanded will increase. Table 9.1. presents some hypothetical numbers for the relation between ticket price and quantity demanded, other things equal. Figure 9.1. plots the demand curve, which happens to be straight line in this example.

2. How should we measure the responsiveness of the quantity of tickets demanded to the price of tickets? One obvious measure is the slope of the demand curve. Each price cut of £1 leads to 8000 extra ticket sales per game. Suppose, however, that we wish to compare the price responsiveness of football ticket sales with the price responsiveness of the quantity of cars demanded: clearly, £1 is a trivial cut in the price of a car and will have a negligible effect on the quantity of cars demanded.

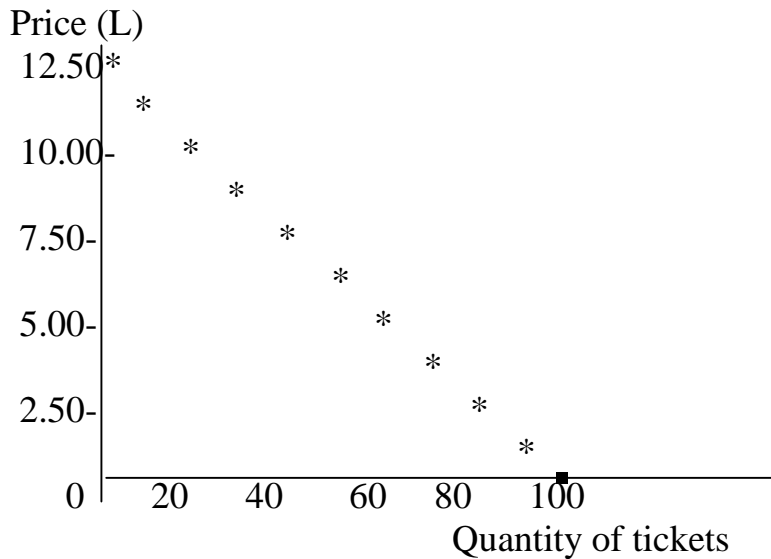
**Table 9.1.**  
The Demand for football tickets

Price (£/ticket)	Quantity for tickets demanded (thousands/game)
12.50	0
10.00	20
7.50	40
5.00	60
2.50	80
0	100

**Figure 9.1. The demand for football tickets.**

For given prices of related goods and consumer incomes, higher ticket prices reduce the quantity of tickets demanded.

We argued that when commodities are measured in different units it is often best to examine the percentage change, which is unit free. This suggests that we think about the effect of a 1 per cent price cut on the quantity of cars and football demanded. Similarly, it is not the absolute number of cars or tickets we should examine but the percentage change in quantity demanded. Not only does this solve the problem of comparing, things measured in different quantity



units, it also takes account of the size of the market. Presumably an extra sale of 8000 tickets is more important when ticket sales are 4000 than when they number 40 000.

4. Thus we reach the definition of the price elasticity of demand, which economists use to measure responsiveness to price changes.

The *price elasticity of demand* is the percentage change in the quantity of good demanded divided by the corresponding percentage change in its price.

Although we shall shortly introduce other demand elasticities – the cross price elasticity and the income elasticity – the (own) price elasticity is perhaps the most frequently used of the three. Whenever economists speak of the demand elasticity they mean the price elasticity of demand as we have defined it above.

5. If a 1 per cent price increase reduces the quantity demanded by 2 per cent, the demand elasticity is  $-2$ . Because the quantity *falls* 2 per cent, we express this as a change of  $-2$  per cent, then divide by the price change of 1 per cent (a price rise) to obtain  $-2$ . If a price fall of 4 per cent increases the quantity demanded by 2 per cent, the demand elasticity is  $-1$ , since the quantity change of 2 per cent is divided by the price change of  $-4$  per cent. Since demand curves slope down, we are either dividing a positive percentage change in quantity (a quantity rise) by a negative percentage change in price (a price fall), or dividing a negative percentage change in quantity (a quantity fall) by a positive percentage change (a price rise). The price elasticity of demand tells us about movements along a demand curve and the demand elasticity must be a negative number.

#### IV. Points for discussion:

1. Demand, price responsiveness of demand.
2. Price elasticity of demand.

## Unit 10

### I. Read and remember the following words and word-combinations:

consumer choice -  
environment -  
budget constraint -  
depict -  
crucial role -

### II. Read and translate the text, paying attention to the words and word-combinations, given above:

#### The theory of consumer choice

1. The model has four elements which describe both the consumer and the market environment:

- 1) The given income that the consumer can spend;
- 2) The prices at which goods can be bought;
- 3) The consumer's tastes, which rank different combinations or bundles of goods according to the satisfaction they yield the consumer;
- 4) The behavioural assumption that consumers do the best they can for themselves. Of the possible consumption bundles that can be purchased out of a given income, the consumer picks the bundle that maximizes his or her own satisfaction.

2. Each of these elements in the model requires detailed discussion.

3. *The Budget Constraint*. Together, elements (1) and (2) define the consumer's budget constraint.

*The budget constraint* describes the different bundles that the consumer can afford.

Which bundles are feasible, or can be afforded on two factors: the consumer's income and the prices of different goods.

4. Consider a student with a weekly budget (income, allowance, or grant) of L50 which can be spent on meals or films. (When there are more than two goods, we can think of "films" as standing for "all goods other than meals".) Each meal costs L5 and each film L10. What combination of meals and films can the student afford to buy? Completely going without films, the student can spend L50 on 10 meals at L5 each. Completely going without meals, the student can buy 5 cinema tickets at L10 each. Between these two extremes lies a range of combinations of meals and films that together cost exactly L50. These combinations are called the budget constraint.

5. Thus, the budget constraint shows the maximum affordable quantity of one good given the quantity of the other good that is being purchased. (We assume that all income is spent on goods. There is no saving.) Table 10.1 shows the

budget constraint for the student in our example. Each row of the table shows an affordable consumption bundle. For example, row 4 shows that 6 meals (costing L30) and 2 films (costing L20) use up all available income. Other rows are calculated in the same way.

**Table 10.1**  
Alternative affordable consumption basket

Quantity of meals (Qm)	Spending on meals (L5xQm)	Quantity of films Qf	Spending on films (L10xQf)
0	0	5	50
2	10	4	40
4	20	3	30
6	30	2	20
8	40	1	10
10	50	0	0

6. Table 10.1. shows the trade-off the student must make between meals and films. Higher quantities of meals require lower quantities of films. For a given income, the budget constraint shows how much of one good must be sacrificed to obtain larger quantities of the other good. It is because there is a trade-off that the student must make a choice between meals and films.

7. *The budget line.* It is useful to depict the budget constraint of Table 10.1. as a *budget line*. Plotting the data of Table 10.1, the budget line in Figure 10.1. again shows the maximum combinations of meals and films that the student can purchase out of available income.

8. The position and shape of the budget line are determined by its end points A and F, which have a simple economic interpretation. Point A shows the maximum quantity of films (5) that the budget will purchase if the student goes without meals: L50 buys at most 5 tickets at L10 each, point F shows that L50 buys at most 10 meals at L5 each if the student goes without films. The budget line joins up points A and F. Intermediate points on the line such as B and C show more balanced purchases of meals and films.

9. The budget line is a convenient way to examine the trade-off between meals and films. The slope of the budget line indicates how many meals must be sacrificed to get another film. Moving from point F to point E reduces the quantity of meals from 10 to 8 but increases the quantity of films from 0 to 1. This trade-off between meals and films is constant along the budget line. Giving up two meals at L5 each always provides the extra L10 to buy an additional cinema ticket.

10. We now see the crucial role of prices. It is because film tickets cost twice as much as meals that two meals must be sacrificed to purchase another film ticket. If films cost three times as much as meals it would be necessary to sacri-

five three meals to pay for one extra film. *The slope of the budget line depends only on the ratio of the prices of the two goods.* The slope of a line is the change in the vertical distance divided by the corresponding change in the horizontal distance. In Figure 10.1, the slope of the budget line is  $-1/2$ . A positive change of 1 film must be divided by the corresponding negative change of  $-2$  meals.

11. This example illustrates the general rule

$$\text{Slope of the budget line} = -P_v / P_h$$

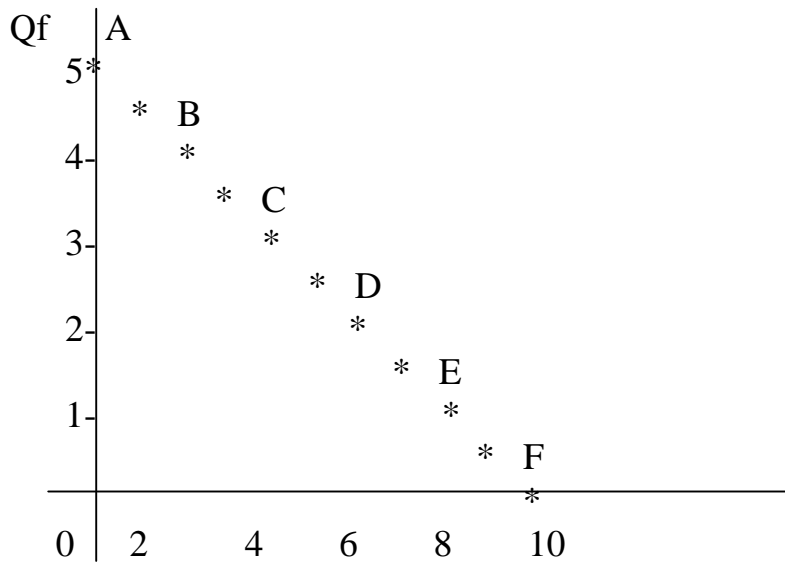
where  $P_h$  is the price of the good whose quantity is measured on the horizontal axis and  $P_v$  is the price of the good whose quantity is measured on the vertical axis. In our example, the price of meals  $P_h$  is L5 and the price of films  $P_v$  is L10. Formula (1) confirms that the slope of the budget line is  $-1/2$  and the minus sign reminds us that there is a trade-off. We have to give up one good to get more of the other good.

12. Thus, the two end-points of the budget line (A and F) show how much of each good the budget will buy if the other good is not purchased at all. The slope of the budget line joining these end-points, depends only on the relative prices of the two goods.

13. Any point above the budget line (such as G in Figure 10.1.) is unaffordable. The budget line shows the maximum quantity of one good that can be afforded, given the quantity purchased of the other good and given the budget available for spending. Given an income of L50, the point G is out of reach since it requires L25 to buy 5 meals and L50 to buy 5 cinema tickets. Points such as K, which lie inside the budget line, leave some income unspent. The point K requires L10 for meals and L20 for films leaving L20 unspent. The student could use this L20 to buy 4 extra meals (moving from K to D without sacrificing films) or buy 2 extra film tickets (moving from K to E without sacrificing meals). Only on the budget line is there a trade-off where the student must choose between films and meals.

### Figure 10.1 The budget line.

The budget line shows the maximum combinations of goods that the consumer can afford, given income and the prevailing prices. Points such as A and F, on the budget line AF, use up the entire consumer budget. Points such as G, above the budget line, are unaffordable. Points such as K, inside the budget line, would allow additional consumption of at least one good.



### III. Answer the following questions:

1. What does the model of consumer behaviour do?
2. What are the four elements of the model?
3. What is budget constraint?

### IV. Points for discussion:

1. Consumer choice.
2. Budget constraints.
3. The importance of prices.

## Unit 11

### I. Read and remember the following words and word-combinations:

revenue -  
 income -  
 profit -  
 expenses -  
 hire people -  
 net income -  
 to calculate profits - (       )  
 tax -  
 bill -  
 depreciation -  
 durable goods -  
 cash -

### II. Read and translate the text, paying attention to the words and word-combinations, given above:

## Revenues, costs and profits

1. A firm's revenue is the amount it earns by selling goods or services in a given period such as a year. The firm's costs are the expenses incurred in producing goods or services during the period. Profits are the excess of revenues over costs. Thus we can write:

$$\text{Profits} = \text{revenue} - \text{cost} \quad (1)$$

Although these ideas are simple, in practice the calculation of revenues, costs, and profits for a large business is complicated. Otherwise we would not need so many accountants. We begin with a simple example.

2. Rent-a-Person is a firm that hires people whom it then rents out to other firms that need temporary workers. Rent-a-Person charges L10 per hour per worker but pays its workers only L7 per hour. During 1987 it rented 100 000 hours of labour. Business expenses, including leasing an office, buying advertising space, and paying telephone bills, came to L200 000. Figure 11.1. shows the income statement or profit-and-loss account for 1987. Profits or net income before taxes were L100 000. Taxes to central government (corporation tax) plus taxes to local government (rates assessed on some of property the firm owned) came to L25 000. Rent-a-Person's after-tax profits in 1987 were L75 000.

3. Now we can discuss some of the complications in calculating profits.

**Figure 11.1.** Rent-a-Person Income Statement For Year  
Ending 31 December 1987

Revenue (100 000 hours rented out at L10 per hour)	L1 000 000
Deduct expenses (costs)	
Wages paid to people rented out	L700 000
Advertising	50 000
Office rent	50 000
Wages for office worker	80 000
Other office expenses	20 000
	900 000
Net income (profits) before taxes	L100 000
Taxes paid	25 000
Net income (profit) after taxes	L75 000

4. *Outstanding Bills.* People do not always pay their bills immediately. At the end of 1987, Rent-a-Person has not been paid for all the workers it hired out during the year. On the other hand, it has not paid its telephone bill for December. From an economic viewpoint, the right definition of revenues and costs relates to the activities carried out during the year whether or not payments have yet been made.

5. This distinction between economic revenues and costs and actual receipts and payments raises the important concept of cash flow.

A firm's *cash flow* is the net amount of money actually received during the period.

Profitable firms may still have a poor cash flow, for example when customers are slow to pay their bills.

6. Part of the problem of running a business is that cash flow at the beginning is bound to be slow. Set up costs must be incurred before revenues start to flow in. That is why firms need financial capital to start the business. If the business prospers, revenues will build up eventually there will be a healthy cash inflow.

7. *Capital- and Depreciation.* Physical capital is the machinery, equipment, and buildings used in production.

Rent-a-Person owns little physical capital. Instead, it rents office space, typewriters, and desks. In practice, businesses frequently buy physical capital. Economists use "capital" to denote goods not entirely used up in the production process during the period. Buildings and lorries are capital because they can be used again in next year. Electricity is not a capital good because it is used up entirely during the period. Economists also use the terms "durable goods" or "physical assets" to describe capital goods.

8. How should the cost of a capital good such as typewriters be treated in calculating profits and costs? The essential idea is that it is the cost of using, rather than buying a piece of capital equipment that should be treated as part of the firm's costs within the year. If Rent-a-Person leases all its capital equipment, its costs include merely the rentals paid in leasing capital goods.

9. Suppose however that Rent-a-Person buys eight typewriters at the beginning of the year for L1000 each. It should not count L8000 as the cost of typewriters in calculating costs and profits for that year. Rather, the cost should be calculated as the reduction in the value of the typewriters over the year. Suppose the wear-and-tear on the typewriters over the year has reduced their value from L1000 to L700 each. The economic cost of the use of eight typewriters over the year is L2400 ( $8 \times L300$ ). This amount of depreciation is the cost during the year.

*Depreciation* is the loss in value resulting from the use of machinery during the period.

The cost during the period of using a capital good is the depreciation or loss of value of that good, not its purchase price.

10. The existence of depreciation again leads to a difference between economic profits and cash flow. When a capital good is first purchased there is a



large cash outflow, much larger than the depreciation cost of using the good during the first year. Profits may be high but cash flow low. However, in subsequent years the firm makes no further cash outlay, having already paid for the capital goods, but must still calculate depreciation as an economic cost since the resale value of goods is reduced still further. Cash flow will now be higher than economic profit.

11. The consequence of treating depreciation rather than purchase price as the true economic cost is thus to spread the initial cost over the life of the capital good; but that is not the reason for undertaking the calculation in this way. Rent-a-Person could always have sold its typewriters for L5600 after one year, restricting its costs to L2400. The fact that the firm chose to keep them for reuse in the next year indicates the latter strategy is even more profitable. Hence the true economic cost of using the typewriters in the first year can be at most L2400.

### III. Answer the following questions:

1. What is a revenue?
2. How can we calculate profits?
3. What is depreciation?

### IV. Points for discussion:

1. Revenues, costs, profits.
2. Capital and depreciation.
3. Economic profits and cash flow.

## Unit 12

### I. Read and remember the following words and word-combinations:

earnings -  
share -  
shareholder -  
balance sheet -  
bank loan -  
accountant -  
economist -  
income statement -     o  
adjustment -

II. Read and translate the text, paying attention to the words and word-combinations, given above:

## Earnings

1. Finally, we must consider what the firm does with its profits after taxes. It can pay them out to shareholders as dividends, or keep them in the firm as retained earnings.

Retained earnings are the part of after-tax profits that is ploughed back into the business rather than paid out to shareholders as dividends.

Retained earnings affect the balance sheet. If they are kept as cash or used to purchase new equipment, they increase the asset side of the balance sheet. Alternatively, they may be used to reduce the firm's liabilities, for example by repaying the bank loan. Either way, the firm's net worth is increased.

2. *Opportunity Cost and Accounting Costs.* The income statement and the balance sheet of a company provide a useful guide to how that company is doing. We have already hinted that economists and accountants do not always take the same view of costs and profits. Whereas the accountant is chiefly interested in describing the actual receipts and payments of a company, the economist is chiefly interested in the role of costs and profits as determinants of the firm's supply decision, the allocation of resources to particular activities. Accounting methods can be seriously misleading in two ways.

3. Economists identify the cost of using a resource not as the payment actually made but as its opportunity cost.

Opportunity cost is the amount lost by not using the resource (labour or capital) in its best alternative use.

To show that this is the right measure of costs, given the questions economists wish to study, we give two examples.

4. Any persons working in their own businesses should take into account the cost of their own labour time spent in the business. A self-employed sole trader might draw up an income statement such as Figure 11.1, find that profits were L 20 000 per annum, and conclude that this business was a good thing. But this conclusion neglects the opportunity cost of individual labour, the money that could have earned by working elsewhere. If that individual could have earned a salary of L25 000 working for someone else, being self-employed is actually losing the person L5000 per annum even though the business is making an accounting profit of L20 000. If we wish to understand the incentives that the market provides to guide people towards particular occupations, we must use the economic concept of opportunity cost, not the accounting concept of actual payments. Including the opportunity cost of L25 000 in the income statement would quickly convince the individual that the business was not such a good idea.

5. The second place where opportunity cost must be counted is with respect to capital. Somebody has put up the money to start the business. In calculating accounting profits, no cost is attached to the use of owned (as opposed to borrowed) financial capital. This financial capital could have been used elsewhere,

in an interest-bearing bank account or perhaps to buy shares in a different company. The opportunity cost of that financial capital is included in the economic costs of the business but not its accounting costs. For example, if the owners could have earned a return of 10 per cent elsewhere, the opportunity cost of their funds is 10 per cent times the money they put up. If, after deducting this cost, the business still makes a profit, economists call this "supernormal profit".

*Supernormal profit* is the profit over and above the return which the owners could have earned by lending their money elsewhere at the market rate of interest.

Supernormal profits provide the true economic indicator of how well the owners are doing by tying up their funds in the business. Supernormal profits, not accounting profits, are the measure that will explain the incentive to shift resources into or out of a business.

6. These are two most important adjustments between accounting and economic notions of costs and profits. In other cases there may be minor differences – for example, since it is hard to calculate the resale value of a second-hand factory, economic and accounting approaches to depreciation may vary slightly. In many cases the two approaches are the same – for example, the wages paid by farmers to students for help in picking crops are not only an accounting cost but an economic cost. Without making these payments, farmers would not been able to attract temporary student labour resources to the activity of crop picking.

Figure 12.1. summarizes the two most important adjustments that must be made to accounting costs and profits to get economic measures of costs and profits.

**Figure 12.1. Accounting and opportunity costs: two important adjustments.** Economic costs represent the opportunity costs of resources used in production. Accounting costs include most economic costs but are likely to omit costs of the owner's time and the opportunity cost of financial capital used in the firm. Economic (supernormal) profit deducts the right measure of economic costs from revenues.

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 Accounting: Income State
 

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Revenues		L80 000
Costs		50 000
Accounting profit		L30 000

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 Opportunity Costs: Income Statement
 

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Revenues			L80 000
Costs:			
Accounting costs			L50 000
Cost of owner's time	25 000		
Opportunity cost of financial capital (L30 000) used in firm, at 10%	3 000		
			<hr/>
Economic profit (supernormal)			L2 000

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**III. Answer the following questions:**

1. What is retained profit?
2. How does retained profit affect the balance sheet?
3. What is the difference between interests of accountants and economists?

**IV. Points for discussion:**

1. Retained earning and their importance.
2. Opportunity cost.
3. Supernormal profit.

## Unit 13

**I. Read and remember the following words and word-combinations:**

overall picture -  
 distinction -  
 deliberate simplification -  
 competitiveness - ,  
 unemployment -  
 labour force -

**II. Read and translate the text, paying attention, to the words and word-combinations, given above:**

## The overall picture

1. Macroeconomics is the study of economy as a whole. Macroeconomics is concerned not with the details – the price of cigarettes relative to the price of bread, or the output of cars relative to the output of steel – but with the overall picture. In part 4 we shall study issues such as the determination of the total output of the economy, the aggregate level of unemployment, and the rate of inflation or growth of prices of goods and services as a whole.

2. The distinction between microeconomics and macroeconomics is more than the difference between economics in the small and economics in the large, which the Greek prefixes micro and macro suggest. The purpose of the analysis is also different.

3. A model is a deliberate simplification to enable us to pick out the key elements of a problem and think about them clearly. Although we could study the whole economy by piecing together our microeconomic analysis of each and every market, the resulting model would be so cumbersome that it would be hard to keep track of all the economic forces at work. Microeconomics and macroeconomics take different approaches to keep the analysis manageable.

4. Microeconomics places the emphasis on a detailed understanding of particular markets. To achieve this amount of detail or magnification, many of the interactions with other markets are suppressed. In saying that a tax on cars reduces the equilibrium quantity of cars we ignore the question of what the government does with the tax revenue. If the government has to borrow less money, it is possible that interest rates and the exchange rate will fall and that improved international competitiveness of UK car producers will actually increase the equilibrium output of cars in the UK.

5. Microeconomics is a bit like looking at a horse race through a pair of binoculars. It is great for details, but sometimes we get a clearer picture of the whole race by using the naked eye. Because macroeconomics is concerned primarily with the interaction of different parts of economy, it relies on a different simplification to keep the analysis manageable. Macroeconomics simplifies the building blocks in order to focus on how they fit together and influence one another.

6. Macroeconomics is concerned with broad aggregates such as the total demand for goods by households or the total spending on machinery and buildings by firm. As in watching the horse race through the naked eye, our notion of the individual details is more blurred but we can give our full attention to the whole picture. We are more likely to notice the horse sneaking up the rails.

7. *The issue.* We now introduce some of the main issues in macroeconomics. We pose a series of questions which form the theme of the analysis.

8. Inflation. The annual inflation rate is the percentage increase per annum in the average price of goods and services. In Chapter 2 we introduced the retail price index (RPI), a weighted average of the prices households pay for goods

and services. The percentage annual growth in the RPI is the most commonly used measure of inflation in the UK.

9. What causes inflation? The money supply? Trade Unions? Why do people mind so much about inflation? Does inflation cause unemployment? These are among the questions we shall seek to answer.

10. Unemployment. Unemployment is a measure of the number of people registered as looking for work but without a job. The *unemployment rate* is the percentage of the labour force that is unemployed. The *labour force* is the number of people working or looking for work. It excludes all those, from rich landowners to heroin addicts, who are neither working nor looking for work.

11. Unemployment is now high. Why has it increased so much in the 1980s? Are workers pricing themselves out of job by greedy wage claims? Is high unemployment necessary to keep inflation under control, or could the government create more jobs?

12. Output and Growth. Real gross national product (real GNP) measures the total income of the economy. It tells us the quantity of goods and services the economy as a whole can afford to purchase. It is closely related to the total output of the economy. Increases in real GNP are called economic growth.

13. What determines the level of real GNP? Does unemployment mean that real GNP is lower than it might be? Why do some countries grow faster than others?

14. Macroeconomic Policy. Almost every day the newspaper and television refer to the problems of inflation, unemployment, and slow growth. These issues are widely discussed; they help determine the outcome of elections, and make some people interested in learning more about macroeconomics.

15. The government has a variety of policy measures through which it can try to affect the performance of the economy as a whole. It levies taxes, commissions spending, influences the money supply, interest rates, and the exchange rate, and it sets targets for the output and prices of nationalized industries.

16. What the government can and should do is the subject of lively debate both within the field of economics and in the country at large. As usual, it is important to distinguish between positive issues relating to how the economy works and normative issues relating to priorities or value judgements. In the ensuing chapters we try to make clear which aspects of policy debate refer to differing beliefs about how the economy works and which aspects refer to differences in priorities or value judgements.

### **III. Points for discussion:**

1. Macroeconomics.
2. Microeconomics.
3. Inflation, how to measure it?
4. Unemployment.
5. Output and Growth.

## Unit 14

### I. Read and remember the following words and word-combinations:

means of payment -  
unit of account -

### II. Read and translate the text, paying attention to the words and word-combinations, given above:

#### Money and its functions

1. Although the crucial feature of money is its acceptance as the means of payment or medium of exchange, money has three other functions. It serves as a unit of account, as a store of value, and as a standard of deferred payment. We discuss each of the four functions of money in turn.

2. *The medium of Exchange.* Money, the medium of exchange, is used in one half of almost all exchange. Workers exchange labour services for money. People buy or sell goods in exchange for money. We accept money not to consume it directly but because it can subsequently be used to buy things we do wish to consume. Money is the medium through which people exchange goods and services.

3. To see that society benefits from a medium of exchange, imagine a barter economy or swapped for other goods.

*A barter economy* has no medium of exchange. Goods are traded directly or swapped for other goods.

In a barter economy, the seller and the buyer each must want something the other has to offer. Each person is simultaneously a seller and a buyer. In order to see a film, you must hand over in exchange a good or service that the cinema manager wants. There has to be a *double coincidence of wants*. You have to find a cinema where the manager wants you have to offer in exchange.

4. Trading is very expensive in a barter economy. People must spend a lot of time and effort finding others with whom they can make mutually satisfactory swaps. Since time and effort are scarce resources, a barter economy is wasteful. The use of money - any commodity generally accepted in payment for goods, services, and debts - makes the trading process simpler and more efficient.

5. *Other Functions of Money.* The unit of account is the unit in which prices are quoted and account are kept.

In Britain prices are quoted in pounds sterling; in France, in French francs. It is usually convenient to use the units in which the medium of exchange is measured as the unit of account as well. However there are exceptions. During the rapid German inflation of 1922-23 when prices in marks were changing very quickly, German shopkeepers found it more convenient to use dollars as the unit

of account. Prices were quoted in dollars even though payment was made in marks, the German medium of exchange.

6. Money is a store *of value* because it can be used to make purchases in the future.

To be accepted in exchange, money has to be a store of value. Nobody would accept money as payment for goods supplied today if the money was going to be worthless when they tried to buy goods with it tomorrow. But money is neither the only nor necessarily the best store of value. Houses, stamp collections, and interest-bearing bank accounts all serve as stores of value. Since money pays no interests and its real purchasing power is eroded by inflation, there are almost certainly better ways to store value.

7. Finally, money serves as a *standard of deferred payment* or a unit of account over time. When you borrow, the amount to be repaid next year is measured in pounds sterling. Although convenient, this is not an essential function of money. UK citizens can get bank loans specifying in dollars the amount that must be repaid next year. Thus the key feature of money is its use as a medium of exchange. For this, it must act as a store of value as well. And it is usually, though not invariably, convenient to make money the unit of account and standard of deferred payment as well.

8. *Different Kinds of Money*, In prisoner-of-war camp, cigarettes served as money. In the nineteenth century money was mainly gold and silver coins. These are examples of *commodity money*, ordinary goods with industrial uses (gold) and consumption uses (cigarettes) which also serves as a medium of exchange. To use a commodity money, society must either cut back on other uses of that commodity or devote scarce resources to producing additional quantities of the commodity. But there are less expensive ways for society to produce money.

A *token money* is a means of payment whose value or purchasing power as money greatly exceeds its cost of production or value in uses other than as money.

A L10 note is worth far more as money than as a 3x6 inch piece of high-quality paper. Similarly, the monetary value of moot coins exceeds the amount you would get by melting them down and selling off the metals they contain. By collectively agreeing to use token money, society economizes on the scarce resources required to produce money as a medium of exchange. Since the manufacturing costs are tiny, why doesn't everyone make L10 notes?

9. The essential condition for the survival of token money is the restriction of the right to supply it. Private production is illegal.

10. Society enforces the use of token money by making it *legal tender*. The law says it must be accepted as means of payment.

11. In modern economies, token money is supplemented by IOU money.

An *IOU money* is a medium of exchange based on the debt of a private firm or individual.



A bank deposit is IOU money because it is a debt of the bank. When you have a bank deposit the bank owes you money. You can write a cheque to yourself or a third party and the bank is obliged to pay whenever the cheque is presented. Bank deposits are a medium of exchange because they are generally accepted as payment.

### III. Points for discussion:

1. Functions of money.
2. Barter economics.
3. Money as a unit of account.
4. Money as a store of value.
5. Different kinds of money.

## Unit 15

### 1. Read the following text, try to understand it:

#### Modern banking

1. The goldsmith bankers were an early example of a financial intermediary.

A *financial* intermediary is an institution that specializes in bringing lenders and borrowers together.

A *commercial bank* borrows money from the public, crediting them with a deposit. The deposit is a liability of the bank. It is money owed to depositors. In turn the bank lends money to firms, households, or governments wishing to borrow.

2. Banks are not the only financial intermediaries. Insurance companies, pension funds, and building societies also take money in order to relend it. The crucial feature of banks is that some of their liabilities are used as a means of payment, and are therefore part of the money stock.

3. *Commercial banks* are financial intermediaries with a government licence to make loans and issue deposits, including deposits against which cheques can be written.

We begin by looking at the present-day UK banking system. Although the details vary from country to country, the general principle is much the same everywhere.

4. In the UK, the commercial banking system comprises about 600 registered banks, the National Girobank operating through post offices, and about a dozen trustee saving banks. Much the most important single group is the London clearing banks. The clearing banks are so named because they have a central clearing house for handling payments by cheque.

A *clearing system* is a set of arrangements in which debts between banks are settled by adding up all the transactions in a given period and paying only the net amounts needed to balance inter-bank accounts.

Suppose you bank with Barclays but visit a supermarket that banks with Lloyds. To pay for your shopping you write a cheque against your deposit at Barclays. The supermarket pays this cheque into account at Lloyds. In turn, Lloyds presents the cheque to Barclays which will credit Lloyds' account at Barclays and debit your account at Barclays by an equivalent amount. Because you purchased goods from a supermarket using a different bank, a transfer of funds between the two banks is required. Crediting or debiting one bank's account at another bank is the simplest way account at another bank is the simplest way to achieve this.

5. However on the same day someone else, call her Joan Groover, is probably writing a cheque on a Lloyd's deposit account to pay for some stereo equipment from a shop banking with Barclays. The stereo shop, pays the cheque into its Barclays' account, increasing its deposit. Barclays then pay the cheque into account at Lloyds where Ms Groover's account is simultaneously debited. Now the transfer flows from Lloyds to Barclays.

6. Although in both cases the cheque writer's account is debited and the cheque recipient's account is credited, it does not make sense for the two banks to make two separate inter-bank transactions between themselves. The clearing system calculates the *net flows* between the member clearing banks and these are the settlements that they make between themselves. Thus the system of clearing cheques represents another way society reduces the costs of making transactions.

7. *The Balance Sheet of the London Clearing Banks*. Table 15.2. shows the balance sheet of the London clearing banks. Although more complex, it is not fundamentally different from the balance sheet of the goldsmith-banker shown in Table 15.1. We begin by discussing the asset side of the balance sheet.

8. Cash assets are notes and coin in the banks' vaults just as the goldsmiths held gold in their vaults. However, modern banks' cash assets also include their cash reserves deposited with the Bank of England. The Bank of England (usually known as the Bank) is the central bank or banker to the commercial banks.

9. Apart from cash, the other entries on the asset side of the balance sheet show money that has been lent out or used to purchase interest-earning assets. The second item, bills and market loans, shows short-term lending in liquid assets.

Liquidity refers to the speed and the certainty with which an asset can be converted back into money, whenever the asset-holders desire. Money itself is thus the most liquid asset of all.

10. The third item, advances, shows lending to households and firms. A firm that has borrowed to see it through a sticky period may not be able to repay whenever the bank demands. Thus, although advances represent the major share

of clearing bank lending, they are not very liquid forms of bank lending. The fourth item, securities, shows bank purchases of interest-bearing long-term financial assets. These can be government bonds or industrial shares. Although these assets are traded daily on the stock exchange, so in principle these securities can be cashed in any time the bank wishes, their price fluctuates from day to day. Banks cannot be certain how much they will get when they sell out. Hence financial investment in securities is also illiquid.

11. The final two items on the asset side of Table 15.2. show lending in foreign currencies and miscellaneous bank assets whose details need not concern us. Total assets of the London clearing banks in May 1986 were L200.1 billion. We now examine how the equivalent liabilities were made up.

**Table 15.1.**  
Balance sheet of London banks. May 1986

Assets		Lb	Liabilities		Lb	
Sterling:	Cash	2.9	Sterling:	Sight deposits	54.1	
	Bills and				Time deposits	59.9
	Market loans	34.7			CDs (certificates	
	Advances	83.0		Deposit)	8.1	
	Securities	9.4				
	Lending in other currencies	54.6		Deposits in other currencies	46.2	
	Miscellaneous asset	15.5		Miscellaneous liabilities	31.8	
	Total Assets	200.1		Total Liabilities	200.1	

12. Deposits are chiefly of two kinds: sight deposits and time deposits. Whereas sight deposits can be withdrawn on sight whenever the depositor wishes, a minimum period of notification must be given before time deposits can be withdrawn. Sight deposits are the bank accounts against which we write cheques, thereby running down our deposits without giving the bank any prior warning. Whereas most banks do not pay interest on sight deposits or chequing accounts, they can afford to pay interest on time deposits. Since they have notification of any withdrawals, they have plenty of time to sell off some of their high interest investments or call in some of their high interest loans in order to have the money to pay out depositors.

13. Certificates of deposit (CDs) are an extreme form of time deposits where the bank borrows from the public for a specified time period and knows exactly when the loan must be repaid. The final liability items in Table 15.1 show deposits in foreign currencies and miscellaneous liabilities such as cheques in process of clearance.

**II. Give title to each paragraph of the text basing on the essence of it.**

**III. Points for discussion:**

1. The role of banks.
2. Commercial banks.
3. The clearing system.

**Unit 16****I. Read the following text, try to understand it:****The bank and the money supply**

1. In this section we study the ways in which a central bank can affect the supply of money in the economy. The narrowest measure M1 of the money supply is currency in circulation outside the banking system plus the sight deposits of commercial banks against which the private sector can write cheques. Thus the money supply is partly a liability of the Bank (currency in private circulation) and partly a liability of commercial banks (chequing accounts of general public).

2. In the last chapter we introduced the *monetary base*, the currency supplied by the Bank both to the commercial banks and to private circulation, and the money multiplier, the extent to which the money supply is a multiple of the monetary base. We saw that the money multiplier was larger the smaller the cash reserve ratio of commercial banks and the smaller the private sector's desired ratio of cash to bank deposits.

3. We now describe the three most important instruments through which the Bank might seek to affect the money supply: reserve requirements, the discount rate, and open market operations.

4. *Reserve Requirements.* A *required reserve ratio* is a minimum ratio of cash reserves to deposits that the central bank requires commercial banks to hold.

If a reserve requirement is in force, commercial banks can hold more than the required cash reserves but they cannot hold less. If their cash falls below the required amount, they must immediately borrow cash, usually from the central bank, to restore their required reserve ratio.

5. Suppose the commercial banking system has L1 million in cash and for strictly commercial purposes would normally maintain cash reserves equal to 5 per cent of sight deposits. Since sight deposits will be 20 times cash reserves, the banking system will create L20 million of sight deposits against its L1 million cash reserves. Suppose the Bank now imposes a reserve requirement that banks must hold cash reserves of at least 10 per cent of sight deposits. Now banks can create only L10 million sight deposits against their cash reserves of L10 million.

6. Thus, when the central bank imposes a reserve requirement in excess of the reserve ratio that prudent banks would anyway have maintained, the effect is

to reduce the creation of bank deposits, reduce the value of the money multiplier, and reduce the money supply for any given monetary base. Similarly, when a particular reserve requirement is already in force, any increase in the reserve requirement will reduce the money supply.

7. When the central bank imposes a reserve requirement in excess of the reserves that banks would otherwise have wished to hold, the banks are creating fewer deposits and undertaking less lending than they would really like. Thus a reserve requirement acts like a tax on banks by forcing them to hold a higher fraction of their total assets as bank reserves and a lower fraction as loans earning high interest rates. Can the banks do anything about it?

8. Although there are profitable lending opportunities, the banks can take advantage of them only if they can increase their cash reserves. In principle, they could try to borrow cash from the central bank. If the point of a reserve requirement is to reduce the money supply, the central bank will be reluctant to lend banks the cash they want to make additional loans, increase deposits, and expand the money supply. With lucrative lending opportunities around, the banks may be able to induce the private sector to exchange cash in circulation for bank deposits. Banks can offer more generous interest rates on time deposits or stay open later to encourage people to make greater use of chequing facilities. By attracting more cash from the general public, banks may then be able to restore former levels of deposit lending, though there is then the danger that the central bank will raise the reserve requirement still higher.

9. One form of reserve requirement that has been especially popular in the UK is the use of special deposits. Commercial banks were required to deposit some of their cash reserves in a special deposit at the Bank, and this money could not be counted as part of the banks' cash reserves in meeting their reserve requirements. Varying the amount required as special deposits gave the Bank another lever for controlling deposit creation by the banking system and the size of the money multiplier.

10. *The Discount Rate.* The second instrument of monetary control available to the central bank is the discount rate.

The discount rate is the interest rate that the Bank charges when the commercial banks want to borrow money. When the discount rate was an important part of monetary control in the UK it used to be known as the Bank Rate, or Minimum Lending Rate (MLR).

11. Suppose banks think the minimum safe ratio of cash to deposits is 10 per cent. For the purposes of this argument it does not matter whether this figure is a commercial judgement or a required ratio imposed by the Bank. On any particular day, banks are likely to have a bit of cash in hand. Say their cash reserves are 12 per cent of deposits. How far dare they let their cash reserves fall towards the minimum level of 10 per cent?

12. Banks have to balance the interest rate they will get on extra lending with the dangers and costs involved if there is a sudden flood of withdrawals which

push their cash reserves below the critical 10 per cent figure. This is where the discount rate comes in. Suppose market interest rates are 8 per cent and the central bank makes it known it is prepared to lend to commercial banks at 8 per cent. Commercial banks may as well lend up to the hilt and drive their cash reserves down to the minimum 10 per cent of deposits. The banks are lending at 8 per cent and, if the worst comes to the worst and they are short of cash, they can always borrow from the Bank at 8 per cent. Banks cannot lose by lending as much as possible.

13. Suppose however that the Bank announces that, although market interest rates are 8 per cent, it will lend to commercial banks only at the penalty rate of 10 per cent. Now a bank with cash reserves of 12 per cent may conclude that it is not worth making the extra loans at 8 per cent interest that would drive its cash reserves down to the minimum of 10 per cent of deposits. There is too high a risk that sudden withdrawals will then force the bank to borrow from the Bank at 10 per cent interest. It will have lost money by making these extra loans. It makes more sense to hold some excess cash reserves against the possibility of a sudden withdrawal.

14. Thus, by setting the discount rate at a penalty level in excess of the general level of interest rates, the Bank can induce commercial banks voluntarily to hold additional cash reserves. Since bank deposits now become a lower multiple of banks' cash reserves, the money multiplier is reduced and the money supply is lower for any given level of monetary base.

## **II. Give title to each paragraph of the text.**

### **III. Points for discussion:**

1. The monetary base.
2. Required reserved ratio.
3. Special deposit.
4. The discount rate.

## Appendix 1

### Guide to grammar

#### Study the following

#### Verb "to be" in Indefinite Active

Present	Past	Future
am	Was	shall be
Is		
are	Were	will be

Write the following sentences in the Past, Future Indefinite, adding the adverbial Modifier of time (at 5 o'clock, yesterday, tomorrow, next week, last month, next year), if it is necessary.

1. Victor is free in the evening. 2. John is in America. 3. I am very busy. 4. She is at the lecture. 5. The child is 10 years old. 6. This work is interesting. 7. The expedition is in Africa. 8. The new film is long. 9. My mother is at home. 10. The workers are at the factory. 11. The children are at school. 12. The students are at the institute.

#### Verb "to have" in indefinite Active

Present	Past	Future
have	Had	shall have
has		will have

#### Write the following sentences in Past Indefinite, Future Indefinite.

*Model:* He has a car.

a) He had a car.

b) He will have a car.

1. They have a big house in the country. 2. My friend has many interesting books. 3. His mother has a nice garden. 4. She has a good map of London. 5. We have a good dog. 6. I have a beautiful picture. 7. These students have five examinations. 8. His parents have comfortable flat. 9. John has good work. 10. These pupils have four lessons every day.

Present	Past	Future
I you work we they he, she works	I you worked he, she went we they	I we shall work you he, she will work they

Do	I we you they Mary and Tom	like	English? winter? London? our Institute? this poem? to skate? to read English books?
Does	he she Mary		

I we you they Mary and Tom	do not (don't)	like	German. our study. winter.  to skate. to go out in the eve- ning.
he she Mary	Does not (doesn't)		

### Study the Following

#### General questions in Indirect speech

I we you they Mary and Tom	ask	If (whether)	the weather is fine Mary speaks English father is free on Sunday Tom likes to play chess the children can skate well.
--	-----	-----------------	--

#### Special questions in indirect speech

He My friend Our teacher	asks(me)	where my parents live. why I am late. where my father works. what newspaper I read.
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## Imperative sentences in indirect speech

He She Father	asks me tells me	to wait for him. to do it at once.
You They The girls	ask me tell me	not to go there alone. got to stay there any longer.

**I. Use the following questions in indirect speech according to the given model. Make all the necessary changes.**

*Model:* The teacher asks: "Do you know any English words?"

The teacher asks if we know any English words.

1. Tom asks: "Do you know English well?" 2. She asks: "Do you like to skate?" 3. My friends ask: "Are you free on Sunday?" 4. The student asks: "Have you any English books at home?" 5. She asks: "Do you want to read this book?" 6. The teacher asks: "Are there any mistakes in spelling on the Blackboard?" 7. The teacher asks me: "Do you know any poem by heart?" 8. Mary asks me: "Do you know many English words?" 8. Betty asks Tom "Must you go to the Institute today?"

**II. Give the following sentences in indirect speech, make the necessary changes:**

1. My father says: "Why don't you read English newspapers?" 2. Maggy says: "Why are you looking at me in that way?" 3. My teacher says: "You've got a number of mistakes in your translation." 4. She says: "What are you going to be when you leave the institute?" 5. I say: "I'm sure I am going to be a teacher." 6. My cousin says: "When are you coming to see us?" 7. She says: "I like the poem. I am going to learn it by heart." 8. Mother says: "Don't be late for dinner." 9. They say: "Don't stay here any longer. It is getting dark." 10. The child says: "What are you doing?" 11. The teacher says: "Find the Thames on the map, Popova."

**Study the following**

**Personal and Possessive Pronouns**

nominative case	objective case	Conjoint form	Absolute form
I	me	my	mine
He	him	his	his
she	her	her	hers
it	it	its	its
we	us	our	ours
you	you	your	yours
they	them	their	theirs

**Replace the words in italics by personal Pronouns in objective case.**

1. Read *these books* at home. 2. Show *your sister* this map. 3. Give *this boy* some red apples. 4. Tell *your teacher* about your flat. 5. Tell *your friends* about the plant. 6. Read the *new words*, please. 7. Begin reading *the text*. 8. Put *your bag* here. 9. Read *your daughter* this book.

**Degrees of Comparison of Adjectives :**

	Positive	Comparative	Superlative
I	long easy	longer easier	(the) longest (the) easiest
II	Interesting	more interesting	(the) most in- teresting
III	good bad much, many little	better worse more less	(the) best (the) worst (the) most (the) least

Note. My flat is as large as yours.  
My flat is not so large as yours.  
My flat is not as large as yours.

**Give the degrees of comparison of the following adjectives:**

short, tall, large, nice, long, big, red, high, dirty, fast, easy, good, bad, much, many, few, little, busy, near, far, old, late, thin, thick, comfortable, interesting, difficult, narrow.

**Rewrite the following sentences changing as...as into not so...as or not as...as**

1. She is as young as you are. 2. He is as clever as his father is. 3. I am as tired as you are. 4. My mother is as old as yours. 5. This book is as interesting as that one. 6. These dictations are as bad as those one. 7. My father is as tall as yours. 8. His daughter is as beautiful as his wife. 9. My room is as light as yours. 10. This new house is as big as the old one. 11. This boy is as clever as that one.

### Study the following

#### Continuous Tenses Active and Passive Affirmative Form

	Active	Passive
	to be + Participle I	to be + Being + Participle II
Present	They are discussing a new plan now	A new plan is being discussed now.
Past	They were discussing a new plan when we came.	A new plan was being discussed when we came.
Future	They will be discussing a new plan tomorrow at five o'clock.	

#### Continuous Tenses Active and Passive Negative Form

	Active	Passive
Present	They are not discussing a new plan now.	A new plan is not being discussed now.
Past	They were not discussing a new plan when we came.	A new plan was not being discussed when we came.
Future	They will not be discussing a new plan tomorrow at five o'clock.	

#### Continuous Tenses Active and Passive Affirmative Form

	Active	Passive
Present	Are they discussing a new plan now?	Is a new plan being discussed now?
Past	Were they discussing a new plan when we m ?	Was a new plan being discussed when we cam ?
Future	Will they be discussing a new plan tomorrow at five o'clock?	

**I. Translate the following sentences, pay attention to the use of the tenses**

She prepares her lessons  
in the evening every day.

She prepared her lessons  
well yesterday.

She is tired, she will  
prepare her lessons  
tomorrow.

The work is done well every  
day.

The work was done two days  
ago.

The work will be done next  
week.

She is preparing her lessons  
now.

She was preparing her lessons  
when we came to see her.

She will be preparing her  
lessons all the evening  
tomorrow.

The work is being done now  
and soon it will be finished.

The work was being done all  
the day yesterday.

**Study the following**

## Perfect Tenses (Active and Passive) Affirmative Form

	Active	Passive
	to have + Participle II	to have + Been+ Participle II
Present	He has received a letter.	The letter has been received.
Past	He had received a letter by the evening yesterday.	The letter had been received by the evening yesterday.
Future	He will have received a letter by the evening tomorrow.	The letter will have been re- ceived by the evening tomor- row.

## Interrogative Form

	Active	Passive
Present	Has he received a letter?	Has the letter been received?
Past	Had he received a letter by the evening yesterday?	Had the letter been received by the evening yesterday?
Future	Will he have received a letter by the evening tomorrow?	Will the letter have been re- ceived by the evening tomor- row?

## Negative Form

	Active	Passive
Present	He has not received a letter.	The letter has not been received.
Past	He had not received a letter by the evening yesterday.	The letter had not been received by the evening yesterday.
Future	He will not have received a letter by the evening tomorrow.	The letter will not have been received by the evening tomorrow.

## Contracted Forms

We've received – We haven't received

He's received – He hasn't received

**I. Translate the following sentences, pay attention to using of the tenses**

He came by car yesterday.

He has just come by car.

They did not go to Kiev last year.

They have never been to Kiev.

I knew him in 1970.

I have known him since 1970.

They were learning the new English words when I came into the room.

They had already learnt the new English words when I came into the room.

We shall finish the work tomorrow.

We shall have finished the work tomorrow by 5 o'clock.

The experiment was completed two days ago.

The experiment had been completed by the end of last month.

Her plants are changed every day.

Her plants have been already changed.

**II. Answer the following questions:**

1. Have you ever got a bad mark at the examination? 2. Have you ever been to London? 3. Have you ever gone traveling? 4. Have you ever read an English book in the original? 5. Have you ever failed in an examination? 8. Have you ever skated? 7. Have you ever studied French? 8. How many times have you used the laboratory this week? 9. Have you seen your friend today? 10. What cities of our country have you visited? 11. What films have you seen this month?

**III. Analyse the use of the Perfect Forms. Translate the sentences into Ukrainian or Russian.**

a) 1. I can't get into the room. I have lost my key. 2. My sister has been to the Crimea this year. 3 "Have you been here long?" "Yes, I have been here for more than an hour." 4. I have known him since childhood. 5. She has seen him today and has told him everything. 6. "Have you written the letter?" "Yes, I have." "When did you write it?" "I wrote it yesterday."

b) 1. I was sure I had never seen that man before. 2. No one had finished his work by the appointed time. 3. When we reached the house the windows were dark as everybody had not been in.

c) 1. Don't come for the article at 8 o'clock. We shall not have finished it by that time. 2. I'm sure we shall have prepared everything when you return.

**IV Change the following sentences into interrogative and negative:**

1. I have left my copy-book at home. 2. They have finished their work in time. 3. I have heard much about this play. 4. You have done this exercise well. 5. He has lived abroad for a long time. 6. He had translated the text by 5 o'clock. 7. She will have passed the exam by the end of the week.

**V. Oral drill. Ask questions following the pattern:**

*Pattern:*

Teacher: Comrade B, ask comrade A if he has brought the book. Comrade B: Comrade A, have you brought the book?

Teacher: Comrade B, ask ...

him if he has got the article he needs,  
them if they have ever been to London,  
the students if they have read much on the subject,  
her if she has heard of him since he left.  
her if she has seen him since that day.  
your friend if he has known her for a long time,  
them if they have been here long.

**Study the following**

Modal verbs and their equivalents

necessity	- must, should, to have to, to be to
physical ability	- can, to be able to
permission	- may, to be allowed to

**Can**

a)

I He (she) We You They	Can (cannot, can't)	write it in transcription. read louder. write exercise 5. read English.
------------------------------------	------------------------	--

b)

Can	I He (She) We You They	write it in transcription? read louder? write exercise 5? read English?
-----	------------------------------------	--

**May**

a)

I He (she) We You They	May (may not )	take the exercise-book. stay at home. take the head-phones.
------------------------------------	-------------------	---

b)

May	I He (She) We You They	take the exercise-book? stay at home? take the head-phones?
-----	------------------------------------	---

e.g. May I stay at home?

- Do, please. Yes, you may.

- I am afraid not. No, you mustn't.

**Must**

a)

I He (She) We You They	Must (must not)	forget it. listen to him. read this book.
------------------------------------	--------------------	---

b)

Must	I He (She) We You They	repeat the nouns? read this book? translate the story?
------	------------------------------------	--

e.g. Must I read this book?

- Yes, you must.
- No, you needn't.

**Write the interrogative and negative forms of the following sentences:**

1. She can spell the noun correctly.
2. You may take your exercise-book.
3. He can write this in translation.
4. There are some mistakes in her dictation.
5. My sister has got two interesting magazines.
6. Doctor Sandford is busy in his study.

**Fill in the missing modal verbs:**

1. You ... go out today. It's too cold.
2. ... I take your fountain-pen? Do, please.
3. We ... not carry the bookcase upstairs. It is too heavy.
4. When ... you come to see us? - I ... come only tomorrow.
5. Shall I write a letter to him? - No, you ..., it is not necessary.
6. Mary ... finish the work at once.
7. ... you cut something without a knife?
8. Peter ... return the book to the library. We all want to read it.
8. Why ... not you understand it? It is so easy.
10. ... we do the exercise at once?
11. ... you pronounce this sound?

**Study the following**

## The Passive Voice

to be + Participle II		
The book	is was will be has been had been will have been is being was being	written.

**I. Give the passive Forms of the following infinitives:**

- a) Present, Past, Future Indefinite;  
The article – to be translated



The house – to be built.  
The concert – to be arranged

- b) Present, Past Continuous:  
The questions – to be discussed.  
The work – to be done.  
The students – to be examined.

- c) Present, Past, Future Perfect:  
The district – to be explored.  
The meeting – to be held.  
The profession – to be chosen.

## II. Compare the following pairs of sentences and translate them.

1. The teacher asks the students many questions. The students are asked many questions. 2. He told them an interesting story. He was told an interesting story. 3. She visited her friends. She was visited by her friends. 4 I shall give a good book. I shall be given a good book. 5. The rector will receive you at 3 o'clock. You will be received on Wednesday. 6. They will show us a new film tomorrow. They will be shown a new film tomorrow.

### Study the following

#### The Gerund

The Gerund is non- finite form which has verbal features and has also nominal (noun) features.

Objective verbs have four forms of the gerund.

Indefinite	Passive
writing	being written
Perfect	Perfect Passive
having written	having been written

Subjective verbs have only two forms of the gerund. They have no passive forms:

Indefinite	Passive
standing	-
Perfect	Perfect Passive
having stood	-

**Note:** There is a tendency at present to avoid using the Perfect forms of the gerund.

**I. Give all the forms of the gerund. Name the form:**

to read; to attract; to surprise; to walk; to discover; to sit.

**II. Translate the following sentences, pay attention to the Gerund:**

1. Reading English technical magazines is important for an engineer.
2. It is no use speaking to her.
3. I remember attending his lectures on history.
4. He remembers having added.
5. They finished installing the apparatus only on Saturday.
6. The strange man stopped following me.
7. They began making the experiment in May.
8. After failing in the examination in January he had to take it again in February.
9. After graduating from the Institute he worked in the Far North.
10. At the meeting they discussed different ways of improving their work.
11. The organizers of the conference were informed of his refusing to take part in it.
12. We were informed of new results being obtained at the laboratory.
13. I remember his having been interested in language in his childhood.

**Study the following**

## The Syntactical functions of the Gerund

Function	Example
1. The Subject	1. Smoking is not allowed here.
2. The Predicative	2. His hobby is driving a car.
3. The Direct Object	3. The car needs repairing.
4. The Prepositional object	4. They spoke about their traveling to the North.
5. The Attribute	5. There are different ways of obtaining this substance.
6. The Adverbial Modifier	6. After receiving good results they stopped experiments.

**Study the following**

## Infinitive

	Active	Passive
Indefinite	to write	to be written
Continuous	to be writing	to be being written
Perfect	to have written	to have been written

**I. Translate the sentences observing the forms of the infinitives:**

He is (was) glad	to help his friend to be helped to have helped his friend to have been helped
------------------	--

**II. Practise the forms of the infinitives (to be done orally):**

- a) to have written  
to rise, to advertise. to lay, to choose;
- b) to have been written  
to build, to fix, to raise, to sell;
- c) to be writing  
to weep, to read, to translate, to ask;
- d) to have been writing  
to walk, to speak, to sit
- e) to be written  
to devote, to hold, to interrupt;

**III. Translate the sentences, in which the infinitive is used:**

- a) as subject  
To read English is a great pleasure.
- b) as predicative  
His task was to complete the work in time.
- c) as object  
When did you learn to skate? He likes to read English.
- d) as attribute  
She was the first to come.  
The film to be shown at the Institute to-day is very impressive.
- e) as adverbial modifier  
You must hurry (so as) not to be late.  
Has he come to apologize?  
He is clever enough to understand it.

**IV. State the function of the infinitive**

1. To live in London in November is to know what fog means. 2. To know all is to forgive all. 3. It is difficult for me to believe the news. 4. It is necessary for you to apologize. 5. It was impossible to invite them both. 6. To tell her the news now is to kill her.

**Study the following**

1. Objective with the Infinitive  
(complex object)

A. Subject + verb predicate + object + Infinitive  
I know him to study English.

B. Subject + verb predicate + object+ Infinitive  
I see her without to sing at the concert.

hear  
 feel  
 watch  
 notice  
 make (            )

**I. Translate the following sentences, pay attention to objective with the infinitive:**

A. 1. He wanted us to visit the art exhibition. 2. I expect you to tell me everything. 3. I suppose her to be about 50. 4. The teacher does not consider him to be a good student. 5. The engineer expected the work to be done in time. 6. We know him to have graduated from the Institute two years ago. 7. Everybody knows him to be writing a new book. 8. We thought him to have taken part in their experiment. 9. Did you want the plan to be improved?

. 1. She felt somebody look at her. 2. We heard him come in and close the door behind him. 3. Nobody noticed her leave the room. 4. I heard him mention my sister's name. 5. Many people like to watch the sun rise. 6. She saw her son fall. 7. The students heard the bell ring. 8. You can't make me believe that all these stories are true.

**2. The Subjective Infinitive Construction  
 (Complex Subject)**

Subject	+	verb predicate	+	Infinitive
The delegation		is reported		to come on Monday.
They		seem		to know the subject well.

**I. Translate the following sentences, pay attention to subjective Infinitive Construction:**

1. The lecture was said to be very interesting. 2. The members of the committee are reported to come to an agreement. 3. The English delegation is believed to come at the end of the month. 4. She seems to know English and French. 5. He proved to be a good engineer. 6. This school is considered to be the best in the town. 7. The weather appears to be improving. 8. She seems to be waiting for you. 9. Lake Baikal is said to be the deepest in the world. 10. This picture proved to be the best at the exhibition. 11. These two scientists happened to work at the same problem.

## Study the following

### Participle

The Participle is a non-finite form which has certain verbal features and the syntactical functions of adjectival or adverbial character

Participle I			Participle II	
Indefinite	Active	Passive	Infinitive + ed	asked
	asking	Being asked		
Perfect	having asked	having been asked	Special form	gone

1. (When) translating the article he came across certain difficulties .
2. Having translated the article he handed it to the teacher.
3. (Being) translated very carelessly the article was difficult to read.
4. Having been translated the article was sent to the editor.
5. The girl translating the article at the desk, turned round and asked for help.
6. The articles translated by (mr., comrade) Klimov will soon be published.
7. The article being translated now will appear in the papers tomorrow morning.

#### I. Practise the forms of the Participle:

- |                        |                   |
|------------------------|-------------------|
| 1. being written       | 2. having written |
| conduct offer          | pass fasten       |
| use arrange            | fill do           |
| 3. having been written | 4. written        |
| choose wear            | shake raise       |
| find mention           | prove find        |
|                        | drive save        |

II. Translate these sentences in which Participle I is used as adverbial modifier.

#### A.

1. We used to walk about Kyiv admiring its architecture and ancient monuments.
2. Listening to his arguments I found myself agreeing with his views.
3. (When) reading the book I came across a number of unfamiliar words.

#### B.

1. Having written a few words on a sheet of paper, he folded it and passed to the neighbour.
2. Not having been written in time, the article was not accepted by the editor.

### III. Translate the sentences in which the participle is used as attribute.

A.

1. What a pleasant exciting scene: a sheet of ice covered with figures moving gaily, falling, rising again.

B.

1. His written test is far from good.

C.

1. The question being discussed now, is of a great importance.

### Study the following

#### The Absolute Participle Construction

I	Subject + Participle	Subject + predicate
	The work being finished	they went home
II	Subject + predicate	Subject + predicate
	The new method was tried	better results being obtained.

#### I. Translate the following sentences, pay attention to the Absolute Participle Construction

1. Some hydroelectric stations having been built on big rivers, many villages and towns were electrified. 2. The working day being over, the city transport was overcrowded. 3. They all went away, he remaining at home. 4. All the problems having been solved, they stopped the discussion. 5. Nobody being on the highway, he was driving his car very fast. 6. The experiment having been made, everybody was interested in the results.

### Study the following

#### Conditional sentences

I.	If I have time (tomorrow), I shall go to see that film.
II.	a) If I had time (today, tomorrow), I should go to see that film. b) If I had time (yesterday), I should have gone to see that film.

#### I. Translate the following sentences, pay attention to conditional sentences

1. If I come home early, I shall be able to write my report today.  
2. If he were at the Institute now, he would help us to translate the article.  
3. If you had come to the Institute meeting yesterday, you would have met with a well-known English writer.

4. You will get good results if you apply this method of calculation.
5. If he had taken a taxi, he would have come in time.
6. If it had not been so late now, I should have gone to the country.
7. The design would be ready by the end of the year if they supplied us with all the necessary equipment.

## II.

*Model A.* If I see him tomorrow, I shall tell him about the meeting.

If I saw him tomorrow, I should tell him about the meeting.

1. If they find the exact meaning of this word, they will understand the sentence easily.
2. If he works much at his English he will pass his exam well.
3. If I get a good dictionary, I shall translate this text.
4. If we receive the documents tomorrow, we shall start loading the lorries on Monday.
5. If the student observes the rules, he will not make mistakes.
6. If you help me, I shall repair the engine in an hour.

*Model B:* If I see him, I shall tell him about the meeting. If I had seen him yesterday, I should have told him about the meeting.

1. If you go there by plane, you will come in time for the conference.
2. If I know the time of his arrival, I shall meet him at the station.
3. If the builders do not work hard, the canal will not be opened in time.
4. If the students are more careful, they will not break the new apparatus.

### Table of the interrogative sentences

Statement					
		She	is	studying	in her room now.
		This boy	Can	speak	English.
		His friend	will	return	on Monday
		This article	was	published	in yesterday newspaper.
		They	have	finished	their work.
		He		studies	quite well.

General Question					
	Is	she		studying	in her room now?
	Can	this boy		speak	English?
	Will	his friend		return	on Monday?
	Was	this article		published	in yesterday newspaper?
	Have	They		finished	their work?
	Does	he		study	quite well?

Special Question					
Where	is	She		studying?	
What Language	can	this boy		speak?	
When	will	his friend		return?	
Where	was	this article		published?	
What	have	They		finished ?	
How	does	he		study?	

Special Question to Subject					
		who	is	studying	in her room now?
		Who	can	speak	English?
		Whose friend	will	return	on Monday?
		What	was	published	in yesterday newspaper?
		What article	was	published	in yesterday newspaper?
		Who	have (has)	finished	their work?
		Who		studies	quite well?



## Appendix 2

### Mini – Test 1

#### 1. Choose the correct word in the following sentences.

1. He doesn't have (many/much) money.
2. She bought (that/those) cards last night.
3. There are (less/fewer) students in this room than in the next room.
4. There is (too much/too many) bad news on television tonight.
5. This is (too many/too much) information to learn.
6. A (few/little) people left early.
7. Would you like (less/fewer) coffee than this?

#### 2. Choose either the simple present or present progressive in the following sentences.

1. The committee members ... (examine) the material now.
2. He ... (practise) computer every day.
3. The president ... (try) to contact his advisors now.
4. The secretary ... (type) the letter now.
5. Only the secretary ... (type) the letters.
6. The bank ... (open) at 8:00 a.m.
7. He ... (try) to open a current account in this bank now.

#### 3. Use either the present perfect or the simple past in the following sentences.

1. John ... (write) his report last night.
2. Bob ... (see) the document before.
3. Jane ... (read) the newspaper already.
4. Mr. Johnson ... (work) in the same place for thirty-five years and he is not planning to retire yet.
5. Betty ... (call) her employer yesterday.
6. He ... (be) to California three times.
7. He ... (travel) round the world.

#### 4. Choose the correct form of the verb in parentheses in the following sentences.

1. John, along with twenty friends, (is/are) planning a party.
2. The picture of the soldiers (bring/brings) back many memories.
3. The quality of these recordings (is/are) not very good.
4. The use of credit cards in place of cash (have/has) increased rapidly in recent years.
5. Advertisements on television (is/are) becoming more competitive than ever before.

6. Living expenses in this country, as well as in many others, (is/are) at an all-time high.

7. Mr. Jones, accompanied by several members of the committee, (have/has) proposed some changes of the rules.

**5. Choose the correct form of the verb in parentheses in the following sentences.**

1. The manager decided (accepting/to accept) the paper.
2. They appreciate (to have/having) this information.
3. We found it very difficult (reaching/to reach) a decision.
4. Ted hopes (to finish/finishing) his thesis this year.
5. He demands (to know/knowing) what is going on.
6. She is looking forward (to return/returning) to her country.

**6. Finish these sentences by adding a tag question with the correct form of the verb and the subject pronoun.**

1. You're going to bank tomorrow, ... ?
2. She signed the petition, ... ?
3. He will be attending the university in September, ... ?
4. She hasn't been studying English for two years, ... ?
5. You can't sign this document, ... ?
6. There aren't any credit cards left, ... ?
7. You and I talked with the professor yesterday, ... ?

**7. Supply the correct form of the verb.**

1. He has an early appointment, and so ... I.
2. She has already written her report, and so ... her friends.
3. She «on 't be going to the conference, and her colleagues ... either.
4. I'm not interested in reading that book, and so ... she.
5. That scientist isn't too happy with the project, and neither ... her supervisors.

## Mini – Test 2

**You are to identify the one underlined word or phrase which is not correct.**

1. Because, they had spent too many time considering the new contract, the students lost the opportunity to lease the apartment.

2. The next important question we have to decide is when do we have to submit the proposal.

3. After George had returned to his house he was reading a book.

4. The manager has finished working on the report last night, and now she will begin to write the other proposal.

5. It has been a long time since, we have talked to John, isn't it?
6. People respected George Washington because he was a honest man, and he turned out to be one of our greatest military leaders.
7. Kate is studying law at her university and so does John.
8. The company has so little money that it can't hardly operate anymore.
9. Us Students would rather not attend night classes in the summer, but we often have to.
10. Mary and her sister studied economy last year, and so does Jean.
11. The government has decided voting on the resolution now rather than next month.
12. The professor is thinking to go to the conference on economics next month.
13. It was him who came running into the classroom with the news
14. Pete had already saw that musical before he read the reviews about it.
15. He isn't driving to the convention in March, and neither they are.

### Mini – Test 3

#### 1. Supply the correct form of the verb for each of the following sentences.

1. He would give you the money if he ... (have) it.
2. She would call you immediately if she ... (need) help.
3. If she wins the prize, it will be because she ... (write) very well.
4. Mike wished that the editors ... (permit) him to copy some of their material.
5. If he ... (decide) earlier, he could have left on the afternoon flight.
6. Had we known your address, we ... (write) you a letter.
7. If they had known him, they ... (talk) to him.

#### 2. Choose the correct form.

1. The boss speaks (fluent/ fluently) French.
2. The workers speak Spanish (fluent/fluently).
3. We must figure our income tax returns (accurate/ accurately).
4. The plane will arrive (soon/soonly).
5. That is an (intense/intensely) essay.
6. He had an accident because he was driving too (fast/fastly).
7. Paul protested (calm/calmly) about the new proposals.

#### 3. Supply than, as, in each of the following sentences.

1. The Empire State Building is taller ... the Statue of Liberty.
2. California is farther from New York ... Pennsylvania.
3. That report is less impressive ... the government's.
4. His assignment is different ... mine.

5. Dave writes much more realistically ... his professor.
6. John and his friends left ... soon as the professor had finished his lecture.
7. His job is ... important ... his friend's.

### Mini – Test 4

**You are to identify the one underlined word or phrase which is not correct.**

1. We had better to review this chapter carefully because we will have some questions on it on our test tomorrow.
2. Ted had so interesting and creative plans that everyone wanted to work on his committee.
3. If John would have studied German in college, he would not have found the scientific terminology so difficult to understand.
4. I have to depositing this money in my checking account or else the check I just wrote will bounce.
5. Our English professor would like us spending more time in the laboratory practicing our pronunciation.
6. Our new television came with a ninety-days warranty on all electrical components.
7. The director felt badly about not giving Mary the position that she had sought with his company.
8. The political candidate talked as if she has already been elected to the presidency.
9. Among us students are many foreigners who attend languages classes at the south campus.
10. That product that you bought at the lower price is the more inferior to the one that we sell at a slightly higher price.

## Appendix 3

### Countries of the World and Their Money Units

Country	Money Unit
Afghanistan	Afgani/AFA
Argentina	Peco/ARP
Australia	Dollar/AUD
Austria	Schilling/ATS
Belgium	Franc/BEF
Brazil	Cruzeiro/BRC
Canada	Dollar/CAD
China	Yuan/CNY
Cuba	Peso/CUP
Denmark	Krone/DKK
Egypt	Pound/EYP
Finland	Markka/FIM
France	Franc/FRF
Germany, BRD	Mark/DM
Greece	Drachma/GRD
Hong Kong	Dollar/HKD
Hungary	Forint/HUF
Iceland	Krone/ISK
India	Rupee/INR
Italy	Lira/ITL
Japan	Yen/JPY
Kuwait	Dinar/KWD
Luxemburg	Franc/LUF
Malta	Pound/MTP
M	Peso/MXP
Mongolia	Tugric/MNT
Netherlands	Guilden/HLG

New Zealand	Dollar/NZD
Nicaragua	Cordoba/NIC
Norway	Krone/NOK
Poland	Zloty/PLZ
Portugal	Escudo/PTE
Romania	Leu/ROL
Russia	Rouble
Singapore	Dollar/SGD
Spain	Peseta/ESP
Sweden	Krona/SEK
Switzerland	Swiss Frank/CHF
Turkey	Lira/TRL
Ukraine	Grivna
United Kingdom	Pound Sterling/GBP
United States	US Dollar/USD
Vietnam	Dong/VND
Yugoslavia	Dinar/YUD



[æ].  
 last, ask, aunt, half, -  
 [a:].  
 [æ] -  
 , [d], [m] [n]  
 , bad, ram, man.  
 - rr+ [æ] [ ],  
 carry, narrow, parrot. 1m (calm, palm)  
 father [ ] - , [ :]  
 .  
 [e]: late,  
 mate.  
 , pot, lot, not [ɔ]  
 [a]. [ ], [ɔ].  
 U  
 [ ] [ɔ], bus, cut.  
 [θ], [ ].  
 urr+ [ ] [ :] [θ],  
 , furrow, hurry, current,  
 [θ]. [j] d, n, s, t,  
 , duty, nude, suit. student.  
 + [ ], [ ],  
 [ ]: clerk, derby.  
 [k], [p], [t], (bet, let)  
 , new, news  
 [nu].  
 I  
 [ ] - , [j] ( , California, Pennsylvania, Vir-  
 ginia.  
 [m] [n] : America, innovation.



D " -ld, -nd, -nds: mind, cold, kind, kinds  
" [d].

to have, hu (huge, human),  
he, him, his, her.

S -sk, , ask.

L r, u, w, [i] " ", all right, volume, always.

R

[ ] , (raid, rice)  
(card, mother).

S -sion -sia [z],  
, excursion, Asia. -sp, -sk (wasps, tasks),  
yes

:  
) [d] (better);  
) [t] (Betty);  
) (plenty, twenty, directly, mostly);  
) " ": that one, mountain.

W where, what

Monday, holiday -day [de ]; -  
(boat, coat) [ ]; -ng [n]: thing,  
strength.

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