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УНИВЕРСИТЕТ»**

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**BUSINESS STUDIES
FOR STUDENTS IN ECONOMICS**

**Учебно-методическое пособие
по дисциплине «Иностранный язык (английский)»
для студентов 1-го курса экономических специальностей
дневной и заочной форм обучения**

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Пособие предназначено для студентов 1-го курса дневной и заочной форм обучения всех экономических специальностей БГЭУ. Пособие может быть использовано в качестве основного или дополнительного материала. Пособие состоит из 14 разделов и включает оригинальные тексты профессиональной направленности и упражнения к ним.

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UNIT 1

PART 1

Economics as a Science

I. Go through the following vocabulary notes to avoid difficulties in understanding the text.

1. to allocate — назначать; распределять
2. scarce — недостаточный, скудный
3. inputs — затраты (на производство)
4. output — продукция; выпуск изделий
5. consumer — потребитель
6. goods (только мн.ч. употр. с гл. в ед. и множ. ч.) — товар, товары
7. accounting — бухгалтерское дело
8. employment — служба; занятие; работа (по найму)
9. labour force — рабочая сила
10. to increase — увеличивать
11. to decrease — уменьшать
12. price — цена

II. Match the words from the left column with their definitions from the right column.

1. economics	a) the state achieved by monetary control, balanced budgets, etc.;
2. macroeconomics	b) the branch of economics concerned with particular
3. microeconomics	commodities, firms, or individuals and the economic
4. scarcity	relationships between them;
5. resources	c) possessions and personal property;
6. goods	d) inadequate supply;
7. employment	e) the social science concerned with the production and
8. economic growth	consumption of goods and services and the analysis of the

9. price stability	<p>commercial activities of a society;</p> <p>f) the work or occupation in which a person is employed;</p> <p>g) a source of economic wealth, esp. of a country (mineral, land, labor, etc.) or business enterprise (capital, equipment, personnel, etc.);</p> <p>h) the branch of economics concerned with aggregates, such as national income, consumption, and investment;</p> <p>i) this period is characterized by rising wages, profits, and prices, full employment, and high levels of investment, trade, and other economic activity.</p>
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III. Read the text and explain the meaning of the highlighted words.

Economics as a Science

Many people study economics because they wish to understand why we have social problems such as unemployment and poverty, and how they can be remedied. Most people have similar visions of prosperity and justice. We want to live in **social harmony**, where everyone can work and make a good living. We would like to eliminate poverty and live in a **healthy environment**. Economics is the social science that studies the **production, distribution, and consumption** of goods and services.

Economics is the study of how society allocates scarce resources and goods. Resources are the inputs that society uses to produce output, called goods. **Resources** include inputs such as labour, capital, and land. **Goods** include products such as food, clothing, and housing as well as services such as those provided by doctors, repairmen, and police officers. These resources and goods are considered scarce because of society's tendency to demand more resources and goods than are available.

Most resources are scarce, but some are not — for example, the air we breathe. Its price is zero. It is called a free resource. Economics, however, is mainly concerned with scarce resources and goods, as scarcity motivates the study of how society allocates resources and goods.

The term **market** refers to any arrangement that allows people to trade with each other. The term **market system** refers to the collection of all markets, also to the relationships among these markets. The study of the market system, which is the subject of economics, is divided into two main theories; they are macroeconomics and microeconomics.

Macroeconomics

The prefix macro means large, indicating that macroeconomics is concerned with the study of the market system on a large scale. Macroeconomics considers the aggregate performance of all markets in the market system and is concerned with the choices made by the large subsectors of the economy — the household sector, which includes all consumers; the business sector, which includes all firms; and the government sector, which includes all government agencies.

Microeconomics

The prefix micro means small, indicating that microeconomics is concerned with the study of the market system on a small scale.

Microeconomics considers the individual markets that make up the market system and is concerned with the choices made by small economic units such as individual consumers, individual firms, or individual government agencies.

Economic Policy

Economic policy is a course of action that is intended to influence or control the behavior of the economy. Economic policies are normally implemented and administered by the government. The goals of economic policy consist of value judgments about what economic policy should strive to achieve. While there is some disagreement about the appropriate goals of economic policy, there are three widely accepted goals including:

- **Economic growth:** It means that the incomes of all consumers and firms (after accounting for inflation) are increasing over time.
- **Full employment:** It means that every member of the labour force who wants to work is able to find work.

● **Price stability:** It means to prevent increases in the general price level known as inflation, as well as decreases in the general price level known as deflation.

IV. Answer these questions using the active vocabulary of the text.

1. What is the definition of economics?
2. Why are resources scarce?
3. What are the two main theories of economics?
4. What do the two main theories of economics deal with?
5. What are the goals of economic policy?
6. What is inflation?
7. What is deflation?

V. Read the text again and decide whether these statements are true (T) or false (F).

1. Economics is the study of how society allocates scarce resources and goods.
2. Society's tendency is to demand more resources and goods than are available.
3. The term market refers to any arrangement that allows people to trade with each other.
4. Microeconomics is concerned with the study of the market system on a large scale.
5. Macroeconomics is concerned with the choices made by small economic units such as individual consumers, individual firms, or individual government agencies.
6. Economic policies are normally implemented and administered by the private sector.
7. Three widely accepted goals include labor force, inflation and the incomes of all consumers.

VI. In the second column find Russian equivalents to the following English phrases.

- | | |
|--------------------------|----------------------------------|
| 1. scarce resources | a) в крупном масштабе |
| 2. available | b) доступный |
| 3. on a large scale | c) хозяйственный |
| 4. aggregate performance | d) субъективные оценки |
| 5. household | e) недостаточные ресурсы |
| 6. implemented | f) общий ценовой уровень |
| 7. value judgments | g) реализованный |
| 8. strive to | h) стараться, пытаться |
| 9. appropriate goals | i) совокупная производительность |
| 10. general price level | j) соответствующие показатели |

VII. Make an outline of the text consisting of 5-8 sentences and retell the text in English.

PART 2

The three measures of macroeconomic performance:

GDP, Inflation, and Unemployment

I. Go through the following vocabulary notes to avoid difficulties in understanding the text.

1. macroeconomics — макроэкономика
2. aggregate — совокупный
3. gross domestic product (GDP) — валовой внутренний продукт (ВВП)
4. rate of inflation — уровень инфляции
5. unemployment rate — уровень безработицы
6. gross national product (GNP) — валовой национальный продукт (ВНП)
7. expenditure approach — подход со стороны расходов
8. final goods and services — конечные товары и услуги
9. intermediate goods and services — промежуточные товары и услуги
10. income approach — подход со стороны доходов

- 11.wage — зарплата
- 12.profit — прибыль
- 13.rent — плата за аренду
- 14.interest income — доход от процентов
- 15.boom — бум; быстрый подъём (деловой активности)
- 16.recession — спад
- 17.discouraged worker — отчаявшийся работник
- 18.frictional unemployment — фрикционная (естественная) безработица
- 19.structural unemployment — структурная безработица

II. Read the text and explain the meaning of the highlighted words.

The branch of economics known as **macroeconomics** examines the **aggregate** performance of all markets in the market system. In studying macroeconomic behavior, economists rely on several statistics that measure the performance of the macroeconomy. The three most commonly used measures of macroeconomic performance are the **gross domestic product (GDP)**, the **rate of inflation**, and the **unemployment rate**.

GDP is defined as the market value of all final goods and services, produced domestically in a single year and is the single most important measure of macroeconomic performance. A related measure of the economy's total output is **gross national product (GNP)**, which is the market value of all final goods and services produced by a nation in a single year.

The difference between **GDP** and **GNP** is rather technical. GDP includes only goods and services produced *within nation's boundaries*. GNP includes only goods and services produced by *nation's own citizens and firms*. Goods and services produced outside nation's boundaries by the nation's own citizens and firms are *included in GNP* but are *excluded from GDP*. Goods and services produced within nation's boundaries by foreign citizens and firms are *excluded from GNP* but are *included in GDP*. Typically, there is not much difference in the reported values of

GDP and GNP; so one may use either statistics to measure overall macroeconomic activity. The rest of the section will therefore focus on GDP.

Measuring GDP: the expenditure and income approaches

There are two ways of measuring GDP, the expenditure approach and the income approach. The **expenditure approach** is to add up the market value of all domestic expenditures made on final goods and services in a single year. **Final goods and services** are those that have been purchased for final use or those that will not be resold or used in production within the year. **Intermediate goods and services**, which are used in the production of final goods and services, are *not included* in the expenditure approach to GDP because expenditures on intermediate goods and services are included into the market value of expenditures made on final goods and services.

Total expenditure on final goods and services is broken down into four large expenditure categories, according to the type of good or service purchased. The sum total of these four expenditure categories equals GDP. These four expenditure categories are: 1. Consumption expenditures; 2. Investment expenditures; 3. Government expenditures; 4. Net exports.

The **income approach** to measuring GDP is to add up all the income earned by households and firms in a single year. Total expenditures on final goods and services are eventually received by households and firms in the form of wage, **profit, rent, and interest income**. Therefore, by adding together wage, profit, rent, and interest income, one should obtain the same value of GDP as is obtained using the expenditure approach.

The *positive* growth rate of GDP implies that the economy is expanding, while a *negative* growth rate of GDP implies that the economy is contracting. An expanding economy is said to be in a **boom**, while a contracting economy is said to be in a **recession**.

The **unemployment rate** measures the percentage of the total civilian labor force that is currently unemployed. The civilian labor force consists of all civilians

(non-military personnel), 16 years of age or older, who are willing to work. Workers, who are not actively searching for work, referred to as **discouraged workers**, are not considered a part of the civilian labor force and therefore are not counted among the unemployed.

Frictional unemployment is the term used to describe unemployment that results from difficulties in matching *qualified* workers with new jobs. Many qualified workers seeking work are not able to find new jobs right away, usually because of a lack of complete information about new job openings. While it is likely that qualified workers will soon be matched with new jobs, these workers are considered frictionally unemployed during the time that they spend searching for their new jobs.

Structural unemployment results from structural changes in the economy which cause workers to lose jobs. The same structural changes also prevent these workers from obtaining new jobs. Structurally unemployed workers are *not qualified* for the new job openings that are available, mainly because they lack the education or training needed for the new jobs. Consequently, the structurally unemployed tend to be out of work for long periods of time, usually until they learn the skills needed for the new jobs or until they decide to relocate.

III. Give short written definitions of the following terms in English.

1. gross domestic product (GDP)
2. gross national product (GNP)
3. final goods and services
4. intermediate goods and services
5. frictional unemployment
6. structural unemployment

IV. Write 8-10 questions in the form of a plan.

V. Retell the text in English.

UNIT 2

People and Business

PART 1

The Concept of Business

I. Go through the following vocabulary notes to avoid difficulties in understanding the text.

1. to retain — сохранять
2. to run — управлять, руководить
3. collaboration — сотрудничество
4. concerning — относительно
5. sound — разумный, правильный
6. to affect — влиять скоро и существенно
7. party — партия; сторона
8. assignment — назначение; задание
9. on a par with — наравне с ..., на паритетной основе
10. to take over — поглотить другую компанию

Business concept of the COWI Group

The business concept of the COWI Group describes the way in which we do business, our views on society, customers, employees and professional development.

COWI will be run as an international consultancy organisation. It will retain its Danish roots and have its head office and a power base in Denmark. Optimal conditions will be maintained to ensure that we continue as one of the leaders in the field of consulting engineers.

COWI consists of a group of companies operating internationally. Our further development will be based on increased collaboration concerning marketing and engineering skills.

Independence

COWI operates on sound commercial principles and will retain genuine financial independence.

This financial independence is upheld on the basis of own capital resources, employee shares and outside investors provided the latter do not affect the dominant position of the COWI Foundation. This ensures our non-dependence on any bank or other source. COWI will also remain independent of any political party policies and, where possible, avoid dependence on trade organization politics.

Impartiality

Our consultancy will always be impartial. Where technological or business-related developments require us to be involved in deliveries or with developers or act in the role of a customer, such factors will not affect our impartiality.

Customers and markets

Consultancy requirements of our customers will be met with complete professionalism. In our choice of professional fields, markets and customer, we will bear in mind those factors which are important to COWI continued development. The taken on assignments should consist of what is considered best in providing the right basis for commercial stability, professional advancement and sound economy. The company and its employees must be seen to have an awareness of social and environmental considerations.

Organization and employees

The consultancy organization will continue its policy on employee influence and remain a good work place. This will be achieved through the influence exercised by the employees and their share-holding in the company. The group structure will be such as to ensure employee's welfare and to offer both personal and professional challenges.

New assignment fields and new geographical areas will be investigated. We must also be prepared to take over other companies and, where deemed advisable for the group, to dispense with others. For the group as a whole, expansion continues to be our aim. Decentralization and independence are still being targeted, too, to avoid

bureaucracy. COWI and its employees continue to maintain both professional and commercial integrity and reliability.

Professionalism

We strive towards high professional standards on a par with ability to run the business. This will manifest itself in our choice of assignments and leaders. In addition, our high technical standard must be constantly up-graded both for the group and its staff by participation in new development schemes and training courses. We will also be strict in our selection of the right man for the job.

II. Answer the questions for discussion.

1. What does the business concept of the COWI Group contain?
2. Where will COWI have its head office and a power base?
3. How does COWI plan to avoid dependence on any bank, political parties, and trade organization politics?
4. Is it important for the consultancy to be always impartial?
5. Do the employees of the COWI Group promise to meet consultancy requirements of their customers with complete professionalism?
6. What are those factors which are important to continued development of the international consultancy organization?
7. How will employee influence be achieved?
8. What will help them to avoid bureaucracy?
9. What will the international consultancy organization continue to maintain?
10. What goals do they strive towards?
11. How are they going to up-grade their high technical standard?
12. Is their strict selection of the right man for the job approved? Why?

III. Translate the following text in written form.

Business is the exchange of goods and services, and money, on an arm's length (objective) basis that results in mutual benefit or profit for both parties involved. An individual engages in business because he or she believes that the rewards or possible

future benefits of business are greater, than risks or possible future sacrifices of business.

Business activities are events that involve making and carrying out the operating, investing, and financing decisions that deal with business assets or obligations.

In a profit-seeking business, there are three types of business activities that correspond to the three types of business decisions. Operating activities are the profit-making activities of the enterprise. They include those business activities that generate revenues, such as selling merchandise for cash or on credit or providing services for a fee. They also include activities that result in increased expenses, such as purchasing goods for manufacture or resale, paying wages, or combining goods and labour to manufacture products.

Investing activities include the purchase and a sale of long-term assets in addition to other major items used in business operations.

Financing activities are activities that involve obtaining cash or using other non-cash means to pay for investments in long-term assets, and to repay money borrowed from creditors, and to provide a return to owners.

IV. Render the following text into English.

entrepreneur — предприниматель

СЕМЬ ЗАПОВЕДЕЙ БИЗНЕСМЕНА

Давать обещания и не выполнять их стало у нас просто нормой жизни. В этой связи полезно вспомнить 1912 год, когда российскими предпринимателями было выработано семь основных принципов ведения дел:

Первый принцип - «Уважай власть». Власть - необходимое условие для эффективного ведения дел. Во всем должен быть порядок. В связи с этим проявляй уважение к блюстителям порядка в узаконенных эшелонах власти.

Второй принцип - «Будь честен и правдив». Это - фундамент предпринимательства, предпосылка здоровой прибыли и нормальных

отношений в делах. Российский предприниматель должен быть безупречным носителем добродетелей, честности и правдивости.

Третий принцип - «Уважай право частной собственности». Свободное предпринимательство - основа благополучия государства. Российский предприниматель обязан в поте лица своего трудиться на благо своей Отчизны. Такое рвение можно проявить только при опоре на частную собственность.

Четвертый принцип - «Люби и уважай человека». Любовь и уважение к человеку труда со стороны предпринимателя порождает ответную любовь и уважение. В таких условиях возникает гармония интересов, что создает атмосферу для развития у людей самых разнообразных способностей, побуждает их проявлять себя во всем блеске.

Пятый принцип - «Будь верен своему слову». Успех в деле во многом зависит от того, в какой степени окружающие доверяют тебе.

Шестой принцип - «Живи по средствам». Не зарывайся. Выбирай дело по плечу. Всегда оценивай свои возможности. Действуй сообразно своим средствам.

Седьмой принцип - «Будь целеустремленным». Всегда имей перед собой ясную цель. Предпринимателю такая цель нужна как воздух. Не отвлекайся на другие цели. Служение двум господам противостоит природе. В стремлении достичь заветной цели не переходи грани дозволенного. Никакая цель не может затмить моральные ценности.

PART 2

Communication in Business

I. Read the text consulting the dictionary.

Problems That Business People Face

Nobody actually wants to cause offence but, as business becomes ever more international, it is increasingly easy to get it wrong. There may be a single European

market but it does not mean that managers behave the same in Greece as they do in Denmark.

In many European countries handshaking is an automatic gesture. In France good manners require that on arriving at a business meeting a manager shakes hands with everyone present. This can be a demanding task and, in a crowded room, may require gymnastic ability if the farthest hand is to be reached.

Handshaking is almost as popular in other countries including Germany, Belgium and Italy. But Northern Europeans, such as the British and Scandinavians, are not quite so fond of physical demonstration of friendliness.

In Europe the most common challenge is not the content of food, but the way you behave as you eat. Some things are just not done. In France it is not good manners to raise tricky questions of business over the main course. Business has its place: after the cheese course. Unless you are prepared to eat in silence you have to talk about something that is other than the business deal which you are continually chewing over in your head.

Italians give similar importance to the whole process of business entertaining. In fact, in Italy the biggest fear, as course after course appears, is that you entirely forget you are there on business. If you have the energy, you can always do the polite thing when the meal finally ends, and offer to pay. Then, after a lively discussion, you must remember the next polite thing to do – let your host pick up the bill.

In Germany as you walk sadly back to your hotel room you may wonder why your apparently friendly hosts have not invited you out for the evening. Don't worry, it is probably nothing personal. Germans do not entertain business people with quite the same enthusiasm as some of their European counterparts.

The Germans are also notable for the amount of formality they bring to business. As an outsider, it is often difficult to know whether colleagues have been working together for 30 years or have just met in the lift. If you are used to calling people by their first names this can be a little strange. To the Germans, titles are important. Forgetting that someone should be called *Herr Doktor* or *Frau Direktorin*

might cause serious offence. It is equally offensive to call them by a title they do not possess.

In Italy the question of title is further confused by the fact that everyone with a university degree can be called *Dottore* – and engineers, lawyers and architects may also expect to be called by their professional titles.

These cultural challenges exist side by side with the problems of doing business in a foreign language. Language of course, is full of difficulties – disaster may be only a syllable away. But the more you know of the culture of the country you are dealing with, the less likely you are to get into difficulties. It is worth the effort. It might be rather hard to explain that the reason you lost your contract was not the product or the price, but the fact that you offended your hosts in a light-hearted comment over an aperitif. Good manners are admired: they can also make or break the deal.

(Adapted from an article by Richard Bryan in *Business Life*)

II. Read the text attentively again and decide if these statements are true (T) or false (F), according to the writer:

1. In France you are expected to shake hands with everyone you meet.
2. People in Britain shake hands just as much as people in Germany.
3. In France people prefer talking about business during meals.
4. It is not polite to insist on paying for a meal if you are in Italy.
5. Visitors to Germany never get taken out for meals.
6. German business people don't like being called by their surnames.
7. Make sure you know what the titles of the German people you meet are.
8. Italian professionals are usually addressed by their titles.
9. A humorous remark always goes down well all over the world.

III. Scan the text from the magazine *International Management* that deals with problems in international business communication and find information to complete the table which follows it.

Building Bridges over the Cultural Rivers

A growing number of multinationals are training their staff to work in other, particularly oriental, cultures, hoping to avoid the waste from non-communication.

An Asian engineer is assigned to a U.S. laboratory and almost suffers a nervous breakdown. A U.S. executive tells his staff he's going to treat them fairly – and creates dissension. A Japanese manager is promoted by his British president, but within six months asks for a transfer.

Each of these real-life cases involved people who were regarded as superior employees, but were ill-equipped to cope with the complexities and dangers of intercultural management.

"Multinational companies have studied everything else; now they are finally looking at culture," says Clifford Clarke, founder and president of the California-based IRI International Inc., one of a small but growing number of consulting firms that specialise in teaching business people from differing cultures how to communicate and work with each other.

"Never show the sole of your shoe to an Arab; never arrive on time for a party in Brazil; and in Japan, don't think 'yes' means 'yes'," advise U.S. consultants Lennie Copland and Lewis Brown Griggs, who have produced a series of films and a book to help managers improve their international business skills.

But simply learning the social 'dos' and 'don'ts' is not the answer, according to the new culture specialists. The penalties for ignoring different thinking patterns, they point out, can be disastrous.

For example, the American manager who promised to be fair thought he was telling his Japanese staff that their hard work would be rewarded; but when, some workers received higher salary increases than others, there were complaints. "You told us you'd be fair, and you lied to us," accused one salesman. "It took me a year

and a half," sighed the American, "to realize that 'fair', to my staff, meant to be treated equally."

The Asian engineer who suffered in America was the victim of another mistaken expectation. "He was accustomed to the warm group environment so typical in Japan," said his U.S. manager. "But in our company, we are all expected to be self-starters, who thrive on working alone. For him, it was emotional starvation. He has made the adjustment now, but he'd be humiliated if I told you his name. That's another cultural difference."

The Japanese manager who failed to respond to his promotion couldn't bring himself to use the more direct language needed to communicate with his London-based superiors. "I used to think all this talk about cultural communication was a lot of baloney," says Eugene J. Flath, president of Intel Japan Ltd., a subsidiary of the America semiconductor maker. "Now, I can see it's a real problem. Miscommunication has slowed our ability to coordinate action with our home office."

That's why Intel, with the help of consultant Clarke, began an intercultural training programme this spring which, Flath expects, will dramatically reduce decision making time, now lost in making sure the Americans and the Japanese understand each other.

Person	Cause of problem	Result of problem
<i>Example:</i> American businessman in Saudi Arabia	He didn't know the 'rules'	He spent too much time and didn't do any business
1. American manager with Japanese staff		
2. Asian engineer in the U.S.A.		
3. Japanese manager in the U.K.		

IV. Think over answers to the following questions, and then discuss them basing on your own experience and the information you've learnt from the two texts:

- Which of the ideas in the two articles do you disagree with? Why?

- What would you tell a foreign visitor about 'good manners' in your country?
- How much do you think international business may be improved with the help of intercultural training programmes and international business consultants?

V. Team work. Discuss what the companies should or should not have done.

Here are some real mistakes from different aspects of business:

- Company **A** served pork to a group of Muslims from Kuwait.
- Company **B** lost an important contract in China because they sent a brilliant young negotiator who had just graduated from Harvard Business School with top marks.
- Company **C** lost over \$1 million in a deal with the Japanese because they started the negotiation by announcing their deadlines. The Japanese then used this deadline to their advantage and the deal was concluded on the way to the airport. The Japanese were anyway going to agree to the deal, they were just trying to save as much money as possible.

Now tell your partners about a business or cultural mistake you made. Say what you should or should not have done. Your team members can help you.

PART 3

The Three Sectors of the Economy

We generally describe the economy as consisting of three sectors:

- the primary sector: agriculture and the extraction of raw materials from the earth;
- the secondary sector: manufacturing industry, in which raw materials are turned into finished products (although of course many of the people working for manufacturing companies do not actually *make* anything, but provide a service - administration, law, finance, marketing, selling, computing, personnel, and so on);
- the tertiary sector: the commercial services that help industry produce and distribute goods to the final consumers, as well as activities such as education, health care, leisure, tourism, and so on.

- the real sector includes both the primary and secondary sectors of the economy.

I. Here is a list of operations belonging to different sectors of the economy.

Classify the activities according to which sector they belong:

building	advertising products	transportation
digging iron ore	catering	wood cutting
wood processing	water-supply	oil pumping
coal mining	banking	gas extracting
oil refining	insurance	smelting iron
growing flax	entertaining public	selling goods

II. Can you think of three important activities to add to each of three lists?

III. Which sector do you intend to work in? Give your reasons.

SUPPLEMENTARY READING

I. Learn the new words.

to consider – полагать, считать

share – доля

to involve – вовлекать, привлекать к участию

growth rate – темп прироста

data services – информационные услуги

chargeable services – облагаемые налогом услуги

to contribute – вносить, вкладывать

II. Read the text and translate it into Russian.

**Belarusian Government Wants Service Sector to Grow Faster Than
Manufacturing**

The Belarusian government wishes the service sector would be growing faster than manufacturing. The share of services in our GDP is traditionally close to 40%.

While in countries with well-developed infrastructure it reaches 70%. There is a great potential for developing services. The service sector development program is aimed to increase the share of services in GDP and involve 54%-55% of Belarusian workforce in the service sector. Production industry has always been a work horse in our economy. We should encourage services growth rate. The main targets are communications, banking, advertising, culture, entertainment, education and medical services.

Computing and data services are the fastest growing – 50% every year. The government wants to see the same rate in every area and expects business to be more active. It also says that more money can be made on foreign visitors as they come for educational, medical, and tourism purposes. These industries will be even more commercialized. Thus, the percentage of chargeable services for individuals provided by private business will account for 45-46% of all services provided.

Belavia - national air carrier is criticized for decreasing the volume of services. They did not only fail to boost services, but also recorded a fall in the volume of services they had sold. Moreover, the government is going to increase exportable services by almost 2.5 times during the next five years.

Economists consider that service sector cannot reach its full potential without private business as long as state-run companies dominate the area. We need a National Infrastructure Development Program with private business playing the key role.

The state is to provide necessary conditions: land leases, infrastructure, and communications. Land is the biggest problem now. If people have land, they will do the rest themselves. Most countries around the world follow this pattern. Something similar can be observed in China now – it takes only a few days there to get all necessary papers.

We can prove that services have grown in demand. Services provided by children's nurseries grew by 23%; health resorts by 26%. But have you ever heard of a single privately owned nursery or health resort in Belarus? Last year, people spent

one billion dollars on cars, but there is still lack of service stations and car washes. Our service stations charge European prices but provide low quality services.

When people's incomes reach a certain level, they consume more services than goods, as the expert explains. Tourism, construction, and household services are the most popular with the citizens.

The Comprehensive Service Program includes 19 types of services. The biggest part in the GNP is provided by retailing and catering (about 10%), transport (about 8%), education (5%), housing and communal services (5%). Most services (from 50 to 90%) are provided by state-run companies. The government finds private business in the service sector to be below its potential. It should contribute much more to the total volume of services around the country.

III. Answer the following questions.

1. Do you agree that there is a great potential for developing the service sector in Belarus?
2. What is the main purpose of the service sector development program?
3. Will new jobs be created?
4. Why should services be encouraged today in Belarus?
5. Do you agree with the statement that private businesses should dominate in the service sector?
6. What are the most necessary conditions for the private service sector to start working?
7. Which services are considered the fastest growing in Belarus?
8. Prove that if people have land, they will do the rest themselves.
9. How can you prove that services have grown in demand?
10. What services do we lack in Belarus?
11. What do the experts say about consumption of services in our country?
12. Can you name the most popular services with the citizens?
13. What services are included into the Comprehensive Service Program?

UNIT 3

Economics and Economy

PART 1

The Economies of English-Speaking Countries

I. Learn these words and use them in the sentences of your own.

Nouns

market economy
mixed economy
advancement
standard of living
private ownership
initiative
involvement
intervention
natural resources
labor supply
entrepreneurial talent
management talent
recession
production
productivity
distribution
consumption
investment
emphasis

Verbs

ensure
prevent
dampen
stimulate
anticipate
meet
account for
determine
contribute
accumulate

Adjectives & Participles

state-owned
privately-owned

Существительные

рыночная экономика
смешанная экономика
развитие, прогресс
уровень жизни
частная собственность
инициатива
вовлечение, участие
вмешательство
природные ресурсы
предложение рабочей силы
предприимчивость
управленческие способности
экономический спад
производство
продуктивность, производительность
распределение
потребление
инвестиция
акцент, упор

Глаголы

обеспечивать, гарантировать
предотвращать
ослаблять, притуплять
стимулировать
предвидеть
удовлетворять
составлять
определять
вносить вклад
накапливать

Прилагательные и причастия

в государственной собственности
в частной собственности

abundant	богатый, обильный
flagrant	вопиющий
accessible	доступный
skillful	квалифицированный
willing to work	желающий работать

II. Remember the meaning of these words in English.

Output (n)	the work or product produced
Entrepreneur (n)	person who starts and runs a company/ business
Venture capital (n)	money invested (at some risk)
Investment (n)	commitment of money and other resources (time, training) for a profit
Index (n)	a statistical analysis of a collection of figures, especially average prices
Commodity (n)	goods sold in very large quantities, such as metals, foodstuffs
Consumer (n)	individual (private) buyer
Advancement (n)	the act of moving ahead, success, promotion
Initiative (n)	ability to undertake something on one's own
Prospective (n)	future
Forecast (n)	estimate of future activity
Set up (v)	start, begin
Ensure (v)	guarantee, make certain
Prevent(v)	stop from happening
Federal (adj)	central, national
Legitimate (adj)	genuine, publicly recognized

III. Read and translate the text. Write out and learn the new words.

Basic Ingredients of English-Speaking Countries Economies

Great Britain, the United States of America, Canada, Australia, and New Zealand are referred to as English-speaking countries. Availability of market economy i.e. based on free enterprise, generally characterized by private ownership and initiative, with a relative absence of government involvement is characteristic for them. However, government intervention has been found necessary from time to time to ensure that economic opportunities are fair and accessible to the people, to prevent flagrant abuses, to dampen inflation and to stimulate growth. Such economies are generally described as mixed, which is to say that even though the great majority of

productive resources are privately owned, the federal government does play an important role in the marketplace.

Every economic system tries to anticipate and then meet human needs and wants through the production and distribution of goods and services. The economic system is the mechanism that brings together *natural resources*, *the labor supply*, *technology*, and the necessary *entrepreneurial* and *management* talents.

The first ingredient of an economic system is the natural resources from which goods are produced. In general, these countries have land rich in mineral resources and fertile farm soil. Second, the amount of available labor helps determine the health of the economy. Generally, all these countries have been fortunate in having enough people to provide the labor necessary for constantly expanding economies. The Protestant work ethic supported the demand for hard work. The strong emphasis placed on education also contributed to their economic success. Likewise the willingness to experiment, to change and to invest in technology was significant in a land that had pride itself on being a new experiment in freedom.

But the existence of abundant natural resources and a skillful and willing labor force accounts for only part of an economic system structure. The resources must be directed as efficiently as possible into the areas where they will be most productive. In the economies of main English-speaking countries, managers of enterprises responding to signals from market perform this function. The corporation as a voluntary association of owners, known as stockholders, has proved to be an effective device for accumulating funds for investment.

All free market economies run in a cycle, one not so much of 'boom and bust' as of expansion and contraction. Looked at over time, this rise and fall of the economies can be charged with a certain regularity devoid of a matching precision. Forecasting just when they will enter a new phase, such as recession or growth, remains more art than science. Now the economies of English-speaking countries stand at different stages of the cycle. However, despite periodic recessions or depressions, they have continued to grow over time.

IV. Answer the following questions.

1. What countries are referred to as English-speaking ones?
2. Are those developed or developing countries?
3. What is characteristic for a free market economy?
4. What are the major ingredients of an economic system?
5. Why do economies of English-speaking countries prove to be so successful?
6. Explain the terms *boom*, *boost*, *expansion*, and *contraction*.

V. Match these words with their Russian equivalents.

- | | |
|----------------------|----------------------------|
| 1. involvement | a) экономический спад |
| 2. skillful | b) вовлечение |
| 3. privately-owned | c) приемлемый |
| 4. dampen | d) акцент |
| 5. recession | e) в частной собственности |
| 6. natural resources | f) ослаблять |
| 7. accessible | g) квалифицированный |
| 8. emphasis | h) природные ресурсы |

VI. Match the words from the left column with their English explanation from the right.

- | | |
|----------------|--|
| 1. investment | a) the act of moving ahead |
| 2. output | b) estimate of future activity |
| 3. forecast | c) individual buyer |
| 4. ensure | d) stop from happening |
| 5. prevent | e) begin |
| 6. set up | f) guarantee |
| 7. advancement | g) commitment of money and other resources (time, training) for a profit |
| 8. consumer | h) the work or product produced |

VII. Match the synonyms.

- | | |
|-----------------------|-------------------|
| 1. standard of living | a) progress |
| 2. emphasis | b) life standard |
| 3. anticipate | c) expressiveness |

- | | |
|----------------|--------------|
| 4. advancement | d) guarantee |
| 5. determine | e) deject |
| 6. ensure | f) define |
| 7. dampen | g) foresee |

VIII. Find the antonyms to the following words.

1. advantage	
2. improvement	
3. available	
4. efficient	
5. advancement	
6. input	
7. accessible	
8. skillful	

IX. Insert the appropriate word.

economy/ economics

1. We are students of_____.
2. Within a market_____ businesses seek profits.

economical/ economic

1. The _____situation in our country is getting better.
2. How could the most_____use of our time be organized?

economical/ economically

1. That engine is not the most_____.
2. Many students can spend their time_____.

economize/ economist

1. John Keynes was the great English_____.
2. Don't_____on things which will hardly save you any money.

X. Write down the nouns derived from the given verbs.

<i>Verb</i>	<i>Noun (concept)</i>	<i>Noun (agent)</i>
produce	production, productivity	producer

manufacture		
employ		
trade		
export		
import		
invest		
lend		
own		

XI. While describing different trends we often use the word-modifiers. They can apply to the change of size of some factors, velocity (speed) of some processes, and influence (impact) of one factor on others. Form the adverbs from the following adjectives and write down their translation into Russian (the first is given as a sample).

<i>Прилагательное и характер изменений</i>	<i>Наречие</i>	<i>Перевод</i>
Size		
substantial	substantially	значительно
considerable		
moderate		
slight		
modest		
Speed		
rapid		
fast		
gradual		
steady		
slow		
Impact		
remarkable		
dramatic		
significant		
noticeable		
marked		

XII. Read the text and choose the right answer.

Wealth of a Nation

Wealth of a nation can best be determined by looking at its people. It is impossible to rely on any one statistics. Economists define wealth as what a person owns, such as stocks and real estate, but many people look first to their level of income to see if they are well off. Comparing salaries in different countries, however, is like comparing potato and rice, because the salaries in each country are paid in different currencies. Exchange rates, defined by the foreign exchange markets all over the world, reflect the market view of economic and political situation of each country. However it is difficult to translate salaries by simply using currency exchange rates as the cost of living varies widely from one country to another. There is something more valuable in looking at what salaries will actually buy in each country. By choosing a basket of necessary goods and services and calculating their cost in different countries around the world, we can compare the purchasing power or "real" value of salaries from country to country. It gives us a more reliable exchange rate, called ***purchasing power parity (PPP)***.

1. Wealth of a nation can best be determined by

- (A) statistics
- (B) its currency exchange rates
- (C) what people own
- (D) people's salaries.

2. The cost of living

- (A) is the same in all countries
- (B) is the same in different countries
- (C) is subject to change
- (D) varies from one country to another.

XIII. Translate the following sentences into English.

1. Для англоязычных стран характерно наличие рыночной экономики. 2. Рыночная экономика основана на свободном предпринимательстве. 3.

Правительство играет важную роль в обеспечении равных экономических возможностей для своих граждан. 4. Такие экономические системы обычно относят к экономике смешанного типа. 5. Роль любой экономической системы — предвидеть и удовлетворять потребности и желания граждан. 6. Для успешного развития экономики необходимы природные ресурсы, технологии, рабочая сила, предприимчивость и навыки управления. 7. Во всех развитых странах большое внимание уделяется образованию — это фактор развития общества. 8. Корпорация — это добровольная ассоциация собственников. 9. Для рыночной экономики характерны периоды подъема и спада. 10. Несмотря на периоды депрессии или спада, экономику ведущих англоязычных стран характеризует тенденция к устойчивому росту.

SUPPLEMENTARY READING

The Economy of Great Britain

I. Study the vocabulary.

1. industrialized nation – страна с развитой промышленностью
2. lack – нехватка, недостаток
3. raw materials – сырье
4. food supplies – продукты питания
syn. foodstuffs
5. prosperity – процветание
6. manufactured goods – промышленные товары
7. per capita – на человека, на душу населения
8. account for – составлять
9. gross domestic product (GDP) – валовой внутренний продукт
10. manufacturing – производство
11. manufacturing industry – обрабатывающая промышленность
12. transportation and communications – транспорт и коммуникации
13. construction – строительство
14. mining – горное дело, горная промышленность; разработка месторождения
15. public utilities – предприятия общественного пользования, коммунальные службы
16. service industry – сфера, индустрия услуг
17. employ – предоставлять работу
18. workforce – рабочая сила, *syn. labour force*

19. machine tools – механические станки
20. electric power – электроэнергия
21. automation – автоматизация
22. railroad equipment – железнодорожная техника, *syn.* railroad engineering
23. aircraft – авиастроение
24. electronic and communications equipment – электроника и аппаратура связи
25. chemicals – химикаты
26. petroleum – нефть
27. food processing – технология производства пищевых продуктов
28. paper and printing – писчебумажная и книгопечатная отрасль
29. clothing. – швейное производство
30. oil shale – нефтеносный сланец
31. gypsum – гипс
32. fishing limits – зона рыбной ловли
33. cod – треска
34. haddock – пикша (рыба)
35. mackerel – макрель, скумбрия
36. whiting – мерланг
37. trout – форель
38. salmon – лосось
39. shellfish – моллюск, ракообразные
40. bulk – основная масса
41. catch – улов
42. arable – пахотный
43. productive – продуктивный, плодородный
44. sugar beets – сахарная свекла
45. dairy industry – молочная промышленность
46. poultry – домашняя птица
47. barley – овес
48. rapeseed – рапс
49. wheat – пшеница
50. cereal crop – зерновая культура
51. shift (in) – сдвиг (в)
52. to shift from to – сместиться с ... на
53. benefit – приносить выгоду
54. hit hard – тяжело ударить (по чему-либо)
55. machinery – детали машины, оборудование
56. fuel – топливо
57. semifinished goods – полуфабрикаты
58. consumer goods – потребительские товары
59. Commonwealth – Содружество
60. conurbation – конурбация (большой город с пригородами)
61. foremost – передовой, самый главный

- 62. synthetic fiber – синтетическое химическое волокно
- 63. artificial fibers – искусственные волокна
- 64. metropolitan county – графство-метрополия
- 65. The Black Country – "черная страна" (каменноугольный и железообрабатывающий район Стаффордшира и Уорикшира)
- 66. warehousing – складирование
- 67. worsted [ˈwɒstɪd] – камвольная ткань, разг. шерстяная материя; шерсть для ручного вязания и вышивания
- 68. coal mines – угольные шахты
- 69. coal mining – добыча угля
- 70. steel manufacturing – сталелитейная промышленность
- 71. electrical engineering – электротехника
- 72. shipbuilding – судостроение
- 73. repair – ремонт
- 74. decline – приходить в упадок; упадок
- 75. oil refining – перегонка нефти
- 76. lead – свинец
- 77. zinc – цинк
- 78. nickel – никель
- 79. marine engineering – кораблестроение
- 80. abundant – обильный, богатый
- 81. offshore – в открытом море, на некотором расстоянии от берега
- 82. offshore well – морская скважина
- 83. self-sufficient – самостоятельный; автономный; независимый (тж. в экономическом отношении)
- 84. iron ore – железная руда
- 85. tin – олово
- 86. limestone – известняк
- 87. china clay – каолин
- 88. primary energy – гидроэлектроэнергия

II. Read, understand and translate the text into Russian.

Great Britain is one of the world's leading industrialized nations. It has achieved this position despite the lack of most raw materials needed for industry. Great Britain also must import about 40% of its food supplies. Thus the country's prosperity is heavily dependent upon the export of manufactured goods in exchange for raw materials and foodstuffs. Over the ten years to 2006, relative UK performance improved considerably. UK living standards, as measured by the chained volume measure of GDP per capita, have grown steadily over the last 30 years.

Some years ago, manufacturing industries accounted for about a quarter of GDP, followed by financial industries, trade, transportation and communications, services, construction, mining and public utilities, and agriculture. Service industries employed about 60% of the workforce, while manufacturing accounted for just over 25%.

Within the manufacturing sector itself, the largest industries include machine tools; electric power, automation, and railroad equipment; ships; motor vehicles and parts; aircraft; electronic and communications equipment; metals; chemicals; petroleum; coal; food processing; paper and printing; textile; and clothing. During the 1980s, nearly 3.5 million manufacturing jobs were lost. However, over 3.5 million jobs were created in service-related industries. This trend reflects a shift in Great Britain's economic base, which has benefited the southeast, southwest, and Midlands regions of Great Britain. Other areas, such as northern England and Northern Ireland have been hard hit by the changing economy.

The country's chief exports are manufactured goods, machinery, fuels, chemicals, semifinished goods and transport equipment. The chief imports are manufactured goods, machinery, semifinished and consumer goods, and foodstuffs. Since the early 1970s Great Britain's trade focus has shifted from the United States to the European Community, which now accounts for over 50% of Britain's trade. Germany, the United States, France, and the Netherlands are Britain's main export markets. The country accounts for 6% of the world's total exports.

The main industrial and commercial areas of Great Britain are the great conurbations, where about one third of the country's population lives. The administrative and financial centre and most important port is Greater London, which also has various manufacturing industries. London remains an important international financial centre, and is now Europe's foremost financial city. Metal goods, vehicles, aircraft, synthetic fibers, and electronic equipment are made in the West Midlands conurbation. The Black Country and the city of Birmingham are in the West Midlands. Greater Manchester has cotton and synthetic textiles, coal, and chemical

industries and is transportation and warehousing centre. Liverpool, Britain's second port, along with Southport and Saint Helens are in Merseyside County, West Yorkshire. County includes Leeds and Bradford and is Britain's main centre of woolen, worsted and other textile production. Tyne and Wear county, with Newcastle upon Tyne as its centre and Durham as a main city, has coal mines and steel, electrical engineering, chemical, and shipbuilding and repair industries. The South Wales conurbation, with the ports of Swansea, Cardiff, and Newport was traditionally a centre of coal mining and steel manufacturing, industries that have declined sharply in many parts of the region. Current important industries include oil refining, metals production, synthetic fibers, and electronics. In Scotland, the Strathclyde region, including Glasgow, is noted for shipbuilding, marine engineering, and printing as well as textile, food, and chemicals production. The Belfast area in Northern Ireland is a shipbuilding, textile, and food products centre.

Great Britain has abundant supplies of coal, oil, and natural gas. Production of oil from offshore wells in the North Sea began in 1975, and by the end of the 1970s the country was self-sufficient in petroleum. Great Britain's other mineral resources include iron ore, tin, limestone, salt, china clay, oil shale, gypsum, and lead.

In the mid 1970s the nation extended its fishing limits to 518 km offshore. Cod, haddock, mackerel, whiting, trout, salmon and shellfish make up the bulk of the catch.

Almost 30% of Britain's land is arable, and almost half is suitable for meadows and pastures. Its agriculture is highly mechanized and extremely productive, with some of the highest crop yields of grains, sugar beets, fruits, and vegetables. The widespread dairy industry makes the country self-sufficient in milk, and nearly all the eggs needed are also home-produced. Sheep are Britain's chief livestock. Farmers in almost every part of the country raise sheep for meat and wool. British farmers also raise beef cattle, dairy cattle, and hogs. A little over 2 per cent of Britain's working population is engaged in agriculture, which is a lower proportion than in any other major industrialized country. More than two-thirds of the arable land and pastures

belong to the landlords, but the middle and small-scale holders of land give the greatest part of the agricultural produce. These holders rent the land and employ agricultural workers. Due to large-scale mechanization, productivity in agriculture is very high: it supplies nearly two-thirds of the country's food. At the same time Britain continues to be one of the world's largest importers of agricultural products, raw materials and semifinished goods. The country imports such materials and products which cannot be grown in Britain: different fruits, vegetables, cotton, coffee, cocoa, etc.

The UK, a leading trading power and financial centre, deploys an essentially capitalistic economy. Over the past two decades the government has greatly reduced public ownership and contained the growth of social welfare programs. Services, particularly banking, insurance, and business services, account by far for the largest proportion of GDP while industry continues to decline in importance. As Britain has an open economy, in which international trade plays a vital role in the life of the country, it is necessary for the country to produce and export more on the international market than what it buys and imports into the country. However, traditionally the country imports more than it exports, which in turn leads to a deficit in the balance of payments. This deficit in the balance of payments is usually covered by transactions on the international market, which reflect Britain's position as a major financial centre of the world.

III. Match the words with their definitions:

1. per capita	a) a large densely populated urban sprawl formed by the growth and coalescence of individual towns or cities;
2. public utility	b) able to provide for or support oneself without the help of others;
3. account for	c) for each person;
4. conurbation	d) the total value of all goods and services produced domestically by a nation during a year;
5. offshore	e) enterprise concerned with provision to the public such essentials as electricity, water, etc.
6. abundant	f) sited or conducted at sea ;
7. arable	g) spread out, utilize;
8. self-sufficient	
9. deploy	
10. gross domestic product	

	h) constitute, make up, comprise; i) being or capable of being tilled for the production of crops; j) existing in plentiful supply; having a plentiful supply.
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IV. Give English equivalents to the following Russian words and expressions.

Use them in the sentences of your own:

1. рабочая сила	
2. коммунальные услуги	
3. морская скважина	
4. полуфабрикат	
5. урожай	
6. транспорт и коммуникации	
7. железнодорожная техника	
8. транспортное средство	
9. авиастроение	
10. известняк	
11. текстиль	
12. нефть	

V. Group the following industries according to the sector of economy they belong to:

a) manufacturing industries

b) agriculture

railroad equipment, beef cattle, aircraft, chemicals, food processing, clothing, barley, foodstuffs, vehicles, warehousing, worsted, poultry, electrical engineering, synthetic textiles, transportation, shipbuilding, haddock, steel manufacturing, marine engineering, shellfish, oil refining, whiting

VI. Pick out from the text words to complete the chart below. Provide their Russian equivalents.

Crops	Cattle	Fish	Metals	Minerals
1	2	3	4	5

VII. Questions for advanced discussion:

1. What do the largest industries include?
2. What is the country's prosperity dependent upon?
3. Is the U.K. self-sufficient in energy supply? Why?
4. What can you say about mineral resources in Great Britain?
5. What are the country's chief exports?
6. What are the chief imports?
7. Is British agriculture efficient? Prove it.
8. Why does the country continue to import agricultural products?
9. What are the main industrial and commercial areas of Great Britain?
10. Is it necessary for the country to produce and export more on the international market?

VIII. Read the text consulting the dictionary.

The Economy of the United States

The United States is one of the leading countries in the world in the total value of its economic production. The economy is based largely on a free enterprise system. In such a system, individuals and companies are free to make their own economic decisions. Individuals and companies own the raw materials, equipment, factories, and other items necessary for production, and they decide how best to use them in order to earn a profit.

Even though the U.S. economy is based on free enterprise, the government has placed regulations on economic practices through the years. It has passed antitrust laws, which are designed to keep one company or a few firms from controlling entire industries. Such control, called a monopoly, does away with competition and enables controlling companies to charge high prices and reduce the quality of goods. Government regulations help protect consumers from unsafe merchandise. They also help protect workers from unsafe working conditions and unreasonably low wages. The

government has also enacted regulations designed to reduce environmental pollution. In spite of involvement by the government, the United States still has one of the least regulated economies in the world.

In spite of its overall strength, the United States economy has faced problems from time to time. The problems include recessions (mild business slumps), depressions (severe business slumps), and inflation (rising prices).

The US economy consists of three main sectors – the primary, secondary, and tertiary.

Primary economic activities are those directly extracting goods from the natural environment, including agriculture, forestry, fishing, and mining. The primary sector usually contributes about 3 percent of annual GDP.

Agriculture accounts for 2 percent of the US gross domestic product and employs 3 percent of the nation's workers. Yet, the United States is a world leader in agriculture production. The country's farms turn out as much food as the nation needs, with enough left over to export food to other countries. About a third of the world's food exports come from US farms.

Beef cattle rank as the most valuable product of American farms. Other leading farm products, in order of value, include milk, soybeans, chickens and eggs, hogs, wheat, and cotton. United States farms also produce large amounts of hay, tobacco, turkeys, oranges, potatoes, tomatoes, and apples.

A variety of natural resources provide the raw materials that support the economy of the United States. In addition to a moderate climate, the most valuable resources are minerals, soils, water, forests, and fish.

The United States has large deposits of coal, iron ore, natural gas, and petroleum, which are vital to the country's industrial strength. Its many other important minerals include copper, gold, phosphates, silver, and zinc. The United States ranks among the leading countries in the value of its mineral production. The United States ranks third, after Russia and Saudi Arabia, in the production of petroleum. It is second to Russia in

natural gas production and to China in coal production. To meet its needs, however, the United States must import additional amounts of iron ore, petroleum, and other minerals.

Although mining accounts for a small share of the total U.S. economic output, it has been a key to the growth of other parts of the economy. Coal and iron ore, for example, are needed to make steel. Steel, in turn, is used to make automobiles, buildings, bridges, and many other goods. Coal is also a fuel for electric power plants. Refineries turn petroleum into gasoline; fuel oil for heating and industrial power; and petrochemicals used in plastics, paint, drugs, fertilizers, and synthetic fabrics.

The farms, factories, households, and motor vehicles of the United States consume vast amounts of energy annually. Various sources are used to generate the energy. Petroleum provides about 40%. It is the source of most of the energy used to power motor vehicles, and it heats millions of houses and factories. Natural gas generates about 25% of the energy used. Many industries use gas for heat and power and millions of households burn it for heat and cooking. Coal is the source of about 25% of all the energy. Its major uses are in the production of electricity and steel. The electricity lights buildings and powers factory and farm machinery. Hydroelectric and nuclear power plants each generate about 5% of America's energy.

Secondary economic activities involve processing or combining materials into new products, and include manufacturing and construction. They account for 22% of the gross domestic product and employ 20% of the workers. The leading categories of U.S. products are, in order of value, chemicals, transportation equipment, food products, non-electrical machinery, electrical machinery and equipment, printed materials, scientific and medical instruments, fabricated metal products, paper products, rubber and plastic products, and primary metals.

Through the years, Americans have developed manufacturing processes that have greatly increased productivity. During the early 1900's, U.S. automobile firms introduced the moving assembly line and identical interchangeable parts for cars. This led to mass production, in which large numbers of goods could be produced in less time and at a lower cost than ever before. Beginning in the mid-1900s, U.S. industries

turned increasingly to automation - the use of machines that operate with little human help. American inventors and engineers developed computers to bring automation to an even higher level. Today, computers operate machines, handle accounting, and perform many other important functions in industries.

Construction accounts for 4% of the US GDP and provides jobs for 4% of the workforce. This industry employs such workers as architects, engineers, contractors, bricklayers, carpenters, electricians, plumbers, roofers, ironworkers, and plasterers.

IX. Match the words listed below with the dictionary definitions that follow.

manufacturing	depression	resource	slump
environment	agriculture	inflation	profit
merchandise	production	industry	value
competition	monopoly	service	wage
productivity	consumer	mining	cost
commodity	enterprise	output	law
accounting	recession	goods	

1. The skill or practice of maintaining and auditing accounts and preparing reports on the assets, liabilities, etc., of a business.
2. The science or occupation of cultivating land and rearing crops and livestock; farming; husbandry.
3. An exchangeable unit of economic wealth, esp. a primary product or raw material.
4. Rivalry between suppliers providing goods or services for a market.
5. A person who purchases goods and services for his own personal needs.
6. The price paid or required for acquiring, producing, or maintaining something, usually measured in money, time, or energy; expense or expenditure; outlay.
7. An economic condition characterized by substantial and protracted unemployment, low output and investment, etc.; slump.
8. A business unit; a company or firm.
9. External conditions or surroundings, esp. those in which people live or work.
10. Things that are made to be sold.
11. The sector of an economy that is concerned with manufacture.

12. A progressive increase in the general level of prices.
13. A system of rules that a society or government develops in order to deal with business agreements, social relationships, and crime.
14. The production of goods, esp. by industrial processes.
15. Commercial goods; commodities.
16. The act, process, or industry of extracting coal, ores, etc., from the earth.
17. Exclusive control of the market supply of a product or service; an enterprise exercising this control.
18. The act of production or manufacture.
19. The process of manufacturing or growing something in large quantities, or the amount of goods manufactured or grown.
20. The output of an industrial concern in relation to the materials, labor, etc., it employs.
21. An amount of money that you gain when you are paid more for something that it cost you.
22. A temporary depression in economic activity or prosperity.
23. A source of economic wealth, esp. of a country (mineral, land, labor, etc.) or business enterprise (capital, equipment, personnel, etc.).
24. A job that an organization or business can do for you.
25. A time when there is a lot of unemployment and poverty.
26. The amount that can be obtained for something by exchanging it for money or goods.
27. Payment in return for work or services, esp. that made to workmen on a daily, hourly, weekly, or piece-work basis.

X. Synonyms. Group the following words into seven synonymous groups.

advantage, agriculture, benefit, enterprise, farming, firm, gain, goods, profit, commodities, company, competition, depression, husbandry, output, rivalry, manufacture, slump, production, merchandise, recession
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III. Complete the following sentences with the appropriate terms from the list below.

free enterprise system, economic production, economic output, wages, antitrust laws, merchandise, productivity, construction, workforce, minerals

1. The United States ranks first in the world in the total value of its _____.
2. The United States economy is based largely on a _____
3. Even though the U.S. economy is based on free enterprise, the US government has passed _____.
4. Government regulations help protect consumers from unsafe_____.
5. Government regulations help protect workers from unsafe working conditions and unreasonably low _____.
6. To meet its needs the United States must import additional amounts of iron ore, petroleum, and other_____.
7. Mining accounts for a small share of the total U.S. _____.
8. Secondary economic activities include manufacturing and _____.
9. Americans have developed manufacturing processes that have greatly increased _____.
10. Construction accounts for 4 percent of the US GDP and provides jobs for 4 percent of the_____.

XI. Do you think the following statements are true or false?

1. The United States ranks second in the world in the total value of its economic production.
2. The US economy is mainly based on a government controlled system.
3. In a free enterprise system individuals and companies are free to make their own economic decisions.
4. Antitrust laws are designed to keep one company or a few firms from controlling entire industries.

5. The United States has one of the most regulated economies in the world.
6. The United States has never faced problems in its economy.
7. The United States is a world leader in agriculture production.
8. Agriculture accounts for most of the U.S. gross domestic product.
9. The United States ranks first in the world in the value of its mineral production.
10. Mining has been a key to the growth of other parts of the economy.

XII. Multiple Choices. Select the correct answer.

1. The US government has enacted regulations designed to
 - (a) protect workers from unsafe working conditions and unreasonably low wages
 - (b) protect consumers from unsafe merchandise
 - (c) reduce environmental pollution
 - (d) to fulfill all of the above functions
2. Monopolies are allowed
 - (a) to control entire industries
 - (b) to charge high prices
 - (c) reduce the quality of goods
 - (d) none of the above actions
3. Secondary economic activities involve
 - (a) manufacturing
 - (b) agriculture
 - (c) forestry
 - (d) mining
4. The leading categories of U.S. products are, in order of value,
 - (a) chemicals, food products, non-electrical machinery
 - (b) transportation equipment, food products, non-electrical machinery
 - (c) chemicals, transportation equipment, food products
 - (d) chemicals, transportation equipment, electrical machinery
5. The US government has passed antitrust laws, which

- (a) do not allow to reduce the quality of goods
 - (b) allow one company or a few firms to control entire industries
 - (c) do not protect consumers from unsafe merchandise
 - (d) enable controlling companies to charge high prices
6. The source of most of the energy used to power motor vehicles is
- (a) natural gas
 - (b) petroleum
 - (c) coal
 - (d) electricity
7. Productivity has greatly increased due to
- (a) new manufacturing processes
 - (b) new information technologies
 - (c) computerization of manufacturing
 - (d) all of the above factors

XIII. Questions for discussion.

1. What system is the United States economy based on?
2. What is a free enterprise system?
3. Why have measures been taken to control big businesses?
4. What problems has the United States economy faced?
5. What sectors does the U.S. economy consist of?
6. What do primary economic activities include?
7. What do the United States farms produce?
8. Does the country have enough natural resources to support the economy?
9. What sources are used to generate the energy?
10. What do secondary economic activities involve?

The Economy of Belarus

XIV. Go through the following vocabulary notes to avoid difficulties in understanding the text.

1. amalgamation – объединение
2. hopper – *амер. ж.д.* хоппер; бункер, саморазгружающийся грузовой вагон для перевозки цемента, песка, торфа, щебня.
3. open-pit automobiles – *горн.* грузовые автомобили (самосвалы), используемые при добыче полезных ископаемых открытым способом
4. potassium fertilizers [pə'tæsiəm] – калийные удобрения
5. township – *амер.* посёлок, городок, райцентр

The Republic of Belarus is located in the centre of Europe, on the crossroads of trade ways between West and East, North and South, in the west of the East European Plain. The larger part of the territory of Belarus represents lowlands with heights ranging from 80 up to 345 meters above sea level. The flat character of the territory, moderately continental climate create favourable conditions for habitation of population, managing agriculture, building industrial enterprises and thoroughfares.

The territory of the Republic of Belarus covers 207.6 thousand square kilometres, stretching 650 kilometers (406 miles) from west to east, 560 kilometres (350 miles) from north to south, and bordering in the north and in the east on Russia, in the southeast on the Ukraine, in the west on Poland and in the northwest on Lithuania and Latvia. The length of the state borderline is 2969 kilometres. Minsk is the capital of the Republic of Belarus.

The total population of the republic reached about 10 million people. The basic ethnic groups are Belarusians (78%), Russians (13%), Poles (4%), Ukrainians (3%), Jews (1%) and others. More than 70% of the population is urban. The state languages are Belarusian and Russian. The most widespread languages of business use are Russian, English and German. The Republic of Belarus consists of six regions with centres in the cities of Minsk, Brest, Vitebsk, Gomel, Grodno, Mogilev, which are

further divided into 118 rural districts, 102 towns and over 24 thousand townships and villages.

Belarus is a presidential republic. State power in the Republic of Belarus is formed and realized through three main branches - legislative, executive and judicial.

Most of Belarusian territory is farming land and in the past Belarus was mainly an agricultural country. The lands here are not very rich.

Four-fifths of its arable land is constituted by acid soil which needs constant improvement. And we cannot avoid the fact that colossal damage was made to the Belarusian soil by the Chernobyl nuclear disaster in 1986. Today agriculture specializes in meat and milk production. The main crops grown here are potatoes, grain, flax and vegetables.

Belarus is not very rich in mineral resources. There are some deposits of petroleum, combustible slates, brown coal, ferrous and non-ferrous ore, dolomites, potassium salts on the lands of the republic. The reserves of peat, fire-resistant and refractory clay, loam and sand for the manufacture of glass, various construction materials are great. There are also some mineral springs.

The Republic of Belarus possesses significant scientific and technical potential, aimed at solving major social and economic problems, fundamental research and development. For every thousand people engaged in the national economy there are 331 specialists with higher and secondary special education.

The Republic of Belarus is one of the most economically advanced regions among the countries united in the CIS. Thanks to its favourable geographical position, advanced network of transport communications connecting Europe and Asia, availability of scientific and technical potential with a highly skilled workforce, the Belarusian economy is achieving an appropriate level for satisfying its needs by means of wide trade with many countries in the world, and also by raising the quality and competitiveness of Belarusian goods on foreign markets. The backbone of Belarus economy is constituted by industry. Our republic is rather a highly industrially developed country. The industry produces nearly 70% of GNP.

Branches of national economy	Shares of branches in % to GP
Industry	31.6
Construction	6.1
Agriculture and forestry	13.6
Transport and communications	11.3
Trade and public catering	8.5
Incorporeal services	14.9
Income from pure taxes on products and import	9.8

Industrial production makes up 31.6% of gross production in the economy of Belarus. By virtue of its specialization within the framework of the former USSR, Belarus has succeeded in industrial development of such branches as motor industry, manufacture of tractors and agricultural engineering, machine-tool industry and manufacture of bearings, electronics and electro technical industry, manufacture and refining of petroleum, mining, manufacture of synthetic fibers, mineral fertilizers, radio engineering products, pharmaceutical industry, manufacture of construction materials, light industry and food-processing industry.

But the main branches still remain machine building, instrument making, wood processing, light, chemical, and food industries. Over 100 large enterprises are the basis of Belarus economy. These are such large plants as Minsk Tractor Plant, the Refrigerator producing Amalgamation Atlant, the TV sets Producing Amalgamation Gorizont, Belarus Amalgamation of Heavy-load Trucks Production BelavtoMAZ, Novopolotsk and Mozyr oil-processing plants, Zhlobin metallurgy plant, artificial fibres producing plants and many others.

Many enterprises in Belarus produce unique goods. Smorgon optical machine building plant, Belarusian optic and mechanical amalgamation, Minsk plant of wheeled prime movers, Bobruisk tire producing plant are among them.

On the above list input-consuming, labour-consuming and high technology industries aimed at the output of ready-made products generally prevail. The republic specializes in producing wheeled universal furrow tractors, and exports tractors with the trademark «Belarus» to more than 40 countries in the world.

Belarus produces various multipurpose lorries, including open-pit automobiles and hoppers with a carrying capacity ranging from 30 up to 180 tons. The products are exported to Argentina, Bulgaria, Hungary, Vietnam, Ghana, Guinea, Guinea-Bissau, China, Colombia, Latvia, Lithuania and other countries. The machine-tool production specializes in manufacturing different kinds of machine tools and blacksmith-extruding equipment.

In Belarus there are powerful facilities for producing computers, micro-electronic devices. It produces watches, radio-receivers and TV sets, electric devices, devices for controlling and regulating technological processes. Belarusian household refrigerators and deep freezers are exported to many countries in the world. Potassium fertilizers are produced by four enterprises in Soligorsk and are world famous too.

International cooperation and foreign trade

In order to create a favourable international trade and investment climate for the national economy the Republic of Belarus has signed numerous bi- and multi-lateral interstate and intergovernmental agreements on trade and economic cooperation and on mutual protection of investments. The basic criteria in concluding bilateral agreements are:

1. The needs of Belarus which can be satisfied through improving external economic relations.
2. Working out a conceptual perspective of development and establishing economic relations with foreign countries with regard to the blocks of countries (EC, East Europe, the USA, Canada, the CIS, South-East Asia, etc.), the level of economic integration with them.
3. Basic areas of trade and economic cooperation.

Special attention is paid to the conclusion of bilateral agreements on mutual protection of investments, for even the most advanced degree of integration with any country cannot ensure legal order, protection and guarantees required by investors. The expansion and improvement of the legal base can play a positive role in effective

attraction of foreign capital in case of appropriate economic conditions. It is proved by figures: investors from Germany, the USA, Poland and China are putting their resources into the Belarusian economy most dynamically – investment agreements with these states were signed in the first place.

The step-by-step development of mutual relations with the European Union (EU) in all fields – politics, trade, finance, science, education, culture – is of particular importance for the future of Belarus. The beginning of the legal realization of wide scale cooperation with the EU was laid down in 1995 by signing the agreement on partnership and cooperation between the Republic of Belarus and the European Union.

The Republic of Belarus regards the European Union as its closest neighbour and major trading partner. Foreign trade in Belarus traditionally develops in two basic perspectives: eastern – with the CIS, and western – with distant foreign states. The regional structure of foreign trade in Belarus is fairly diverse and doesn't experience essential changes. The republic preserves trade relations with all the countries of the Commonwealth and with 138 distant foreign states.

Russia still remains the basic trading and economic partner of the Republic of Belarus.

Ukraine is the second largest trading partner of the republic. The third place among the trading and economic partners of the republic throughout the outside world and the first place in trade with distant foreign countries belongs to Germany.

The main trading partners are still Russia, Ukraine, Germany, Poland, the USA, Lithuania, Italy, Latvia, Kazakhstan, Moldova, the Netherlands, Great Britain, France, Brazil, China, and Argentina. Development of export potential, improvement of the structure of export and import, rational use of external financing are the main perspectives for the republic.

XV. Questions for discussion:

1. What is the location of the Republic of Belarus?

2. What countries are its closest neighbours?
3. What are the basic ethnic groups in Belarus?
4. Is Belarus rich in mineral resources?
5. Is Belarus a self-sufficient country regarding energy resources?
6. What deposits comprise mineral wealth of Belarus?
7. Workforce is highly skilled in Belarus, isn't it?
8. What are the main branches of Belarus economy?
9. What are the main items of Belarusian export?
10. Can you name large enterprises which form the basis of Belarus economy?
11. What are the main items of Belarusian import?
12. What are the basic criteria in concluding bilateral trade agreements with foreign partners?
13. Can you name the basic trading and economic partners of the Republic of Belarus?

XVI. Read the text, write out and learn the new words.

«Brest» Free Economic Zone

Welcome to the first Belarus free economic zone!

Its name is, naturally — «Brest».

The Republic of Belarus, Brest Region and city of Brest welcome you to the heart of Europe, to the East-West crossroads, to a land with ancient history and a modern industrious people surrounded by wonderful natural countryside.

In the West and East a process of change is gaining strength in people's minds and actions. Countries, peoples and individuals are getting closer to each other.

The cultural and economic unity of Europe, having for so long been a dream, is near. Brest region and city are eager to make their contribution to this process.

The city is well ahead in the process of reform in Belarus. Its trade is the best in the country. A privatization model has been developed for Brest with the assistance of the International Finance Corporation.

Brest and Brest Region possess a powerful industrial potential and a qualified workforce. Being located at the Poland-Belarus border, Brest has a number of unbeatable advantages in handling cargo from Western Europe to the C.I.S. and back. So, it was not by chance that the government took the decision to set up the first Free Economic Zone in Brest.

Territory and Boundaries

The «Brest» Free Economic Zone (FEZ) is the first in the Republic of Belarus and has been in operation since December 1996. Its territory is north-west and east of Brest and covers more than 70 sq. km including the Brest International Airport. The FEZ borders on Poland along the Bug River for 10 km. In the south, the zone adjoins Brest, the Brest-Poland cargo railway line being a limit. In the east, the territory limit is the Brest — Bialostok — Kaliningrad railway line.

The zone residents are supplied with energy from the Zapad (West) Centralized Gas and Electricity Supply System. The gas pipeline transporting gas abroad runs through the zone territory. There is a 1400 Megawatt power station 80 km away from the zone.

The FEZ accepts the investments for setting up in the wood processing, furniture, pharmaceutical, automobile, foodstuffs, electronic and machine-building industries. Of high priority is export-oriented and import-substituting production. A wide network of customs warehouses is available and an enlargement of the already existing transport infrastructure is planned. The existing storage, transport, civil engineering and power facilities are used together with the qualified workforce available in Brest and in the adjoining areas.

The international cargo and automobile motorway runs through the zone with the Kozlovichi border check point.

Brest is located at the crossroads of north-south and east-west international highways of which the E-30 Berlin—Warsaw—Brest—Moscow transit corridor is of particular importance.

Direct highways to Vilnius, Kiev and intersecting main roads within the region make it possible to move men and merchandise quickly to or from industrial areas.

Brest possesses an international First Class airport with an all-weather runway 2600 m long which means that it can handle intercontinental flights by jumbo-jets.

Brest Region is a land of beautiful nature, vast forests and blue lakes. There is the biggest in Europe wild life reserve «Bielovezha» with spacious hunting areas 60 km away from Brest. We offer all the possibilities for a good rest and recreation.

Taxes: Benefits and Privileges

Imported into the territory of the FEZ foreign and domestic goods are exempt from customs duties. Economic policy measures are not implemented there.

The goods and services produced by the zone residents and taken away from the zone territory are also exempt from customs duties.

Foreign employees are guaranteed unimpeded repatriation of their profits created on the zone territory. No quota and license regulations are applied to the goods and services produced on the zone territory when they are exported out of the republic.

The «Brest» FEZ will remain in force for 50 years.

Such forced measures as nationalization, requisition, confiscation or actions similar in their effect are not allowed against foreign investments in the zone. The government guarantees are set out in the law «On Foreign investments on the Territory of the Republic of Belarus», adopted by the Supreme Soviet on November 14, 1991.

A tax privilege regime is in force on the zone territory. Only 6 taxes (out of the Republic's 20) are levied: profit tax — 15% (reduced from 30%), value-added tax — 10% (reduced from 20%), income tax, social security tax, ecology tax and excises — in line with the relevant rates of the Republic.

The zone residents who obtain profits from selling the goods and services produced at their zone enterprises are exempt from tax on profits within the first 5 years starting from the moment of declaring a profit. Within the subsequent 5 years

the residents exporting not less than 70% of their produce are subject to the 50% rate of the tax on profit.

Within the first 5 years starting from the moment of registration the dividends due to the zone residents are not subject to taxation.

Brest Region Industrial Potential

The Region agricultural enterprises have a high level of beef and milk cattle breeding. They are famous for their potatoes, vegetables, sugar beet and flax.

The Brest Region industrial potential possesses specialized up-to-date technologies for the production of tools and machine-tools, agricultural equipment, semiconductors and construction materials. Light industry enterprises are equipped with up-to-date machinery.

XVII. Answer the following questions.

1. What are the unbeatable advantages of the Brest Free Economic Zone?
2. When was the first Free Economic Zone set up?
3. Where is the Brest Free Economic Zone located?
4. Which production is of high priority there?
5. What can you say about the already existing transport infrastructure?
6. Do airways link the Brest Free Economic Zone with other cities?
7. What kinds of goods are exempt from customs duties?
8. Can you explain why economic policy measures are not implemented there?
9. What are foreign employees guaranteed?
10. Are quota and license regulations applied to the goods and services produced on the zone territory when they are exported out of the republic?
11. How long will the «Brest» FEZ remain in force?
12. Are forced measures allowed against foreign investments in the zone?
13. The government guarantees are set out in the law, aren't they?
14. What can you say about a tax regime in force on the zone territory?

15. Are the dividends due to the zone residents not subject to taxation within the first 5 years?
16. What does the Brest Region industrial potential possess?

XVIII. There are 6 Free Economic Zones (FEZ) in the Republic of Belarus:

1. «Brest»
2. «Vitebsk»
3. «Gomel-Raton»
4. «Grodnoinvest»
5. «Minsk»
6. «Mogilev»

Join in a group of 2-3 students and prepare a report on a Free Economic Zone (FEZ).

UNIT 4

PART 1

Economic Activities

I. Look through the list of English words and their Russian equivalents before reading the text:

1. construction	строительство
2. output	выход
3. to consume	потреблять
4. quantity	количество
5. to convert	превращать
6. raw materials	сырье
7. waste	отходы
8. tertiary	третичный
9. wholesaling	оптовая торговля
10. retailing	розничная торговля
11. real estate	недвижимое имущество
12. public utilities	коммунальные услуги

II. Read and translate the text. Write out and learn the new words. Explain the meaning of the highlighted words.

There are three main sectors of economic activity: primary, secondary and tertiary.

The **primary sector** of the economy involves changing natural resources into primary products. Most products from this sector are considered raw materials for other industries. Major businesses in this sector include agriculture, agribusiness, fishing, forestry and mining industries.

In developed countries primary industry becomes more developed and more high-tech.

The **secondary sector** of the economy includes those economic sectors that create a finished, usable product: manufacturing and construction.

This sector generally takes the output of the primary sector and manufactures finished goods or where they are suitable for use by other businesses, for export or

sale to domestic consumers. This sector is often divided into **light industry** and **heavy industry**. Many of these industries consume large quantities of energy and require factories and machinery to convert the raw materials into goods and products. They also produce waste materials and waste heat that may pose environmental problems or cause pollution.

Manufacturing is an important activity to promote economic growth and development. Nations which export manufactured products tend to generate higher marginal GDP growth which supports higher incomes and marginal tax revenue needed to fund the quality of life initiatives such as health care and infrastructure in the economy.

Divisions of this sector include:

- Aerospace manufacturing
- Automobile industry
- Brewing industry
- Chemical industry
- Textile industry
- Consumer electronics
- Energy industry (petroleum industry, natural gas industry, electricity industry)
- Industrial equipment
- Metalworking
- Steel production
- Tobacco industry

The **tertiary sector** of economy is also known as the service sector or the service industry. Services are defined in conventional economic literature as "intangible goods" or "invisible goods".

The tertiary sector of economy involves the provision of services to businesses as well as final consumers. Services may involve the transport, distribution and sale of goods from producer to a consumer as may happen in **wholesaling** and **retailing**,

or may involve the provision of a service, such as in pest control or entertainment. Goods may be transformed in the process of providing a service, as happens in the restaurant industry or in equipment repair. However, the focus is on people interacting with people and serving the customer rather than transforming physical goods.

The service sector consists of the "soft" parts of the economy such as insurance, government, tourism, banking, retail, education, and social services. In soft-sector employment, people use time to deploy knowledge assets, collaboration assets, and process-engagement to create productivity (effectiveness), performance improvement potential and sustainability. The tertiary sector is the most common workplace.

Typically the output of this sector is content (information), service, attention, advice, experiences, and/or discussion (also known as "intangible goods").

Other examples of service sector employment include:

- Franchising
- News media
- Hospitality industry (e.g. restaurants, hotels, casinos)
- Consulting
- Legal practice
- Healthcare/hospitals
- Waste disposal
- Real estate
- Personal services
- Business services

Public utilities are often considered part of the tertiary sector as they provide services to people.

III. Answer the following questions:

1. Can you name three main sectors of economic activity?

2. What does primary sector of the economy involve?
3. Can you name products from primary sector of the economy?
4. Is it true that in developed countries primary industry becomes more developed and more high-tech?
5. What economic sectors does the secondary sector of the economy include?
6. Do light industry and heavy industry consume large quantities of energy?
7. Do they cause environmental problems?
8. How does manufacturing promote economic growth and development?
9. Can you name the divisions of manufacturing sector?
10. What does the tertiary sector of economy involve?
11. What may services involve?
12. What are the "soft" parts of the economy?
13. Why is the tertiary sector the most common workplace?
14. Can you give other examples of service sector employment?
15. Why are public utilities often considered part of the tertiary sector?

PART 2

Types of Business Organizations

I. Look through the list of English words and their Russian equivalents before reading the text.

1. sole proprietorship — единоличное владение
2. unlimited liability — неограниченная юридическая ответственность
3. to run — управлять
4. to create — создавать
5. to be responsible for — быть ответственным за что-либо
6. partnership — партнерство
7. to recover one's money — вернуть свои деньги
8. debt — долг

9. disadvantage — недостаток
10. to be subject to taxation — подлежать налогообложению
11. to issue — выпускать

II. Read and translate the text. Write out and learn the new words.

A business organization is frequently referred to as a business entity. **A business entity is any business organization that exists as an economic unit.** Business entities can be grouped according to the type of business activity they perform.

► ***Service companies*** perform services for a fee. This group includes companies such as accounting firms, law firms, repair shops, and many others.

► ***Merchandising companies*** purchase goods that are ready for sale and sell them to customers. They include such companies as auto dealerships, clothing stores, and supermarkets.

► ***Manufacturing companies*** buy materials, convert them into products, and then sell the products to the companies or to the final customer. Examples are steel mills, auto manufacturers, and so on.

The business entity concept applies to all forms of businesses. A business may be privately organized in three different types. These types are the sole proprietorship, the partnership and the corporation. Most business firms are created and exist to make profits.

A **single (sole) proprietorship** is a form of business organization owned and operated by one person. Sole proprietorships are the most numerous kind of business organization, but most of them are very small. Sole proprietors own all the profits of their enterprises, and they are "own bosses". They don't have to pay the special taxes placed on corporations. There are farmers, professional men, small storekeepers and small manufacturers among sole proprietors. Operating as a proprietorship is the easiest way to get started in a business activity.

The greatest disadvantage of a sole proprietorship is unlimited liability that each proprietor faces. Liability refers to legal obligations to pay for debts or damages. Other disadvantages may include lack of opportunities for employees, limitations of size and growth and lack of management resources.

A **partnership** is a form of business organization that is owned and run by two or more persons. Partnerships are easy to form, created by an agreement, relatively small to control and often get tax benefits from the government. The agreement includes such terms as the initial investment of each partner, the duties of each partner, the means of dividing profits or losses between the partners each year, and the settlement to be made upon the death or withdrawal of a partner. Partnerships are not subject to special taxation. Partnerships can be found in such professional fields as medicine, law, accounting, insurance.

In many cases partnerships have unlimited liability. Each partner is both jointly and separately responsible for all the debts of their business. If the business fails, its creditors have the right to recover their money from any, or all of the partners.

A **corporation** is a form of business organization created under a government charter and owned by a few persons or by thousands of persons. A corporation may issue and sell stock certificates. The owners of the corporation are called shareholders or stockholders as they buy shares of stock. If the corporation fails, the owners lose only the amount they paid for their stock. The personal assets of the owners are protected from the creditors of the corporation. The stockholders do not directly manage the corporation; they elect a Board of Directors to represent their interests. The board of directors selects the president and vice president, who manage the corporation for the stockholders.

It is difficult and expensive to organize a corporation. The process of obtaining a charter usually requires the services of a lawyer. Corporations are subject to special taxes.

III. Match the English words with the appropriate Russian equivalents.

- | | |
|---------------------------|------------------------------|
| 1. profit | a) обязанности |
| 2. lack of opportunities | b) страхование |
| 3. accounting | c) доля, часть |
| 4. shareholder | d) прибыль |
| 5. charter | e) бухгалтерский учет |
| 6. obligations | f) недостаток возможностей |
| 7. the Board of Directors | g) держатель акций, акционер |
| 8. insurance | h) устав |
| 9. issue | i) совет директоров |
| 10. share | j) выпускать |

IV. Say whether these statements are right or wrong.

1. A business may be organized in four different types.
2. A sole proprietorship is a type of business organized and operated by two persons.
3. Sole proprietors have to pay special taxes.
4. A partnership is a form of business organization that is owned and run by two or more persons.
5. Partnerships are easy to form, relatively small to control and often get tax benefits from the government.
6. If a partnership fails, its creditors don't have the right to recover their money from any, or all, of the partners.
7. A corporation may issue and sell stock certificates.
8. A person who owns a stock certificate is called a broker.
9. Corporations are subject to special taxes.

V. Answer the following questions.

1. What are the types of business organizations?
2. What is the main purpose of a business organization?
3. What is a sole proprietorship?
4. What is the greatest disadvantage of a sole proprietorship?
5. What is a partnership?
6. Who is responsible for all business debts in a partnership?

7. What form of business organization is created under a government charter?
8. Who can be an owner of a corporation?
9. Who is a corporation managed by?

VI. Complete the following sentences.

1. Most business firms are created and...
2. A sole proprietorship is a form...
3. Among sole proprietors are...
4. A partnership is a form of organization that...
5. Partnerships can be found in...
6. Partnerships are easy to form, relatively small...
7. A corporation is a form of business organization...
8. Shareholders are the owners of corporation and their shares...
9. A corporation is managed...

VII. Make up a plan of the text and retell it in English.

PART 3

Company Structure

I. Learn to pronounce the following words correctly.

hierarchy [ˈhaɪrɑ:kɪ]	иерархия
hierarchical [haɪˈrɑ:kɪkl]	иерархический
pyramid [ˈpɪrəˌmɪd]	пирамида, что-л. в форме пирамиды
pyramidal [pɪˈræˌmɪdl]	пирамидальный, имеющий форму пирамиды

II. Discuss the following points.

- What kind of organization do you want to work for?
- Which department do you want to work in? (e.g., production, finance, accounting,

marketing, sales, human resources)

- Do you think it will later be possible to change departments?
- What do you think your first position will be?
- Do you expect to have one immediate boss, to work for more than one superior, or to be part of a team?

III. These are some basic words used in relation to company organization.

Match them up with the definitions on the right.

- | | |
|--------------------|---|
| 1 autonomous | A a system of authority with different levels, one above the other |
| 2 decentralization | B a specific activity in a company, e.g. production, marketing, finance |
| 3 function | C independent, able to take decisions without consulting a higher authority |
| 4 hierarchy | D people working under someone else in a hierarchy |
| 5 line authority | E dividing an organization into decision-making units that are not centrally controlled |
| 6 report to | F the power to give instructions to people at the level below in the chain of command |
| 7 subordinates | G to be responsible to someone and to take instructions from him or her |

IV. Read the text below about different ways of organizing companies.

Most organizations have a hierarchical or pyramidal structure, with one person or a group of people at the top, and an increasing number of people below them at each successive level. There is a clear **line structure** or chain of command running down the pyramid. All the people in the organization know what decisions they are able to make, who their superior (or boss) is (to whom they report), and who their immediate subordinates are (to whom they can give instructions).

Some people in an organization have colleagues who help them: for example, there might be an Assistant to the Marketing Manager. This is known as a **staff position**: its holder has no line authority, and is not integrated into the chain of

command, unlike, for example, the Assistant Marketing Manager, who is number two in the marketing department.

Today, most large manufacturing organizations have a **functional structure**, including (among others) production, finance, marketing, sales, and personnel or human resources departments. This means, for example, that the production and marketing departments cannot take financial decisions without consulting the finance department.

Functional organization is efficient, but there are two standard criticisms. Firstly, people are usually more concerned with the success of their department than that of the company, so there are permanent battles between, for example, finance and marketing, or marketing and production, which have incompatible goals. Secondly, separating functions is unlikely to encourage innovation.

Yet for a large organization manufacturing a range of products, having a single production department is generally inefficient. Consequently, most large companies are decentralized, divided into separate operating divisions. Each division has its own engineering, production and sales departments. Businesses that cannot be divided into autonomous divisions with their own markets can simulate decentralization, setting up divisions that deal with each other using internally determined transfer prices. Many banks, for example, have established commercial, corporate, private banking, international and investment divisions.

An inherent problem of hierarchies is that people at lower levels are unable to make important decisions, but have to pass on responsibility to their boss. One solution to this is matrix management.

In **matrix structure**, people report to more than one superior. For example, a product manager with an idea might be able to deal directly with managers responsible for a certain market segment and for a geographical region, as well as the managers responsible for the traditional functions of finance, sales and production. This is one way of keeping authority at lower levels but it is not necessarily a very efficient one.

A further possibility is to have wholly autonomous, temporary groups or teams that are responsible for an entire project, and are split up as soon as it is successfully completed. Teams are often not very good for decision-making, and they run the risk of relational problems, unless they are small and have a lot of self-discipline. In fact they still require a definite leader, on whom their success probably depends.

V. Answer the following questions for discussion.

1. What type of business activity do service companies (merchandising companies, manufacturing companies) perform?
2. What are the advantages of the sole proprietorship?
3. How is a corporation run?
4. Are there any drawbacks in the line structure (functional structure, matrix structure)?
5. When are the temporary groups or teams formed? What problems do they have?

UNIT 5

Small Business

PART 1

The Small Business Scene

I. Learn the new words.

1. gross national product – валовой национальный продукт;
2. retailing – розничная торговля;
3. wholesaling – оптовая торговля;
4. to keep records – вести учет;
5. bank loan – банковская ссуда;
6. partnership – партнерство.

II. Read the text. Prepare to do the tasks after it.

Small business is the heart of the market economy. It is usually independently owned and operated by an individual or a small group. There is a great variety of small business firms when people become their owners and operators by starting business, buying a franchise, inheriting an existing firm.

Small firms are established to manufacture and distribute goods, to sell them at retail. To provide all kinds of needed services while serving the local community or functioning in national and international markets. In recent years there has been a great increase in the export of services, such as management consulting, medical and technological services.

Strong healthy small business community is able to preserve competition, prevent monopolistic control of any industries, and thus assure the population of the benefits of competition through better prices and quality products.

There are some facts illustrating the importance of small business according to the Small Business Administration (SBA) of the USA:

- 99% can be classified as small;

- 43% of the **gross national product** is contributed by small business;
- small business is creating new jobs while large business is cutting back employment;
- small business is able to create many new products and services.

The area of operation of small business is, as a rule, mainly local, with the workers and owners living in one home community. The relative size of the firm is usually small. The following criteria for defining small business exist: **retailing** (sales volume), service (sales volume), **wholesaling** (sales volume), **and manufacturing** (number of employees).

It is necessary **to keep records** of a business for tax purposes and as a measure of growth. Some business fails because it is improperly expanded or expands too quickly and cannot handle problems coming with rapid growth. Many business firms remain small and provide excellent income throughout their lifetime.

Business operations listed here are subject to review by local, state and federal authorities.

Income. Business income must be reported for income tax purposes, **bank loans**, attracting investors, making distribution of profits in **partnership**, and as a measure of business growth.

Working conditions. Clean and safe working conditions must be provided for employees and if required, medical and safety equipment must be provided.

Wages and hours. Work regulations and announcements must be posted where employees can read them. Employers must pay at least the minimum wage that applies to their employees.

Advertising, labelling and packaging. Business must not be guilty of false advertising, mislabelling (e.g. the labelled weight in a package).

Discrimination. Federal and state regulations prevent an employee from being discriminated against because of colour, race, sex, religion or national origin.

Liability and compensation. Employers are required to carry insurance and provide adequate compensation for workers injured on the job and customers injured on the business premises.

III. Answer the questions.

1. How do people become owners and operators of small business firms?
2. What are the aims of establishing small firms?
3. What has been always recognized as the best way to preserve competition, prevent monopolistic control of any industries?
4. What facts illustrate the importance of small business?
5. Can you define a small business?
6. What are the criteria of small business?
7. What operations are subject to review?

PART 2

Advantages and Disadvantages of Running a Small Firm

I. Learn the new words.

1. offset – возмещать, компенсировать
2. overheads – накладные расходы;
3. efficiency – эффективность, производительность;
4. transportation costs – расходы на транспортировку;
5. to adjust – приспособливать;
6. to cope with – справиться;
7. tax burden – бремя налогового обложения;
8. vendor goodwill – гуд-вилл фирма;
9. research facilities – средства на исследование;
10. to handle – управлять, осуществлять контроль;

11. rewards – поощрение, вознаграждение;

II. Read the text. Prepare to do the tasks after it.

Small firms usually have advantages over large firms in many cases. One of them is rapid growing. Many of today's small firms will become giants in tomorrow's business world.

The distinct ADVANTAGES of small firms are the following:

1. *Flexibility*. Decisions can be made and implemented quickly; new products or ideas are being tried.
2. Easy *supervision* of personnel's daily operations by the firm owner.
3. *Domination* of professional or skilled services (e.g. beauty parlors, real estate offices, interior-decorating firms, TV repair shops, medical and dental services, etc.). Any possible advantages of large size in these areas are usually **offset** by greatly enlarged **overheads** less **efficiency** on the job, and the loss of the personal touch of the smaller firm.
4. *Local market demand* for the product or service. For example, **transportation costs** are prohibitive for moving such products as bricks or concrete blocks for the construction industry.
5. *Wide variations* in demand or in styles (e.g. ladies' dress line, ornamental candles, custom-made chandeliers and lamp shades). The small, flexible firm usually can **adjust** to the necessary variations of specialized products more easily.
6. *Close communication, better morale and efficiency* between the owner and personnel in the firm.

DISADVANTAGES of small firms:

7. The inability to secure competent employees, **to cope with** monopolistic practices, to finance practicable **expansion**, tax burdens, limited labor **vendor goodwill**, discriminatory practices by larger shopping-center developers, **lack** of time for the small proprietor to handle multiple assignment, lack of **research facilities**, and the problems of making a new firm or product known in its market.

8. Improper planning. It leads to a little chance of success in operations. Good research in the planning stage can reveal opportunities for success and indicate business should not be undertaken.
9. The **rewards** for successful small firm ownership are never automatic or guaranteed. Success makes many demands upon the operator of the firm. The requirements for successful ownership of small business firms can be summarized as follows: personal characteristics, good customer / community relations and knowledge of consumerism, business ethics, social responsibility and compliance with government regulations. Knowing the causes of failure can protect the owner against them.
10. Competition of small business firms with larger firms. The profitable firms have not relied on the inherent advantages of small firms as such, but have combined these advantages with alert and competent management to achieve their success.

III. Answer the following questions.

1. Why are small firms more preferable when new products or ideas are being used?
2. Why do small firms have advantages when the personal attention of the owner is essential to daily operations?
3. Why are larger firms less efficient where personal professional services are dominated?
4. What are the advantages of small firms when the market for the product is local and there are wide variations in demand and styles?
5. What disadvantages of small firms do you know?
6. In what way can owners of small firms be rewarded?
7. Which are the most important requirements for successful ownership of small business firms are mentioned in the passage?

UNIT 6

Financial Institutions

PART 1

Financial Institutions in the USA

I. Look through the list of English words and their Russian equivalents before reading the text.

to deal (v)	-действовать, иметь дело
<i>to deal in</i>	-иметь дело с...
<i>a deal (n)</i>	-дело, сделка, соглашение
<i>to do a deal with</i>	-заключать сделку с...
<i>a dealer</i>	-дилер, агент
financial institutions	-финансовые организации
to save (v)	-спасать, сберегать
<i>savings</i>	-сберегательный; сбережения
to loan (v)	-ссужать, давать займы
<i>a loan (n)</i>	-ссуда
mutual (adj)	-совместный, общий
to invest (v)	-вкладывать деньги, капитал
<i>investor (n)</i>	-вкладчик
<i>investment (n)</i>	-вклад, капиталовложение
private (adj)	-частный
profit (n)	-прибыль
<i>to profit (by) (v)</i>	-получать прибыль (с чего-либо)
to serve (v)	-служить
<i>service (n)</i>	-услуга
to check (v)	- проверять
<i>checking</i>	-расчетный (счет)
account (n)	-счет
broker (n)	-брокер
brokerage (n)	- комиссионное вознаграждение; брокерская деятельность
to insure (v)	-страховать
<i>insurance (n)</i>	-страхование
advice (n)	-совет
<i>to advise (v)</i>	-советовать, консультировать

<i>adviser (n)</i>	-советник, консультант
to pledge (v)	-отдавать в залог, закладывать, ручаться
collateral (n)	-дополнительное обеспечение
secure (adj)	-гарантированный, надежный
<i>security (n)</i>	-безопасность, обеспечение; залог, ценная бумага
prime (adj)	-первый, первичный, лучший, базовый
rate (n)	-ставка, тариф, коэффициент, степень, такса
<i>prime interest rate</i>	-базовая процентная ставка
interest (n)	-интерес, выгода
<i>rate of interest</i>	-процентная ставка
customer (n)	-клиент, покупатель
deposit (n)	-вклад
<i>to deposit</i>	-делать вклад
to charge (v)	-назначать, устанавливать (плату)
<i>charge (n)</i>	-издержка, цена
to assess (v)	-облагать податью, устанавливать (плату); определять
to charter (n)	-даровать привилегию, выдавать разрешение на создание организации (учреждение корпорации)
fee (n)	-вознаграждение

Businesses that distribute or deal in money are called **financial institutions**. New institutions that meet new **financial needs** appear almost every day in the USA. The most familiar institutions are **commercial banks, savings banks, savings and loan associations, mutual savings banks, credit unions, investment banks** and so on.

A commercial bank is a **privately owned profit-making** corporation. It serves both individuals and businesses by offering **checking and savings accounts, loans, and credit cards**. It also deals in some **brokerage, insurance, and financial advice**.

The commercial bank is the most important source of **short term** loans for businesses. Sometimes the borrowers **pledge collateral** to back up the loan. Such

loan is a **secured loan**. Companies with a good **financial position** are given **the prime rate** of interest which is the lowest **commercial** interest rate.

The commercial bank offers its customers **accounts** of two types: **demand deposits** and **time deposits**. A demand deposit makes the money in it **available** to depositors immediately, while a time deposit **requires** depositors to leave their money with the bank for a **stated period** of time.

Most banks offer their **customers** various **savings certificates**, called certificates of **deposit**. Savers may put their money into thirty day, six month, or two and a half year certificates. The highest interest is paid to the customers who deposit their money for a longer period.

Banking services are **not free** and banks **charge fees** for them. Many banks **assess a service fee** if an **account balance** falls beneath a **particular minimum**, such as \$200.

There are two types of commercial banks. A **national bank** is **chartered** by the federal government. About one third of all commercial banks are national. A state bank, which is smaller than a national bank, is chartered by an individual state.

II. Answer the following questions.

1. What are the businesses called that distribute or deal in money?
2. What are the most familiar financial institutions in the USA?
3. Who owns a commercial bank?
4. What services does a commercial bank offer to its customers?
5. What do the customers do sometimes to back up the loan?
6. What kind of an interest rate do commercial banks give to companies with a good financial position?
7. What types of accounts do commercial banks offer to their customers?
8. What is a demand deposit?
9. What is a time deposit?
10. What does the interest rate depend on?

11. What do banks charge for the services they offer to their customers?
12. What is the difference between a state bank and a national bank?

III. Fill in the blanks with the pronouns *some*, *any*, and *no*.

1. Are there__ commercial banks in your town?
Yes, there are__.
2. Is there _ money in your savings account?
No, there isn't _.
3. Does a credit union lend money to its members?
Yes, it does. It lends__money to its members.
4. Do pension funds invest _money into the industry?
No, they don't. They invest money into the industry.
5. There are __ commercial finance companies that provide collateralized loans to businesses.

IV. Fill in the blanks with adjectives *many* and *much*.

1. _____insurance companies protect their customers against risk.
2. It takes one _ money to join a credit union.
3. Starting a business without financial support from the bank may cause you _____ trouble.
4. Banks in the USA are subject to_____ government regulations.
5. Savings and Loan Associations attract small savers who do not want to have any risk.

V. Substitution Drill.

Statement: There are many commercial banks that offer their customers a wide range of financial services.

Example: No. There are no commercial banks that offer their customers a wide range of financial services.

(Note that you will always be substituting for a different word or group of words in the sentence).

1. financial institutions
2. provide for
3. different
4. clients
5. banking
6. were

VI. Translate into English.

1. Существуют ли бесплатные банковские услуги? 2. Нет, бесплатных банковских услуг не бывает. 3. Многие банки устанавливают плату за услуги. 4. Компании с хорошим финансовым положением получают некоторые привилегии. 5. Много ли денег на вашем расчетном счете? 6. Да, много. 7. В моем справочнике один коммерческий банк и три страховые компании.

VII. Read and learn the dialogue.

Dick and Sally, university tutors, are discussing their financial problems.

D: Hello, Sally!

S: Hi, Dick! Happy to see you again. How are things with you?

D: Not bad. And how are you doing?

S: I've a problem, you know. I've just wrecked my new automobile. Had an accident. And I need money to have it repaired.

D: Oh, I think I can help you. Haven't you heard about the credit union that we formed?

S: Why, no! Could you tell me what it is?

D: It was a great idea! The members of our department pooled their money and now anyone can apply for a loan if necessary.

S: And may I join the union?

D: Of course you may. As a rule, a credit union consists of members of a specific group, such as university employees. And we belong to the same university.

S: Great! And how much do I have to pay?

D: Well, we require a minimum deposit - something about 100 dollars. And our credit union pays a higher interest rate than many other financial institutions pay on similar accounts.

S: That also sounds good. And who manages the pool?

D: I do.

S: Fine! Then I'll have my car repaired pretty soon!

Learn these words.

- accident (n) - несчастный случай
- pool (n) - общий фонд
- to pool (v) - создавать общий фонд
- to apply for (v) - обращаться за чем-либо
- to join (v) - вступать
- that sounds good! - это (звучит) хорошо
- to manage (v) - управлять; успешно справляться с чем-либо

VIII. (Pair work) Make up similar dialogues.

1. You are starting a new business and apply for funds to a commercial bank.
2. Your company has a good reputation and a commercial bank provides the prime rate for you.
3. You deposit some of your money into a bank which offers you accounts of two types. Choose one of them.

IX. Translate into English.

1. Наш коммерческий банк занимается финансированием сельского хозяйства.
2. Некоторые сберегательные банки идут навстречу новым финансовым запросам людей.
3. Этот кредитный союз состоит из членов нашего отдела.
4. Коммерческий банк заинтересован в высокой прибыли.
- 5.

Общие сберегательные банки, как правило, не дают краткосрочных ссуд фирмам. 6. В случае необходимости коммерческий банк требует дополнительное обеспечение в поддержку ссуды. 7. Компаниям с хорошей финансовой репутацией назначают базовую процентную ставку. 8. Большинство банков предлагают своим клиентам различные депозитные сертификаты. 9. Около двух третей коммерческих банков в США - федеральные банки. 10. Многие банки устанавливают высокую плату за свои услуги.

X. Read and translate the text. Learn new words and expressions.

Correspondent Banking Relationship

The **key** element of international finance and **trade** is the correspondent banking **relationship**. Banks usually **maintain** a number of correspondent banking relationships. When two banks agree to be correspondents **with each other**, they exchange their **signature** books. The signature book **includes** signatures **required** for different **transactions**. To **debit** an account may require only one signature, and other transactions, such as **letters of credit**, may require two or more signatures.

Correspondent banks **provide various** services and **charge fees** for each service. The services may include **clearing** checks, foreign exchange trading, **confirming** and **advising** letters of credit, **checking** the credit of **local customers**, **purchasing** and **selling** securities, and **safekeeping** securities. Correspondent banks are agents in their respective local markets.

Words and Expressions.

key (adj)	ключевой
trade (n)	торговля
relationship (n)	отношение
to maintain (v)	поддерживать
signature (n)	подпись
to debit (v)	дебетовать
transaction (n)	сделка

letter of credit	аккредитив
to provide (v)	обеспечивать
various (adj)	разнообразные
charge fees	устанавливать плату
to clear (v)	здесь: оплачивать (чек)
to confirm (v)	подтверждать
to advise (v)	советовать, извещать
customer (n)	клиент
to purchase (v)	покупать
security (n)	ценная бумага
to safekeep (v)	хранить в сейфе
respective	соответствующий

XI. Answer comprehensive questions.

1. What do the correspondent banks exchange?
2. What is a signature book?
3. How many signatures do you need to debit an account in a foreign correspondent bank?
4. Are the services provided by the correspondent bank free?
5. What services do the correspondent banks provide?

PART 2

Regulation and Control of Financial Institutions

I. Look through the list of English words and their Russian equivalents before reading the text.

- | | |
|--------------------|----------------------------------|
| - reserve (n) | - резерв |
| - member bank | - банк-участник |
| - jointly (adv) | - сообща |
| - to borrow (v) | - брать в долг |
| - district (n) | - район |
| - dividend (n) | - дивиденд |
| - stock (n) | - основной капитал, фонды, акции |
| - supply (n) | - поступления, поставки |
| - to supply (v) | - поставлять |
| - tool (n) | - орудие |
| - requirements (n) | - требования, предложения |

- <i>to keep on hand</i>	- иметь на руках
- bond (n)	- облигация
- to lend (v)	- давать займы
- discount (n)	- скидка
- monetary (adj)	- денежный
- to tune (v)	- настраивать
<i>to "fine tune"</i>	- тонко настраивать
- margin (n)	- край, полоса, предел, маржа; прибыль
<i>marginal (adj)</i>	- предельный
- advance (n)	- продвижение; аванс
<i>in advance</i>	- заранее; в задаток
- to clear (v)	- расчищать; здесь: оплачивать
- to draw (v)	- здесь: выписывать
- asset (n)	- наличность, наличный капитал
- earning (n)	- заработок, доход
- cash (n)	- наличность

There is a central bank for all states in the USA called the Federal **Reserve** System ("the Fed") which **controls various** financial institutions. The government and **member** banks **jointly own** the Fed. All national banks are members of the Fed. Most of the state banks do not **join** the system. Member banks have a **right to obtain** funds by **borrowing** from their **district** reserve banks, to use various services which the system provides, to obtain financial advice and **assistance** and to **receive** a **dividend** on **stock** that the district bank owns.

The Fed controls the money **supply** and **prevents** the economy from crisis. Its most **powerful tool** in controlling the money supply is the reserve **requirement**. It is the **percentage** of all deposits that a bank must **keep** on hand at the bank or on deposit with the Fed. If the Fed requires banks to keep 20 percent of all funds on deposit, then they can loan out the other 80 percent to individuals and companies.

The Fed also **sells** and **buys** government securities (**bonds**). When it buys **government** securities, it **increases** the money supply by putting more money in circulation. When the Fed sells government securities, it **decreases** the money supply.

The Fed is "the banker's bank" because it **lends** money to member banks. The interest that the Fed charges is called the **discount** rate. The discount rate is an **effective monetary** tool. The Fed **uses** it to "**fine tune**" the economy and to **influence** the rate at which banks lend to their customers. The Fed also uses a set of **credit** controls. It **establishes** the **margin** requirements on credit purchases of stocks and bonds. The margin is the percentage that credit customers must **pay in advance**.

Besides its monetary functions, the Fed also **clears** checks by **moving** them from the bank where they were deposited to the bank on which they are **drawn**. The check **travels** electronically from one bank to another **through** the Federal Reserve Bank.

The government also insures deposits **in case of** bank failure. The Federal Deposit Insurance Corporation (FDIC) requires the banks to give customers information about their **asset** quality, capital and **earning**. This prevents customers from doing business with banks that are in **trouble**.

II. Answer the following questions:

1. What is the central bank for all states in the USA?
2. What role does the Fed play in the USA?
3. Who is the owner of the Federal Reserve System?
4. Are the national banks members of the Fed?
5. The state banks do not join the Fed, do they?
6. What rights do the member banks have?
7. Where do the member banks obtain financial advice and assistance?
8. What do the member banks receive from the district Fed bank?
9. What is the Fed's most powerful tool in controlling the money supply?
10. What is the reserve requirement?
11. Who do the banks loan the money to?
12. How does the Fed put more money in circulation?
13. How does the Fed decrease the money supply?

14. What is the interest that the Fed charges called?
15. The Fed uses the discount rate to "fine tune" the economy, doesn't it?
16. What is the margin?
17. How do checks travel through the Federal Reserve System?
18. Why does the Fed insure deposits?
19. What does the FDIC require the banks to give customers?

III. Fill in the blanks with the prepositions.

through, on, in, of, under, out, at, to, by, and from:

1. Member banks obtain funds ____ borrowing ____ their district reserve banks.
2. Customers deposit cash ____ banks.
3. The Fed requires banks to keep 20 percent ____ all funds ____ hand.
4. Many state banks do not join ____ the Federal Reserve System.
5. The bank loans ____ 80 percent of the funds and keeps 20 percent ____ all funds ____ deposit.
6. All federal banks work ____ regulations worked out by the Federal Reserve System.
7. The credit customers pay the margin ____ advance.
8. The Fed influences the rate ____ which banks lend funds ____ their customers.
9. Member banks borrow money ____ their district reserve banks.
10. Putting more money ____ circulation the Fed increases the money supply.
11. The check travels electronically ____ one bank ____ another ____ the Federal Reserve Bank.

IV. Put the verb in brackets in the correct form.

1. The Fed (lend) money to member banks.
2. Member banks (obtain) money from the district reserve banks.
3. The Federal Reserve System (receive) paper securities from the dealers that (receive) cash in return.

4. The Fed (buy) the government securities and (increase) the money supply.
5. Banks (keep) 20 percent of all the funds on deposit.

V. Put all possible questions to the given sentences. Give short positive and negative answers to the questions. (Work in pairs.)

1. The Fed controls the purchase of securities by margin requirement.
2. It is difficult for the Fed to "fine tune" the economy.
3. The Fed sells its securities for the investors' cash.
4. Economic activity slows down.
5. Banks receive a dividend on stock.
6. Member banks borrow from the Federal Reserve System.
7. Investors buy stock on margin of 50 percent.
8. The Federal Open Market Committee sells new securities in order to make credit difficult to obtain.

VI. Substitution drill.

Statement: The Federal Reserve System controls the nation's money supply and serves as the government's bank.

Example: *currency*

The Federal Reserve System controls the nation's currency supply and serves as the government's bank.

- | | |
|-------------------|---------------|
| 1. administration | 5. works |
| 2. country | 6. the Fed |
| 3. distribution | 7. supervises |
| 4. investor | |

VII. Write out and learn new words. Read and dramatize the dialogue.

Jack Sullivan phones to his boss to speak on a business matter.

Jack: Hello, can I speak to the boss, please?

Secretary: Sorry, and who's speaking?

Jack: My! Don't you know? It's me, Jack Sullivan!

Secretary: Oh, sorry Mr. Sullivan, I'm new here. Er...I'm afraid Mr. Johnes is a bit busy at the moment. Could you call back later or would you like to leave a message?

Jack: I'm afraid not. It's urgent. Tell the boss that our NDC program depends on how fast we transfer money to Detroit, and I've got some details to discuss.

Secretary: O.K. I'll contact Mr. Johnes.

Half a minute later:

Secretary: Mr. Sullivan! Are you still there?

Jack: Yes.

Secretary: I'm putting you through now.

Jack: Thanks a lot!

Boss: Hello, Jack! What's that all about?

Jack: You know, boss, we are supposed to transfer 250,000 to NF Co. in Detroit today and to close our business deal there.

Boss: O.K., you call Chase Manhattan and they will wire it through the Fed.

Jack: Well, boss, I've got a better plan that would let us spend less money and get a better result.

Boss: Really? Then please come to my office as soon as possible.

Jack: All right, I'll be with you in a minute.

Words and word combinations.

- my! - восклицание, выражающее удивление, недоумение
- to leave a message - передать сообщение
- urgent (adj) - срочный
- to transfer (v) - переводить
- I'm putting you through - я вас соединяю (по телефону)
- we're supposed to ... - предполагается, что мы должны ...
- to spend (v) - тратить
- to a better effect - с лучшим результатом
- to wire - "передавать по проводам"

VIII. Read the dialogue.

A manager of the state bank is talking to his colleague

M: I'm afraid we are in for more troubles next year.

C: Do you mean the inflation? I think we have to find something new to cope with it.

M: Right. And I'm thinking of getting rid of the Fed membership.

C: Really? Do you think we could do well without its assistance?

M: I think so. We have to earn as much interest as possible in order to keep up with the inflation.

C: You are right. The district reserve bank doesn't help. No matter how much we deposit in it we earn no interest whatsoever.

M: That's why we're going to withdraw from the system and put our money into interest bearing programs.

C: O.K. then. We have to call the Board of Directors to discuss the matter in detail.

Learn these words and word combinations.

- do you mean the inflation? – Вы имеете в виду инфляцию?
- to cope with (v) – справиться с (чем-либо)
- to get rid of ... – освободиться, отделаться от чего-либо
- to keep up (v) – держаться на уровне
- no matter how much – неважно, сколько
- whatsoever – какой бы то ни было
- to withdraw (v) – выходить из чего-либо, выводить что-либо, забирать
- interest-bearing – несущие выгоду
- board (n) – *здесь*: Совет

IX. Make up dialogues of your own.

1. A state bank wants to enter the Federal Reserve System and applies for membership.
2. You speak to a state bank assistant about how to transfer money from New York to Seattle.

3. You talk to an FDIC official about a bank you want to deal with. You are not sure if the reputation of the bank is good enough.

X. Substitute the adverbs *sometimes, often, never, seldom, always* for the word combination "*now and then*". See how the meaning of the statement changes.

- Financial institutions now and then need a bank to borrow money from and to cash checks at.

XI. Translate into English.

1. Федеральная резервная система контролирует разнообразные финансовые учреждения и является "банком банкиров". 2. Все национальные банки являются членами Федеральной резервной системы и владеют ею совместно с правительством. 3. Банки - члены Федеральной резервной системы время от времени берут ссуды в местных резервных банках. 4. Федеральная резервная система предоставляет финансовую поддержку и консультирует своих членов. 5. Банки-члены Федеральной резервной системы получают дивиденды на капитал, которым владеют резервные банки. 6. Федеральная резервная система контролирует поступление денежных средств. 7. Самое сильное оружие системы - дополнительные резервные обязательства. 8. Если банк держит на руках 30 процентов фондов, он может давать ссуду из остальных 70 процентов. 9. Когда Федеральная резервная система покупает правительственные ценные бумаги, поступление денег увеличивается. 10. Система использует эти методы для «тонкой настройки» экономики. 11. Федеральная резервная система также устанавливает предельные уровни кредитования, покупок капитала и ценных бумаг. 12. Она также передает чеки из банка, где они были учтены, в банк, где они были выписаны. 13. Система страхует вклады на случай банкротства банка. 14. Она дает клиентам сведения о состоянии банка и его наличного капитала.

XII. Describe the procedures of the Fed and their effect on the economy.

Model:

When the Fed decreases the reserve requirement, the money supply goes up (increases), the interest rate falls down (decreases) and economic activity goes up (increases).

Tool	Fed Action	Effect on the Money Supply	Interest Rates	Economic Activity
Reserve Requirement	Decrease the requirement	↑	↓	↑
	Increase the requirement	↓	↑	↓
Open-market operations	Buy government securities	↑	↓	↑
	Sell government securities	↓	↑	↓
Discount rate	Lower the rate	↑	↓	↑
	Raise the rate	↓	↑	↓
Credit controls	Lower margin requirements	None	Purchase of securities increase; consumer buying increases	
	Raise margin requirements	None	Purchase of securities decrease; consumer buying decreases	

↑ Increase
↓ Decrease

PART 3**Tasks and Functions of the National Bank of Belarus**

I. Look through the list of English words and their Russian equivalents before reading the text:

- | | |
|-------------------------|-----------------------------------|
| 1. to be accountable to | быть ответственным перед кем-либо |
| 2. to appoint | назначать |
| 3. subject to approval | подлежать утверждению |
| 4. implementation | выполнение |
| 5. interest rate | процентная ставка |
| 6. to issue | выпускать |
| 7. legislation | законодательство |
| 8. to draft | составлять |

II. Read and translate the text. Write out and learn the new words.

The National Bank of Belarus occupies the central position in the country's banking system and is accountable to the Parliament. The Head of the National Bank is appointed by the President. His deputies and members of the board are appointed by the Presidium of the Parliament

The National Bank is an independent institution acting within the limits of the legislation and its Charter. The Charter is the subject to approval by the Parliament. The Bank sends annual reports of its activities to the Parliament

In cooperation with the government, the National Bank drafts and sends to the Parliament the guidelines for financial and credit policies for the coming year and reports the implementation of such policies in the previous year.

The National Bank regulates inflation chiefly by internationally accepted economic means, such as interest rates, minimal requirements for banking services and activity on the open financial market.

The National Bank acts as a creditor, economic advisor and representative of the government on the financial market.

The National Bank participates in the work of international organizations. It cooperates with the International Monetary Fund, World Bank and European Bank for Reconstruction and Development and foreign banking and financial control institutions. The main functions of the National Bank are:

- to develop and pursue monetary policy of the Republic of Belarus jointly with the government of the Republic of Belarus,
- to issue money;
- to regulate money circulation;
- to regulate credit relations;
- to carry out foreign exchange regulation;
- to act as a central depository.

The National Bank does not provide crediting to economic entities. Under the current legislation, crediting, cash collection and other financial services are provided to economic entities by commercial banks.

III. Match the English words with the appropriate Russian equivalents:

- | | |
|----------------------|--------------------------|
| 1 advisor | a) предоставлять |
| 2 representative | b) финансовые услуги |
| 3 to develop | c) основные направления |
| 4 to carry out | d) процентная ставка |
| 5 economic entity | e) регулирование |
| 6 to provide | f) представитель |
| 7 money circulation | g) консультант |
| 8 financial services | h) экономическая единица |
| 9 interest rate | i) выполнять |
| 10 guidelines | j) разрабатывать |
| | k) денежное обращение |

IV. Say whether these statements are right or wrong:

1. The National Bank of Belarus is accountable to the President.
2. The Head of the National Bank is appointed by the Presidium of the Parliament.
3. The Charter is the subject to approval by the government.
4. The National Bank regulates inflation by internationally accepted economic means.
5. The National Bank acts as a creditor, economic advisor and representative of the government on the financial market.
6. The National Bank doesn't participate in the work of international organizations.
7. The National Bank provides crediting to economic entities.
8. The National Bank regulates money circulation.

V. Answer the following questions:

1. What position does The National Bank occupy?
2. Who is the Head of the National Bank appointed by?
3. Is the National Bank accountable to the Parliament or to the President?

4. What does the National Bank draft and send to the Parliament in cooperation with the government?
5. How does the National Bank regulate inflation?
6. What international organizations does the National Bank cooperate with?
7. What are the main functions of the National Bank?
8. What financial institutions provide crediting to economic entities?

VI. Complete the following sentences:

1. The National Bank of Belarus occupies the central position...
2. The Head of the National Bank is...
3. The National Bank is an independent institution...
4. In cooperation with the government, the National Bank drafts and sends to the Parliament...
5. The National Bank regulates inflation chiefly by internationally accepted economic means...
6. The National Bank acts as a creditor...
7. The National Bank participates in the work of international organizations...
8. The main functions of the National Bank are...

VII. Make up a plan of the text and retell it in English.

UNIT 7

Marketing

PART 1

The Concept of Marketing

I. Definition. Here is a definition of marketing. Complete it by inserting the following verbs in the gaps.

design develop identify influence modify persuade

Marketers have to (1).....or anticipate a consumer need;
(2).....a product or service that meets that need better than
any competing products or services; (3).....target customers to
try the product or service; and, in the long term, (4).....it
to satisfy changes in consumer needs or market conditions. Marketers can
(5)..... particular features, attractive packaging, and effective
advertising, that will (6).....consumers' wants. Marketing thus
begins long before the product or service is put on the market; it combines market
research, new product development, distribution, advertising, promotion, product
improvement, and so on.

Here is a second definition of marketing (as opposed to selling):

There will always, one can assume, be a need for some selling. But the aim of
marketing is to make selling superfluous. The aim of marketing is to know and
understand the customer so well that the product or service fits him and sells itself.
Ideally, marketing should result in a customer who is ready to buy.

(Peter Drucker: *Management: Tasks, Responsibilities, Practices*)

**What do you think of this definition? Can selling really become superfluous,
even if the customer is ready to buy? Or is there one important aspect of
business that this definition overlooks?**

Can you think of any examples of products for which marketers anticipated a consumer need (i.e. products you had never imagined needing before they were developed)?

II. Match up the words or expressions on the left with the definitions on the right.

- | | | | |
|----|----------------------|---|--|
| 1 | distribution channel | A | all the companies or individuals involved in moving a particular good or service from the producer to the consumer |
| 2 | to launch a product | B | an idea for a new product, which is tested with target consumers before the actual product is developed |
| 3 | market opportunities | C | attributes or characteristics of a product: quality, price, reliability, etc. |
| 4 | market research | D | dividing a market into distinct groups of buyers who have different requirements or buying habits |
| 5 | market segmentation | E | places where goods are sold to the public - shops, stores, kiosks, market stalls, etc. |
| 6 | packaging | F | possibilities of filling unsatisfied needs in sectors in which a company can profitably produce goods or services |
| 7 | points of sale | G | someone who contacts existing and potential customers, and tries to persuade them to buy goods or services |
| 8 | product concept | H | collecting, analysing and reporting data relevant to a specific marketing situation (such as a proposed new product) |
| 9 | product features | I | to introduce a new product onto the market |
| 10 | sales representative | J | wrappers and containers in which products are sold |

III. Look quickly through the following text and decide which paragraphs are about these subjects:

.....- company-to-company marketing

.....- identifying market opportunities

.....- the marketing mix

.....- the selling and marketing concepts

.....- the importance of market research

The Centrality of Marketing

- 1 Most management and marketing writers now distinguish between selling and marketing. The 'selling concept' assumes that resisting consumers have to be persuaded by vigorous hard-selling techniques to buy non-essential goods or services. Products are sold rather than bought. The 'marketing concept', on the contrary, assumes that the producer's task is to find wants and fill them. In other words, you don't sell what you make, you make what will be bought. As well as satisfying existing needs, marketers can also anticipate and create new ones. The markets for the Walkman, video recorders, videogame consoles, CD players, personal computers, the internet, mobile phones, mountain bikes, snowboards, and genetic engineering, to choose some recent examples, were largely created rather than identified.
- 2 Marketers are consequently always looking for market opportunities - profitable possibilities of filling unsatisfied needs or creating new ones in areas in which the company is likely to enjoy a differential advantage, due to its distinctive competencies (the things it does particularly well). Market opportunities are generally isolated by market segmentation. Once a target market has been identified, a company has to decide what goods or service to offer. This means that much of the work of marketing has been done before the final product or service comes into existence. It also means that the marketing concept has to be understood throughout the company, e.g. in the production department of a manufacturing company as much as in the marketing department itself. The company must also take account of the existence of competitors, who always have to be identified, monitored and defeated in the search for loyal customers.
- 3 Rather than risk launching a product or service solely on the basis of intuition or guesswork, most companies undertake market research (GB) or marketing research (US). They collect and analyse information about the size of a potential market, about consumers' reactions to particular product or service features, and so on.

Sales representatives, who also talk to customers, are another important source of information.

4 Once the basic offer, e.g. a product concept, has been established, the company has to think about the marketing mix, i.e. all the various elements of a marketing programme, their integration, and the amount of effort that a company can expend on them in order to influence the target market. The best-known classification of these elements is the 'Four Ps': product, place, promotion and price. Aspects to be considered in marketing products include quality, features (standard and optional), style, brand name, size, packaging, services and guarantee. Place in a marketing mix includes such factors as distribution channels, locations of points of sale, transport, inventory size, etc. Promotion groups together advertising, publicity, sales promotion, and personal selling, while price includes the basic list price, discounts, the length of the payment period, possible credit terms, and so on. It is the job of a product manager or a brand manager to look for ways to increase sales by changing the marketing mix.

5 It must be remembered that quite apart from consumer markets (in which people buy products for direct consumption) there exists an enormous producer or industrial or business market, consisting of all the individuals and organizations that acquire goods and services that are used in the production of other goods, or in the supply of services to others. Few consumers realize that the producer market is actually larger than the consumer market, since it contains all the raw materials, manufactured parts and components that go into consumer goods, plus capital equipment such as buildings and machines, supplies such as energy and pens and paper, and services ranging from cleaning to management consulting, all of which have to be marketed. There is consequently more industrial than consumer marketing, even though ordinary consumers are seldom exposed to it.

IV. Which of the following three paragraphs most accurately summarizes the text and why?

First summary:

Marketing means that you don't have to worry about selling your product, because you know it satisfies a need. Companies have to identify market opportunities by market segmentation: doing market research, finding a target market, and producing the right product. Once a product concept has been established, marketers regularly have to change the marketing mix - the product's features, its distribution, the way it is promoted, and its price - in order to increase sales. Industrial goods - components and equipment for producers of other goods - have to be marketed as well as consumer goods.

Second summary:

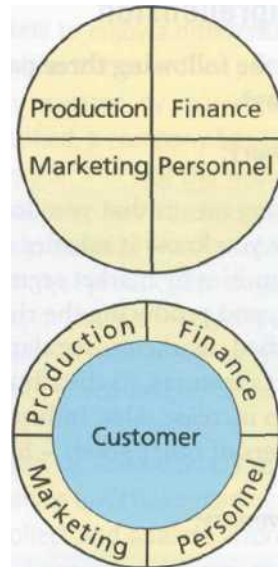
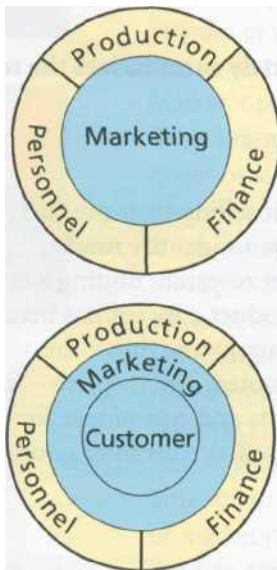
The marketing concept has now completely replaced the old-fashioned selling concept. Companies have to identify and satisfy the needs of particular market segments. A product's features are often changed, as are its price, the places in which it is sold, and the way in which it is promoted. More important than the marketing of consumer goods is the marketing of industrial or producer goods.

Third summary:

The marketing concept is that a company's choice of what goods and services to offer should be based on the goal of satisfying consumers' needs. Many companies limit themselves to attempting to satisfy the needs of particular market segments. Their choice of action is often the result of market research. A product's features, the methods of distributing and promoting it, and its price, can all be changed during the course of its life, if necessary. Quite apart from the marketing of consumer products, with which everybody is familiar, there is a great deal of marketing of industrial goods.

V. Look at the following diagrams.

Which of these diagrams best illustrates a company that has adopted the marketing concept?



VI. Market research.

Suppose that you were part of the marketing team responsible for the following product concepts:

1 A new line of swimwear, to be sold



2 Fresh Fries



3 A new range of expensive hi-fi equipment



4 A car Ford Focus



What market research would you do before developing the products? What specific information would you need? Where could you get it? In each case, which of the following sources of information do you think would be the most useful, and why?

- Focus group interviews, in which several members of the target market are invited (and paid a small fee) to meet and discuss the product concept
- Internal research: analysing data already available in the company's accounts and sales departments, which keep records of sales, orders, inventory size, and so on
- Printed sources of secondary data, including business newspapers, magazines and trade journals, competitors' annual reports, official government statistics, and reports published by private market research agencies
- Questionnaire research, by telephone, mail, or personal interviewing
- The company's own sales staff
- Other sources

PART 2

Marketing Essentials (Four Ps)

I. Learn the words before reading the text.

1. benefits – преимущества
2. consumer – потребитель
3. research and development (R&D) – исследование и разработка (НИОКР)
4. average prices – средние цены
5. wholesaler – оптовый торговец
6. retailer – розничный торговец
7. customer – клиент
8. promotion – продвижение

In a market of multiple choices, it is no longer sufficient to produce a product and show your customers that it satisfies one of their basic needs. You must show them it provides benefits, other products fail to provide, that it can be supplied at a competitive price and above all, supplied reliably. Choice makes marketing work.

There are four principal controllable factors that provide the most effective choice for the consumer – the four Ps: product, price, placement, and promotion.

Marketing includes all those activities that are needed to get the product or service from the producer to the customer or industrial user. When all the activities are organised and planned we call the combination the **MARKETING MIX**. To be successful in any business one must have the right marketing mix. Therefore four areas have to be determined.

The **PRODUCT** element of marketing refers to the goods or services that a company wants to sell. This often involves research and development (R&D) of a new product, research of the potential market, testing of the product to ensure quality, and then introduction to the market.

A company next considers the **PRICE** to charge its product. There are three pricing options the company may take: above, with, or below the prices that its competitors are charging. Most companies price with the market and sell their goods and services for average prices established by major producers in the industry. The producers who establish these prices are known as price leaders.

The third element of the marketing process – **PLACEMENT** – involves getting the product to the customer through the channels of distribution. A common channel of distribution is:

manufacturer — wholesaler — retailer — customer.

Finally, communication about the product takes place between a buyer and a seller. This communication between buyer and seller is known as **PROMOTION**. There are two major ways promotion occurs: through personal selling, as in a department store; and through advertising as in a newspaper or magazine.

The four Ps work together to develop a successful marketing operation that satisfies customers and achieves the company's objectives.

II. Answer the questions for discussion.

1. What are four principal controllable factors that provide the most effective choice for the consumer?

2. What kind of activities does modern marketing include?
3. What is necessary to have to be successful in any business?
4. What is called the marketing mix?
5. What elements does the marketing process consist of?
6. What kind of communication takes place between a buyer and a seller?

UNIT 8

ADVERTISING

PART 1

Businesses Need to Advertise

I. Learn the words before reading the text.

1. ware – товар
2. warehouse – товарный склад
3. convey – сообщать
4. misleading – обманчивый
5. undue – чрезмерный
6. pander – потворствовать
7. ego – личность
8. insurance – страховка
9. vanity – тщеславие
10. subliminal advertising – реклама, основанная на внушении
11. sag – падение цен
12. deteriorate – портиться
13. obsolete – устаревший
14. uncertainty – неопределенность, неуверенность
15. enrich – обогащать
16. revenue – доход
17. fluctuation – колебание

Businesses need to advertise. If they did not advertise no-one would even learn of the existence of their wares. In part, advertising is aimed at conveying information to potential customers and clients, but it is also used to persuade the public to buy. This is the area in which advertising is often criticized. Advertisements are sometimes misleading. Although it is illegal for advertisers to make untrue statements about their goods, services or prices, they still make their wares seem unduly attractive. They pander to our egos and our vanities. They create a demand which would not otherwise exist.

It is easy to say, “I’m not influenced by the adverts!” Everyone is influenced to a certain extent. There was recently some research on subliminal advertising. The

word “coffee” was flashed on the television screen. It happened so quickly that no-one was aware it had happened. For just a fraction of a second it registered on the viewers’ subconscious. And what is the result? A surprising number of people chose to make coffee at that precise moment. Of course, it could have been a coincidence, but it was highly unlikely.

For the typical manufacturer advertising is a form of insurance. The nature and extent of consumer's needs have to be constantly assessed. If the needs are over-estimated it is possible, through advertising, to soak up the surplus goods which have been produced. As a demand for a product sags, it can be stimulated. There are all sorts of useful by-products. Without the possibility of advertising the warehouses would become overfilled and the stocks would deteriorate, perhaps even becoming obsolete.

An alternative to advertising would be to lower prices when sales fall. This would suit the purchasers but introduce an element of uncertainty for the manufacturers. They are always concerned to ensure that their revenue exceeds their costs, and where would they be if there were daily fluctuations in the prices of their products?

Advertising goes far beyond television and boardings, newspapers and magazines. The manager of a clothes store is advertising by putting models wearing the store's clothes in the window. A bicycle manufacturer is advertising when he sends a new price-list through the post to his retailers. How could trading be carried on without such devices?

Some would even go so far as to say that advertising actually enriches our lives. Commercial television is able to provide us with free programmes thanks to its advertising revenues. National newspapers derive much of their revenue from advertising. Look at a typical newspaper and you will discover the proportion of the pages devoted to advertisements. We also have to thank advertisers for the free colour supplements to the Sunday newspapers.

II. Answer these questions in your own words.

1. What is meant by informative advertising?
2. Why is persuasive advertising criticized?
3. What is subliminal advertising?
4. What should be done to counter a fall in sales?
5. How do national newspapers benefit from advertising?
6. How can window-dressing be seen as a form of advertising?
7. How does advertising help the workforce?
8. How has advertising changed over the years?
 - a) Have the purposes of advertising changed?
 - b) Have the language, techniques and images changed?
 - c) Have the technologies changed?
 - d) Has the audience changed?
 - e) Have the effects of advertising changed?

III. Translate and learn the phrases from the text.

1. to be aimed at
2. to persuade the public
3. to make things seem unduly attractive
4. to pander to one's egos
5. to create a demand
6. to be influenced by the adverts
7. to register on the viewers' subconscious
8. a form of insurance
9. to assess consumer's needs
10. to soak up the surplus goods
11. to introduce an element of uncertainty
12. to exceed the costs
13. daily fluctuations in the prices of the products

- 14.to go far beyond
- 15.to carry on trading
- 16.to derive much of the revenue from advertising

IV. Prove the following.

1. Businesses need to advertise.
2. Everyone is influenced by advertising to a certain extent.
3. Advertising is a form of insurance.
4. Advertising goes far beyond television and boarding, newspapers and magazines.
5. Advertising enriches our life.

V. Your dream is to work for an advertising agency. Give reasons for your choice.

Advertisers Perform a Useful Service to the Community

I. Learn the words before reading the text.

1. resent — негодовать, возмущаться
2. absorb — поглощать
3. claim — претензия
4. drab — бесцветный
5. calamities — бедствия
6. accomplish — выполнить
7. subsist — жить, выживать, кормиться

Advertisers tend to think big and perhaps this is why they're always coming in for criticism. Their critics seem to resent because advertisers have a flair for self-promotion and because they have so much money to throw around. This entirely unproductive industry (if we can call it that) absorbs millions of pounds each year. It only goes to show how much profit the big companies are making. Why don't they stop advertising and reduce the price of their goods? After all, it's the consumer who pays....

The poor old consumer! He would have to pay a great deal more if advertising didn't create mass markets for products. It is precisely because of the heavy advertising that consumer goods are so cheap. But we get the wrong idea if we think the only purpose of advertising is to sell goods. Another equally important function is to inform. A great deal of the knowledge we have about household goods derives largely from the advertisements we read. Advertisements introduce us to new products or remind us of the existence of ones we already know about. Supposing you wanted to buy a washing-machine, it is more than likely you would obtain details regarding performance, price, etc., from an advertisement.

Lots of people pretend that they never read advertisements, but this claim may be seriously doubted. It is hardly possible not to read advertisements these days. And what fun they often are, too! Just think what a railway station or a newspaper would be like without advertisements. Would you enjoy gazing at a blank wall or reading railway bye-laws while waiting for a train? Would you like to read only closely-printed columns of news in your daily paper? A cheerful, witty advertisement makes such a difference to a drab wall or a newspaper full of the daily ration of calamities.

We must not forget, either, that advertising makes a positive contribution to our pockets. Newspapers, commercial radio and television companies could not subsist without this source of revenue. The fact that we pay so little for our daily paper, or can enjoy so many broadcast programmes is due entirely to the money spent by advertisers. Just think what a newspaper would cost if we had to pay its full price!

Another thing we mustn't forget is the "small ads", which are in every newspaper and magazine. What a tremendously useful service they perform for the community! Just anything can be accomplished through these columns. For instance, you can find a job, buy or sell a house, announce a birth, marriage or death in what used to be called the «hatch, match and dispatch» columns; but by far the most fascinating section is the personal or «agony» column. No other item in a newspaper provides such entertaining reading or offers such a deep insight into human nature. It's the best advertisement for advertising there is!

II. Answer the questions for discussion.

1. Can advertising be really called an entirely unproductive industry?
2. What are the most important functions of advertising? How are they performed?
3. Do you agree that the poor old consumer has finally to pay for advertising and package?
4. Can you say that you never read advertisements or that you are not influenced by them?
5. How can you prove that newspapers, commercial radio and television companies will not be able to survive without advertising?
6. Do you agree that reading newspaper ads can be entertaining and helps understand human nature better?

PART 2

The Impact of Advertising

Advertising has an important effect on a country's economy, society, culture, and political system. This is especially true in the United States where the advertising industry plays such a prominent role.

Economic Impact

Most economists believe that advertising has a positive impact on the economy because it stimulates demand for products and services, strengthening the economy by promoting the sale of goods and services. Manufacturers know that advertising can help sell a new product quickly. By stimulating the development of new products, advertising helps increase competition. Many economists believe that increased competition leads to lower prices, thereby benefiting consumers and the economy as a whole. These economists also argue that by interesting consumers in purchasing goods, advertising enables manufacturers and others to sell their products in larger quantities. The increased volume of sales enables companies to produce individual units at lower costs and therefore, sell them at a lower price. Advertising thus benefits consumers by helping lower prices.

Other economists, however, believe that advertising is wasteful. They argue that the cost of advertising adds to the cost of goods and that most advertising simply encourages consumers to buy one brand rather than another. According to this view, advertising simply moves sales from one company to another, rather than increasing sales overall and thereby benefiting the economy as a whole.

Questions for discussion:

1. What is positive impact of advertising on the economy as most economists believe?
2. How can advertising increase competition?
3. How can consumers be benefited by advertising?
4. Do you agree that advertising is wasteful?
5. Do you support the opinion that companies compete with each other with the help of advertising?
6. Which of the above mentioned opinions will you join? Why?

Social Impact

Advertising can have wide-ranging influence on a society. Some critics suggest that advertising promotes a materialistic way of life by leading people to believe that happiness is achieved by purchasing products. They argue that advertising creates a consumer culture in which buying exciting new products becomes the foundation of the society's values, pleasures, and goals.

Other critics express concern over the way advertising has affected women and racial minority groups. Ads in the 1950s depicted women primarily as decoration or sex objects. Although millions of women worked outside the home in the 1960s, ads continued to focus on their role as homemakers. Whether owing to the feminist movement or to women's increasing economic power, after the 1960s it became more common to see women depicted in professional roles. However, many ads today still emphasize a woman's sexuality.

The way advertising has depicted racial minorities has also been harmful. Prior to 1960, African Americans were usually shown in a subordinate position. Due to the influence of the civil rights movement, however, advertisers by the 1980s had begun to depict African Americans as students, professionals, or business people.

As ads have begun to more fully reflect the lives of women and African Americans in the United States, increasing attention has been paid to the way in which advertising shows other ethnic groups, including Hispanics, Asians, Native Americans, and Eastern Europeans. There is still considerable debate over how advertising influences public perception of gender and of particular ethnic groups.

Advertising has a major social impact by helping sustain mass communications media and making them relatively inexpensive, if not free, to the public. Newspapers, magazines, radio, and broadcast television all receive their primary income from advertising. Without advertising, many of these forms of mass communication might not exist to the extent that they do today, or they might be considerably more expensive, offer less variety, or even be subject to government control through subsidies.

At the same time, some critics say that advertising may exercise undue influence on the news media and the free flow of information in a free society. Reporters and editors, for example, may be hesitant to develop a news story that criticizes a major advertiser. As a result, society might not be alerted to harmful or potentially harmful conduct by the advertiser. Most members of the news media deny that pressure from an advertiser prevents them from pursuing news stories involving that advertiser, but some members of the media acknowledge that they might not be inclined to investigate an issue aggressively if it threatened to offend a major advertiser.

Advertisers may affect media programming in other ways, too, critics charge. For example, companies that sponsor TV programs prefer relatively wholesome programming to avoid offending a mass audience. The result is that society may be denied the benefits of being able to view challenging or highly original entertainment

programs or news programs on controversial issues. Because advertisers are especially interested in attracting the 18 to 34 year olds who account for most consumer spending, television shows are often developed with this audience in mind. If the ratings show that a program is not attracting large audiences, particularly among 18 to 34 year olds, advertisers often withdraw support, which causes a program to be canceled. As a result, shows that are more likely to interest and to be of value to older audiences are not produced.

The impact of television on young children has received much attention. Research suggests that children see television advertising as just another form of programming and react uncritically to its messages, which makes them especially vulnerable to advertising. There is also concern about the way in which adolescent girls respond to advertising that features beautiful, thin models. Research indicates that many adolescent girls are unduly influenced by this standard of beauty, become dissatisfied with their own bodies, and may develop eating disorders in pursuit of a thin figure. New research suggests that adolescent boys are also being influenced by advertising images of bulked-up, buffed bodies. As a result, many become dissatisfied with their own body image, devote large amounts of time to weightlifting, and may even take drugs that have harmful side effects in order to develop more muscle.

Questions for discussion:

1. Do you believe that happiness is achieved by purchasing products?
2. Is a woman's sexuality still emphasized in many ads today? Can you give any examples?
3. How are particular ethnic groups depicted by advertising in the USA?
4. What kind of major social impact does advertising have?
5. How may advertising, as some critics say, exercise undue influence on the news media and the free flow of information in a free society?

6. Do you prefer to view relatively wholesome programs or challenging, highly original entertainment programs and news programs on controversial issues?
7. Why are television shows often developed with the 18 to 34 year olds audience in mind?
8. How do children react to messages of advertising?
9. How are many adolescent girls and boys influenced by advertised standards of beauty?

UNIT 9

Money and Banking

Part 1

Money and Banking Concept

I. Read and translate the following words and word combinations.

- a) Coin, credit, currency, medium, money order, purchasing power, service, standard, constant store of value, legal, tender, reckon, measure.
- b) Commodity, demand, rapidity, transaction, maintain, provide, regard, originally.
- c) Substitute, originate, origination.

II. Make adjectives from the following nouns.

constant

value

currency

medium

note

rapidity

III. Make nouns from the following verbs.

to maintain

to provide

to sell

to substitute

to originate

to transact

IV. Choose the words with similar meaning from the two groups and arrange them in pairs.

- A. Money, order, power, rapidity, store, transaction, value, to provide, to issue, to regard, medium.
- B. Speed, to consider, cash, reserve, command, to publish, deal, tender, price, force, to supply.

V. Form all possible word combinations using the words of both columns

- | | |
|---------------|----------------|
| 1. provide | a) commodities |
| 2. valuable | b) money |
| 3. constant | c) coins |
| 4. maintain | d) store |
| 5. national | e) currency |
| 6. legal | f) tender |
| 7. purchasing | g) service |
| 8. paper | h) demand |
| 9. gold | i) power |
| 10. issue | j) note |
| 11. sell | k) standard |

VI. Complete the sentences with the words from the box below.

currencies, medium, money, metal, paper notes, demand, amount, inflation.

1. Our goods and services are sold for... .
2. A valuable ... (gold, silver or copper) served as a constant store of value.
3. National ... are considered to be as strong as the national economies.
4. ... are issued by government and authorized banks.
5. The value of money is basically its value as a ... of exchange.
6. Purchasing power is dependent on supply and
7. The supply of money is the actual ... in notes and coins.
8. The condition when too much money is available is known as

VII. Translate into English.

1. Люди покупают товары за деньги. 2. Товары и услуги продаются за деньги, а деньги в свою очередь обмениваются на другие товары и услуги. 3. Драгоценные металлы (золото, серебро и медь) служили постоянным запасом ценностей. 4. Сейчас национальные валюты оцениваются в соответствии с уровнем развития национальных экономик. 5. Банкноты выпускаются правительством и уполномоченными банками и считаются законным платежным средством. 6. Если человек обладает значительными активами, он может получить хороший кредит. 7. Покупательная способность денег зависит от спроса и предложения.

VIII. Answer the questions:

1. How are all values of the economic system measured?
2. What kind of money is used for general business?
3. What originally served as a store of value?
4. How are the national currencies judged nowadays?
5. Who can issue paper notes?
6. What phrase do economists use for the value of money?
7. What is inflation?

IX. Read the text and answer the following question: Is the role of money increasing or decreasing nowadays?

Functions of Money

People accept money in exchange for goods and services. But the role of money depends on the state of development of an economy. Money has become an essential element of economies based on the division of labour, in which individuals have specialized in certain activities and enterprises have focused on manufacturing specific services. In order to make transactions as simple and efficient as possible, the introduction of a generally accepted medium of exchange suggested itself.

Money performs the function of a medium of exchange or means of payment with goods being exchanged for money and money for goods. At the same time it also acts as a unit of account.

Money is a store of value, as part of an individual's income may be set aside for future consumption.

These three functions of money – medium of exchange, unit of account and store of value – can only be fulfilled if there is great confidence in its stability of value. Safeguarding monetary stability is the primary task of the central banks all over the world. Moreover, the central bank has the function of regulating the money supply in order to guarantee a smooth functioning of the monetary system.

X. Say whether the following statements are right or false:

1. The role of money doesn't depend on the state of development of an economy.
2. Money is necessary to make transactions simple and efficient.
3. Modern economies can't function without money.
4. The functions of money can be fulfilled even without great confidence in its stability of value.
5. All the banking system of the state has the function of regulating the money supply in order to guarantee a smooth functioning of the monetary system.

XI. Answer the following questions.

1. What does the role of money depend on?
2. What are the three functions of money?
3. What is the primary task of central banks all over the world?

XII. Give the main points of the text in 4-5 sentences. You may use the following phrases.

The text is devoted to... ...are given. The importance of ...is stressed. There is no doubt that...

XIII. Read the text consulting the dictionary where necessary:

Forms of Money

A great variety of commodities (wheat, salt, gold, silver) has served at one time or another as a medium of exchange in economies based on the division of labour. This form of money is generally referred to as commodity money. At the same time other forms of money developed. They are referred to as credit money or money without material value because their value as a means of payment is greater than their intrinsic value. For instance, the paper on which a 100 banknote is printed is worth much less than the banknote's face value. This is also true of most of the coins used nowadays. In addition to the notes and coins in circulation, "cashless" means of payment were introduced.

These include checks, transfer orders and credit cards, which have become more and more popular in recent years. The progress made in computer technology has led to new forms of cashless payments. These forms of money which were mentioned above can be subsumed under the terms "cash or notes and coin" and "deposit or giro money".

Deposit or giro money is a form of money that has only gained great importance in the recent past. It is created by deposits held at banks on current accounts, giro or sight deposit accounts, on which the holder can draw at any time by check or giro transfer. In contrast to notes and coin, these are cashless means of payment, which are created by banks themselves within the framework of cashless payment transactions by using deposits for lending. The amount granted to the borrower is credited to a current account and thus becomes book money, which serves as the basis for further lending if these funds remain within the banking system (payments to creditors). But banks' ability to create book money is limited. It mainly depends on payment habits: the greater the preference for payment in cash, the more restricted the possibilities for banks to create deposit money. To ensure the solvency of the banking system and for monetary policy reasons, banks are moreover required

to hold a certain percentage of their liabilities as deposits with the central bank. This obligation limits banks' lending power and their ability to create book money.

XIV. Explain the meaning of the following words or expressions.

commodity money

cashless means of payment

deposit or giro money

XV. Discuss the following problems. You may use the phrases:

I'd say As far as I'm concerned, ... To be quite /perfectly frank/ honest ...

I couldn't say, (I'm afraid...) ... It's difficult to say ...

What is your attitude towards spending money? Give reasons for your choice.

Assume all these things cost the same. Which one would you rather have:

- a) a fantastic week's holiday;
- b) a nice present to give someone;
- c) to open a bank account and get more money?

XVI. Match up these terms with the definitions below.

cash card;	cash dispenser (GB) or ATM (automatic teller machine) (US);
credit card;	home banking; loan; mortgage; overdraft;
standing order or direct debit;	
current account (GB) or checking account (US);	
deposit account (GB) or time or notice account (US).	

1. an arrangement by which a customer can withdraw more from a bank account than has been deposited in it, up to an agreed limit; interest on the debt is calculated daily.

2. a card which guarantees payment for goods and services purchased by the cardholder, who pays back the bank or finance company at a later date.

3. a computerized machine that allows bank customers to withdraw money, check their balance, and so on.

4. a fixed sum of money on which interest is paid, lent for a fixed period, and usually for a specific purpose.

5. an instruction to a bank to pay fixed sums of money to certain people or organizations at stated times.

6. a loan, usually to buy property, which serves as a security for the loan.

7. a plastic card issued to bank customers for use in cash dispensers.

8. doing banking transactions by telephone or from one's own personal computer.

9. one that generally pays little or no interest, but allows the holder to withdraw his or her cash without any restrictions.

10. one that pays interest, but usually cannot be used for paying cheques (GB) or checks (US), and on which notice is often required to withdraw money.

XVII. Small group brainstorming (3-4 students in a group).

Brainstorming 1. If you wanted to open a bank account, would you need to have a savings account or a checking account? Which one would you prefer and why? Would you try to open both types of accounts? Why? Would you like to get a credit card from the bank? Why? Brainstorm these issues in groups of three or four students and report the results of your discussion to the class.

Brainstorming 2. If you want to start a business, you will probably have to borrow money for it from the bank. This is called a bank loan. What questions would the bank ask you if you applied for a bank loan? Would you have to pay back only the money you borrowed, or more? Would you have to pay it back before a fixed date, or whenever you wanted? Would you have to pay it back all at once, or in equal installments? Brainstorm these issues in groups of three or four students and report the results of your discussions to the class.

Brainstorming 3. Imagine that you have come to some country for a year. You need to rent an apartment and make a number of regular payments. You will work and receive a salary of \$1,500 a month. That will be sufficient for your expenses. But you have also brought \$5,000 with you. You will definitely have to open a bank account. What kind of account(s) will you open? Why?

XVIII. Work in pairs.

As you know, banks focus their work on money and financial services. What do you think banks do with their money? Discuss the matter in pairs, list these activities and then report your opinions to the group.

XIX. Read the text and check your answers with the activities of the banks given in the text.

Commercial Banks and Investment Banks

There are two types of banks: commercial banks and investment banks – or merchant banks as they are called in Great Britain. Commercial banks deal mainly with individual customers, for instance, private citizens, small businesses, and such like. They receive and hold deposits, lend money, exchange foreign currencies, advise their customers how to invest their money, and manage the customers' accounts (for instance, pay or invest money according to the customer's wishes). Commercial banks make their profit from the difference between the interest that they pay to people who deposit money and the interest they charge to people who borrow money. This difference is called a margin.

Investment banks deal mainly with rich corporate clients (companies or large firms) or rich individual clients. They aim not so much at lending money but at raising funds for industry (their corporate clients) in different financial markets. Therefore, investment banks act mainly as intermediaries for their customers. They do not themselves make loans, but make their profits from fees paid for their services. Merchant banks in Britain do the same, but they have greater authority because they

also offer loans themselves. They finance international trade, deal with mergers, and issue government bonds.

In recent times the difference between commercial and investment banks has been slowly disappearing as the so-called ‘financial supermarkets’ replace them. These are a combination of a commercial bank, an investment bank, and an insurance company, offering the full range of financial services.

Whether depositing or borrowing money, a customer is most interested in the bank’s interest rate. The minimum interest rate within a certain country is usually determined by the central bank, and the interest rates offered by other banks sometimes fluctuate slightly from time to time, and are publicly advertised by any bank. They are always either higher than or equal to the minimum interest rate fixed for that country.

XX. Comprehension check-up.

Which of the three summaries below reflects the contents of the text most accurately? What is wrong with the other two summaries? Identify the mistakes in them.

First summary

There are two types of banks: commercial and investment banks (merchant banks in Great Britain). Commercial banks deal mainly with individual customers: they receive and hold their deposits, lend money, manage their customers’ accounts, etc. Their profits are made from fees charged to their customers for the bank’s services. Investment banks deal with corporate clients and raise funds for their clients’ projects. Their profits are also made from fees paid to them. Now all commercial and investment banks have merged into “financial supermarkets”. Every bank determines its own interest rate that is advertised to the public.

Second summary:

There are two types of banks: commercial and investment banks (the latter called merchant banks in Great Britain). Commercial banks deal with individual

customers: they receive and hold their deposits, lend money, manage their customers' accounts, etc. Their profits are mostly determined by the difference in the interest they pay to people who deposited their money with the bank and the interest they charge to those who borrow money. Investment banks principally deal with rich corporate and individual clients and raise funds for their projects. Their profits are from fees paid to them for their services. Now the difference between commercial and investment banks is slowly disappearing because "financial supermarkets" have appeared, combining the services of commercial banks, investment banks, and insurance companies. Every bank fixes its own rate of interest on the basis of the minimum interest rate determined by the central bank of the country.

Third summary:

There are two types of banks: commercial and investment banks (the latter called merchant banks in Great Britain). Commercial banks deal with both individual and corporate customers: they receive and hold their deposits, lend money, manage customers' accounts, and raise funds for them. Their profits are determined mostly by the interest charged to people who borrow money from them. Investment banks only deal with corporate clients and raise funds for their client' projects. Their profits are from fees they charge for their services. The difference between commercial and investment banks is slowly disappearing because "financial supermarkets" have appeared. They combine the full range of services offered by the two types of banks as well as by insurance companies. The minimum rate of interest offered by banks is determined by the central bank of the country, but other banks may fix their own interest rates at levels that may be higher or lower than those determined by the central bank.

XXI. Dramatize the situation.

You have inherited a large sum of money. Now you are discussing the problem "What to do with it?" with all members of your big family.

SUPPLEMENTARY READING

I. Study the vocabulary notes:

to safeguard — охранять
commodity — товар
loan — ссуда
interest — проценты
fire-resistant vaults — огнеупорные сейфы
checking account — расчетный счет
savings account — сберегательный счет
to default — нарушать обязательство, отказаться платить

II. Read the text, consulting the dictionary where necessary:

Money and Banking

Money can be anything that is generally accepted in payment for goods or services. It provides us with a medium of exchange and a measure of value. Our principal forms of money are *currency* and *demand deposits*.

When we speak of the "value of money," we refer to the amount of goods and services that can be bought with it, or its "purchasing power". This "**purchasing power**" depends on supply and demand.

Money is the commodity that banks sell. The banks buy money cheaply and sell dearly. Naturally the banks put their money where it brings the highest profit. The banks activity stimulates progress in industry, construction and agriculture.

Bank is a business establishment that safeguards people's money and uses it to make loans and investments.

People keep their money in banks rather than at home for several reasons. Money is safer in a bank than at home. A checking account with a bank provides an easy way to pay bills. Also, money deposited in many types of bank accounts earns additional money for the depositor. People who put money in a bank are actually lending into the bank, which may pay them interest for the use of their funds.

Banks are an essential part of business activity. Business companies borrow from banks to buy new equipment and build new factories. People who do not have enough money to pay the full price of a home, an automobile, or some other product

also borrow from banks. In these ways, banks promote the sale of a wide range of goods and services.

Money in a bank is safe. Banks keep cash in fire-resistant vaults and are insured against the loss of money in a robbery.

In Belarus, the USA, Canada, and many other countries, the government also insures bank deposits. This insurance protects people from losing their money if the bank is unable to repay the funds.

A bank is not only a safe place to keep money but also a profitable one. Money placed in a savings account earns interest at a specified annual rate.

Banks lend deposited money to customers who need capital. A bank is an intermediary between a depositor and a borrower. In this way the bank makes its main profits. Of course banking is a risky business. Sometimes the borrower defaults and then the bank loses its money. But in general the system of banking rests upon a basis of trust. Bankers, depositors and borrowers agree to behave in certain predictable ways in relation to each other.

III. Answer questions for discussion:

1. What does the “purchasing power” of money depend on?
2. What are the main types of banks?
3. How do the banks earn their profits?
4. Can you prove that banking is a risky business?
5. Which sector of the economy does banking belong to?

PART 2

The World Bank

I. Study the vocabulary notes:

fertility rate – уровень рождаемости

deeply-rooted tradition – глубоко укоренившаяся традиция

nutrition – питание

more even income distribution – более равномерное распределение доходов

III. Read the text, consulting the dictionary where necessary:

The World Bank is a group of four institutions: the International Bank for Reconstruction and Development (IBRD), established in 1945; the International Finance Corporation (IFC), established in 1956; the International Development Association (IDA), established in 1960; and the Multilateral Investment Guarantee Agency (MIGA), established in 1988.

The World Bank is one of the major channels through which development aid is passed from the industrial West to the poor and developing nations of the world.

In deciding the emphasis of its lending policy, the Bank has had to take into account the "population explosion" which is occurring in many poor countries of the world. It is a fact that the fertility rate of poor countries is often very high. This is one of the main reasons for these countries remaining poor. Unfortunately, there is a strong and deeply-rooted tradition among people in these countries to have big families. The large family unit, it is believed, brings greater financial stability.

The Bank discovered that there was a link between economic and social development, on the one hand, and a reduction in fertility rate, on the other. Thus, by improving basic health services, by introducing better nutrition, by increasing literacy, and by promoting more even income distribution in a poor country, a lower and more acceptable fertility rate would be achieved.

This "advance in thinking" persuaded the Bank to change its overall lending strategy. Where previously it had concentrated on the big infrastructure projects such as dams, roads and bridges, it began to switch to projects which directly improved the basic services of a country. This was a shift from building dams to digging water holes to provide clean water.

The bank is also looking at ways of stimulating the growth of small businesses in many developing countries, since this would create employment opportunities for people with low incomes.

The major thrust of the Bank's efforts is directed towards improving conditions in poor countries. The Bank sees it as a moral duty of developed countries to help those living in absolute poverty.

The Bank also assists middle-income countries. They need a constant flow of investment capital, and they are quite prepared to pay market rates for it.

The Republic of Belarus became a member of the World Bank in 1992 and the World Bank started working with the Government of Belarus from that time. The first project focused on improved forest management in the Belavezhskaya Pushcha nature reserve. The World Bank has already assisted with an economic rehabilitation loan, institution building, forestry development and a number of technical assistance projects. The World Bank continues to support Belarus in enhancing the competitiveness of its economy to assure rising incomes and protecting the welfare of the weakest, and addressing global environment and energy challenges.

The Belarus Post-Chernobyl Recovery Project of 2006 aimed to provide the population residing in the Chernobyl affected area with energy efficient and reliable heat and hot water services in order to improve their living environment.

The Water Supply and Sanitation Project "Pure Water" of 2008 aimed to increase the efficiency, quality, and sustainability of water supply and sanitation services to 1.7 million people living in 20 areas across the country.

The World Bank continues as a leading external source of economic and social analysis and a facilitator in discussing policy choices within the country. The Bank focuses its analytical work on structural reforms needed to boost productivity, competitiveness, and export diversification.

Notes: *The President of the Bank:* up to the present, all the Bank's presidents have come from the US, which has prompted some people to call the World Bank presidency a US appointment!

Absolute poverty: defined by the World Bank as: "A condition of life so characterized by malnutrition, illiteracy, disease, squalid surroundings, high infant

mortality and low life expectancy as to be beneath any reasonable definition of human decency”.

III. Get ready to answer the questions for discussion:

1. What is the main function of the World Bank?
2. What important changes have taken place in the lending policies of the World Bank?
3. How can a lower and more acceptable fertility rate be achieved in a poor country?
4. Can you give any examples of 'poor', 'developing' and 'middle-income' countries?
5. What kind of projects has the World Bank assisted in Belarus?
6. What are the prospects for further cooperation of the World Bank with Belarus?

SUPPLEMENTARY READING

World Bank Programs

- I. Study the World Bank Programs in Belarus. Consult the dictionary to understand the texts better. Prepare to answer the questions after the texts.**

Post-Chernobyl Recovery Project (2006)

The Belarus Post-Chernobyl Recovery Project aimed to provide the population residing in the Chernobyl affected area with energy efficient and reliable heat and hot water services in order to improve their living environment.

There are three project components. Component 1, the Energy Efficiency Component, improves energy efficiency through upgrading or replacement of heat production and distribution equipment, and improving thermal insulation and lighting in public buildings. Component 2, the Residential Gas Connections Component, provides household connections to existing gas distribution network to improve heat supply and replace utilization of dirty fuels, including those that may be contaminated with radioactive material. Component 3, Project Implementation and Management Support, includes (a) design and supervision for project investments; (b) staffing,

equipment, and training; (c) public information; and (d) auditing and other fiduciary or technical services.

Belarus: Water Supply and Sanitation Project (2008)

Water Supply and Sanitation Project complemented the government the National Water Development Program “Chistaya Voda”.

WASHINGTON, September 30, 2008 - The following project was approved by the World Bank’s Board of Executive Directors:

IBRD Loan Amount: US\$60 million

Terms: Maturity = 17 years; Grace = 5 years

Project Description: The project aims to increase the efficiency, quality, and sustainability of water supply and sanitation services to 1.7 million people living in 20 districts across the country.

The project consists of three components: (a) Project Implementation and Management, (b) Rehabilitation of Water Supply and Sanitation Systems, and (c) Support to the Preparation and Sustainability of Investments.

The Republic of Belarus became a member of the World Bank in 1992. The Bank continues to support Belarus in enhancing the competitiveness of its economy to assure rising incomes and protecting the welfare of the weakest, and addressing global environment, and energy challenges.

To date, the Bank’s lending commitments in Belarus total US\$ 258 million for 6 projects. The recently completed Social Infrastructure Retrofitting Project has demonstrated economically and socially important results. The World Bank’s loan helped to retrofit about 700 public buildings serving 550,000 people in 116 settlements across the country. In 2007, the World Bank provided an additional US\$15 million to cover additional public facilities. The on-going Post Chernobyl Recovery Project, supported by a US\$50 million World Bank’s loan, aims to ensure reliable and energy efficient heat and hot water supply for about 500,000 Belarusians in areas affected by the Chernobyl accident.

In September 2008 a US\$ 60 million loan for a Water Supply and Sanitation Project was approved. The project aims to increase the efficiency, quality and sustainability of water supply and sanitation services to 1.7 million people living in 20 districts across the country.

About thirty national programs received grant financing totalling US\$ 18 million. Two projects supporting Belarus' efforts in strengthening its environment institutions and complying with its international commitments are currently under implementation: the IDF Grant for Enhancing Institutional and Legal Framework for Environmental Permitting in Belarus (US\$440,000); and the GEF Grant for preparation of the full-size Persistent Organic Pollutant Stockpile Management and Technical/Institutional Capacity Upgrading Project (US\$ 285,000).

In addition, the World Bank Group provides analytical and advisory assistance to the Government of Belarus in areas including the investment climate, improved management of public finances and maintaining macroeconomic and financial stability.

Going Forward

The World Bank's Country Assistance Strategy for Belarus of December 2007 envisaged financial assistance to improve people's livelihoods through investments in social and public infrastructure, as well as the support for global public goods such as investments in emission reductions. The Bank maintains a limited and selective presence in lending with about US\$100 million a year in long-term loans over the next four years.

In early 2009, a US\$125 million loan was planned to finance the conversion of heat-only-boilers to combined heat and power plants across the country, thus improving energy efficiency and reducing carbon emissions.

The Bank continues as a leading external source of economic and social analysis and a facilitator in discussing policy choices within the country. The Bank focuses its analytical work on needed structural reforms and on those issues most critical to reducing the risks to the population posed by transition and external

shocks. The new Country Economic Memorandum (under preparation) considers reforms needed to boost productivity, competitiveness, and export diversification.

Questions for discussion:

1. What are the aims of the Belarus Post-Chernobyl Recovery Project?
2. What are the three project components?
3. What is the program “Chistaya Voda” aimed at?
4. What are the three components of this program?
5. When did Belarus become a member of the World Bank?
6. What are the results of the recently completed Social Infrastructure Retrofitting Project?
7. What is the aim of the Water Supply and Sanitation Project?
8. What two projects are currently under implementation?
9. What kind of additional assistance does the World Bank Group provide to the Government of Belarus?
10. What was the World Bank’s Country Assistance Strategy for Belarus of December 2007?
11. What is a US\$125 million loan planned to finance in an early 2009?
12. What does the Bank focus its analytical work on?
13. What does the new Country Economic Memorandum consider?

Chernobyl Recovery Project Focuses on Hospitals, Orphanages, Schools and Homes

WASHINGTON, April 19, 2006 — The Board of Executive Directors of the World Bank approved a US\$ 50 million loan to the Republic of Belarus for an energy efficiency project targeted at people living in Chernobyl-affected areas. The project marks a shift from humanitarian assistance towards longer-term sustainable development. Counterpart funding from the government of Belarus amounts to an additional US\$11 million.

By providing people with cleaner, less contaminated sources of energy, the project delivers a vital public good and helps affected people move beyond the kind of dependency that has prevailed since the Chernobyl accident in 1986.

The Post-Chernobyl Recovery Project will provide cleaner as well as more energy-efficient heating systems through the provision of new equipment and better insulation in schools, hospitals and orphanages. The project will replace inefficient communal boilers and dilapidated heat distribution systems. Investments in residential gas connections will also provide clean and improved space heating to households now burning contaminated wood, peat and other fuels inside their homes.

The project responds to the recommendations of the Chernobyl Forum which stress socio-economic factors in helping people living in the area to recover and prosper. The Chernobyl Forum, whose members attended an international conference in Minsk on the occasion of the 20th anniversary of the accident, is an initiative of the International Atomic Energy Agency (IAEA). It is supported by WHO, FAO, UNDP, UNEP, the UN Office for the Coordination of Humanitarian Affairs, the UN Scientific Committee on the Effects of Atomic Radiation, the World Bank and the governments of Belarus, Russia and Ukraine.

“The new project is an important part of an international effort to improve the quality of life of people affected by the accident,” said Paul Birmingham, World Bank Country Director for Belarus, Ukraine and Moldova, who represented the World Bank at the Minsk conference.

The accident at the Chernobyl power plant on April 26, 1986 contaminated Belarus with more than two-thirds of its fall-out. Contamination covered a quarter of the country’s territory and affected some 2 million people, or one-fifth of the population. People in the fall-out zone have lived for years with the consequences of contamination and a legacy of depressed economic development.

“This project will change peoples’ lives for the better in the contaminated zones by providing a reliable supply of energy and a healthier environment in their homes, schools, hospitals and other community centres,” said the World Bank staff

member managing the project. Previous efforts by multilateral and bilateral institutions have focused mainly on technical, scientific, and humanitarian assistance.

Under the first \$48 million component, the project funded the replacement or rehabilitation of inefficient old boilers and heat distribution systems in schools, orphanages, and hospitals. The project also covered the costs of replacing windows, improving insulation, and introducing energy efficient lighting. Children and hospital patients who are among the country's most vulnerable groups benefited directly from those improvements.

The second component, which cost an estimated \$8.5 million, consists of investments in residential gas connections to provide clean space heating to about 3,000 homes. Many families used to burn contaminated wood and other fuels inside their homes, jeopardizing their health and damaging the environment. Extensive public information activities and outreach will facilitate the participation of communities.

The third component, worth \$5 million, covers the design and supervision of project investments, and project management, staffing and fiduciary responsibilities. Project implementation will be closely monitored, with all works, equipment and services procured through competitive bidding. The World Bank's financial management procedures will ensure that funds are spent for the purposes intended in the project agreements. Annual, mid-term and final progress reviews will ensure that benefits reach the intended recipients.

Partnership arrangements

The design of the project was shaped by extensive consultations with the affected population, the government of Belarus, and other stakeholders. It benefited from consultations with international agencies working in the affected areas and has been discussed with UNDP, EU-TACIS, and bilateral organizations. The IAEA will continue to advise the World Bank and the Belarus government on radiological aspects of the project.

Terms of the loan

Funding will take the form of a Variable Spread Loan with repayment over a 17 year period, including five years' grace.

(For details about the World Bank in Belarus, visit <http://www.worldbank.org.by>)

Questions for discussion:

1. When was the Chernobyl Recovery Project approved?
2. What is it targeted at?
3. What kind of shift does the project mark?
4. Is this project totally financed by the World Bank?
5. What will the project provide?
6. What have previous efforts focused on?
7. What is the Chernobyl Recovery Project focused on?
8. Who will benefit directly from the improvements funded by this project?
9. How many components does the Chernobyl Recovery Project consist of?
10. What are they aimed at?
11. What were the partnership arrangements of the project?
12. What are the terms of the loan?

UNIT 10

FINANCE

PART 1

Starting Up Financing

I. Learn the given words and expressions.

start up	начальный
on top of that	сверх того
venture (n)	риск, рискованное предприятие
equity (n)	эквивалент, чистая стоимость
policy (n)	полис
to build up	наращивать
surrender (n)	сдача, выдача; отказ
<i>surrender value</i>	сумма, возвращаемая отказавшемуся от страхового полиса
policy holder (n)	владелец полиса
variable (adj)	изменяющийся, способный изменяться
to tie (v)	привязывать
<i>tied to</i>	связанный с (чем-либо)
shareholder (n)	акционер
intermediary (n)	посредник
to care (v)	заботиться
seed (n)	семя
to gain (v)	обретать, завоевывать
to buy out (v)	выкупить

II. Read, understand the text and translate it into Russian.

The young businessman must find sources of money that will last until revenue begins to exceed cash outflows. He must be creative in finding start-up funding. New small businesses can start with the businessman's own assets. On top of that, start-up financing may come from friends and relatives. The larger businesses can obtain funds from venture capital investors.

One of the personal assets the businessman can use to raise funds for the business is his home. The value of the home that the owner has paid for is called the

owner's equity in the home. By pledging this equity, the homeowner can obtain a second mortgage or a home equity loan.

A businessman can find another source of start-up financing by a life insurance policy. Many policies build up cash surrender value – the money that the policy holder can borrow at a low interest rate.

Those who need more funds can obtain a variable rate installment loan. It is a personal loan with an interest rate tied to the prime rate or some other index. When the index changes, the rate changes in the same direction.

Some good sources of start-up funds are family members and friends. Many people can afford to lend at a low interest rate. The lender can share ownership of the business or can become a partner or shareholder in a corporation.

In some cases new companies can obtain cash from venture capital firms. These financial intermediaries specialize in funding ventures with good promise and invest in businesses which generate high profits within five years. Initially venture capital firms invested in high-tech industries, but now other branches enjoy this kind of financial aid, especially those working in the health-care field. The venture capital firms provide seed money to start a new company, funds to help the venture grow and gain the market and money to buy out a business.

III. Answer the questions for discussion:

1. How long does the start up money have to last?
2. What money can small businesses start with?
3. Can relatives or friends help a new business?
4. What are the personal assets that can be used to raise start up funds?
5. What is the owner's equity of the home?
6. How can a businessman obtain a second mortgage?
7. In what way can an insurance policy be used to raise start up financing?
8. What is a variable rate installment loan?
9. How does the prime rate increase change the variable rate installment loan?

10. What interest rate do family members loan money at?
11. What benefits can a family member get if he lends money to start up a new business?
12. What do venture capital firms specialize in?
13. What branches of industry do venture capital firms prefer to invest money in?
14. What do venture capital firms provide cash for?

IV. Substitutional drill:

Statement: *The businessman must find money that will last until revenue begins to exceed cash outflow.*

Example: *entrepreneur*

The entrepreneur must find money that will last until revenue begins to exceed cash outflows.

- | | |
|------------------|-----------|
| 1. till the time | 6. outgo |
| 2. continue | 7. starts |
| 3. obtain | 8. funds |
| 4. prevail | 9. has to |
| 5. money | |

V. Make the sentences 1) interrogative 2) negative:

1. Family members can lend at a very low interest rate.
2. If the lender charges no interest, the Internal Revenue Service may assess taxes on the loan.
3. If a new business goes bankrupt, the owner must sell assets to meet the company's debts.
4. A new business needs a lot of money to cover expenses.
5. Small businesses have to find sources of funds to start up.

VI. Fill in the blanks with the verbs "can", "may", "must", "have to", and "need" where necessary:

1. I____pay utility bills immediately. The authorities insist on it.
2. The businessman____ use the money which his friends offer to him.
3. We do not____an installment loan. We have enough personal assets.
4. My business went bankrupt, so I____sell my home to pay debts.
5. _____I obtain a loan from your venture capital firm?
6. We____apply for more cash yesterday because we ran out of money.
7. The venture capital firm____lend you about \$20,000 to start your business with.
8. The company doesn't____additional cash. It receives high revenue.
9. The lender____become a shareholder in a corporation.
10. You____not exceed the cash surrender value when you borrow from the insurance company.

VII. Read the dialogue:

John McKesson is asking for financial advice at the financial adviser's bureau

Adv: Well, have you any problems, Mr. McKesson?

John: Oh, yes. The problem is that I was trying to start a small company to sell computer software.

Adv: You say, you were trying...?

John: You know, it didn't go too far. My personal assets were too limited, and I was thinking of getting some credit from a bank.

Adv: You don't seem to be very experienced, do you?

John: Well, I'm rather good at producing the stuff – the programming and all that. But finance is old Greek to me. I was looking for someone to help me, and so here I am.

Adv: Of course you've got to get someone to help you. But if you aren't going to expand and employ a large staff, you have to learn many things in addition to making programs. Finance is very important, especially when you make the first steps.

VIII. Make up dialogues of your own:

1. You are starting a wine shop while your personal assets (home, car) do not cover all the expenses.
2. A young businessman is speaking to his relative about starting a business.
3. Apply to a venture capital firm for funds which you need to start a high tech business.

IX. Practice the following according to the model:

Model: *talk to a client*

- A. What were you doing when I came to your office?
- B. I was talking to a client.
1. fill in the forms
 2. speak to a manager
 3. make a telephone call
 4. type a letter
 5. read a newspaper

X. Translate into English:

1. Необходимо найти источник средств, которые будут длиться до тех пор, пока доход не превысит расход.
2. Новые малые предприятия могут открываться на собственные средства предпринимателя.
3. Более крупные предприятия могут получить средства от компаний, основанных на рисковом капитале.
4. Одна из форм личного имущества, которые бизнесмен может использовать для приобретения фондов, - его дом.
5. Заложив чистую стоимость дома, владелец может получить кредит.
6. Еще один источник начального финансирования – страховой полис. Эти деньги владелец полиса может занять под невысокий процент.
7. Этот заем связан с базисной процентной ставкой или с иным индексом.
8. Когда изменяется индекс, в том же направлении изменяется процентная ставка.
9. Многие люди могут позволить себе одолжить деньги под

невысокий процент. 10. Заимодавец участвует во владении корпорацией. 11. Некоторые компании специализируются в финансировании рискованных многообещающих предприятий. 12. Изначально эти фирмы финансировали высокотехнологичные отрасли промышленности. 13. Фирмы, основанные на рисковом капитале, предоставляют деньги для открытия новой компании, для завоевания рынка и выкупа предприятия.

XI. Learn the given words and expressions to understand the text better.

- extension (n) - расширение
- paid-in capital - капитал, вложенный владельцами
- demand account - текущий счет
- time account - срочный счет
- to evaluate (v) - оценивать
- potential (adj) - потенциальный
- to repay (v) - возмещать
- capacity (n) - объем, мощность
- integrity (n) - честность, надежность
- soundness (n) - разумность, надежность
- standing (n) - статус
- financial statement - финансовый отчет
- balance sheet - баланс
- profit and loss statement - отчет о прибыли и убытках
- to audit (v) - аудировать
- to cover (v) - покрывать, охватывать, оплачивать

XII. Read and translate the following text into Russian.

Commercial Bank Lending 1

The banks' most important activity is the **extension** of credit. In order to provide a **loan**, a bank must have funds to lend. This comes from **paid-in capital**, earnings of **previous** years, borrowed funds and the bank's customers' deposits. The banker must always remember that the money he lends is not his bank's own money. It is money deposited by the bank's customers, whether in a **demand** or **time account**. This idea **limits** the risk that a commercial banker will take.

To **evaluate** the risk, a banker must first **obtain** certain basic information about the **potential** borrower. The banker must learn how much money the borrower needs, the **purpose** and the term of the loan, and how the borrower will **repay** the loan. The banker evaluates the three C's of credit: **character**, **capacity**, and **capital** – the **integrity** of the borrower, his **ability** to repay, and the **soundness** of his financial position.

The integrity of the borrower is **determined** by previous loans and by his **standing** with other banks. All around the world banks exchange credit information with each other.

The borrower's ability to repay **depends on** the purpose of the loan.

The financial position of the borrower is determined **on the basis of** his **financial statement**. This **consists of** a detailed **balance sheet** and a **profit and loss statement**. The bank demands an audited financial statement **covering** the previous three years.

XIII. Answer the comprehension questions:

1. What is the most important activity of the banks?
2. What do the bank's funds come from?
3. What types of accounts do the customers deposit money in?
4. What does a banker have to do in order to limit risk while executing a loan?
5. What are the three C's of credit?
6. What is the integrity of the borrower determined by?
7. What does the borrower's ability to repay depend on?
8. How does the bank determine the financial position of the borrower?
9. What does the financial statement of the borrower consist of?
10. What period of time does the financial statement of the borrower usually cover?

PART 2

Short-Term Financing

I. Learn the given words and expressions.

emergency (n)	экстренная необходимость
factor (n)	фактор; агент, занимающийся скупкой неоплаченных долгов
invoice (n)	квитанция
to settle (v)	устанавливать, устраивать
arrangement (n)	сделка
net (n)	чистый (вес, стоимость и т. д.)
line of credit	открытый кредит, кредитная "линия"
to notify (v)	извещать
unsecured loan	необеспеченный кредит
secured loan	обеспеченный кредит
receivables (n, pl)	неоплаченные счета
commercial paper	простой или переводной вексель

II. Read, understand the text and translate it into Russian.

The **seasonal** financial needs of a company may be **covered** by short term sources of funds. The company must pay them off **within** one year. Businesses spend these funds on salaries and for **emergencies**. The most popular outside sources of short term funds are **trade** credit, loans, **factors**, sales finance companies, and government sources.

About 85 percent of all US business transactions involve some form of trade credit. When a business orders goods and services, it doesn't **normally** pay for them. The supplier provides them with an **invoice** requesting payment within a **settled** time period, say thirty days. During this time the buyer uses goods and services without paying for them.

A company can use the trade credit as a source of savings. A typical trade **arrangement** is 2/10, **net** 30. If a buyer pays within 10 days instead of 30, he gets a 2 percent discount. The savings a buyer obtains can be used as a source of short term funds.

Commercial banks lend money to their customers by direct loans or by setting up **lines of credit**. A line of credit is the amount a customer can borrow without making a new request, simply by **notifying** the bank. If the business doesn't pledge

collateral when it borrows, the loan is an **unsecured loan**. Only customers with an excellent credit rating can get an unsecured loan. They usually repay it within a year's time. When a company wants to borrow a large amount of money it pledges collateral to back up the loan. Such a loan is a **secured** one.

Sometimes a company might sell its accounts **receivable** to a special financial broker: a factoring company, a factor. The factor immediately pays the firm cash, usually 50 to 80 percent of the value of the accounts receivable. When customers make the payments on their accounts, the money goes directly to the factor.

Some big firms obtain funds by selling **commercial paper**. Because commercial paper has no collateral **behind** it, only firms with a good financial reputation can sell it. In special cases, a business may obtain short term funds from the federal government.

III. Answer the questions for discussion:

1. How can a company cover its seasonal financial needs?
2. What do the companies spend short term funds on?
3. What are the most popular outside sources of short term funds?
4. How much of all business arrangements does trade credit involve in the USA?
5. How do the companies arrange trade credit?
6. How do firms build up savings by using trade credit?
7. How do commercial banks lend short term funds to their customers?
8. What is a line of credit?
9. What is the difference between a secured loan and an unsecured one?
10. Which customers usually get unsecured loans?
11. What do the companies pledge, if they want to get a secured loan?
12. How much does the factor pay to the company it deals with?
13. What firms are able to sell commercial papers?

IV. Substitution drill:

Statement: *When the company wants to borrow a large amount of money or has an unsatisfactory credit rating, it pledges collateral to back up the loan.*

Example: *the firm*

When the firm wants to borrow a large amount of money or has an unsatisfactory credit rating, it pledges collateral to back up the loan.

- | | | |
|-----------------|---------------------|----------------|
| 1. sum | 6. cash | 11. puts up |
| 2. needs | 7. credit | 12. obtain |
| 3. is known for | 8. if | 13. big |
| 4. bad | 9. financial | 14. reputation |
| 5. some of its | 10. support capital | |

V. Read the dialogue:

Jack Sullivan, a manager of a firm selling computer software, is calling a factoring company.

Jack: Hello, can I talk to the senior manager, please?

Secretary: Yes, and may I ask who's speaking?

Jack: It's Jack Sullivan, of the software company.

Secretary: Could you hold on for a while, please, Mr. Sullivan?

A minute later...

Secretary: Mr. Sullivan, are you still there? I'm putting you through now.

Sr. Manager: Mr. Sullivan, I'm George Brown. What can we do for you?

Jack: I was wondering if you could possibly buy some of our accounts receivable. We sold a large amount of software to some of our clients last month but they didn't pay in due time and we need cash badly now.

Sr. Manager: O.K. Will 70 percent do?

Jack: In fact, I'd rather have it at 80 percent, but, if you pay immediately, that'll do.

Sr. Manager: Of course, we're paying right off! Cash on the nail! And mail those receivables to us as soon as possible.

Jack: Good, settled, bye!

Words and Expressions:

- to hold on – подождать, не класть трубку, оставаться на линии
- software – программное обеспечение
- senior – старший
- to wonder – интересоваться
 - I wonder...* – интересно ...
 - (I was wondering ...* - наиболее вежливая форма)
- in due time – в должное время
- will 70% do? – 70% пойдет?
- that'll do – это пойдет
- right off – сразу
- cash on the nail – деньги на бочку!

VI. Make up dialogues of your own:

1. You need a short term loan from a commercial bank but you don't have anything to back the loan up.
2. Arrange a trade credit for a period of two months.
3. Discuss a possibility to raise short term funds which you need to pay salaries.

VII. Fill in the blanks with either "*within*" or "*without*":

1. A company decided to arrange new transactions ____the next few days.
2. A borrower must repay the loan____a year's time.
3. A company cannot get a loan____pledging collateral.
4. If a buyer pays____10 days instead of 30, he gets a 2 percent discount.
5. You can't pay salaries____short term loans.

VIII. Put the verbs in brackets into the Past Indefinite or the Past Perfect Tense:

1. Our company (decide) to apply for a loan after it (spend) most of its funds.
2. The firm already (sell) its machinery when the bank (demand) to repay the loan.
3. When the company (order) goods the supplier (not produce) them yet.

4. The bank (offer) a customer a loan after he (sign) a note promising to repay it on a certain date.
5. The factor (pay) the firm cash after the company (sell) his accounts receivable to it.
6. When the firm (issue) commercial papers the bank already (provide) it with a loan.
7. I (notify) the bank about borrowing from the line of credit after I (find out) that I (need) money badly.
8. The company (sell) its accounts receivable to factors after it (learn) that it couldn't get its money back from the customers.

IX. Study the following:

1. *Direct speech:* The customer said, "My business is running out of cash."
Indirect speech: The customer said that his business was running out of cash.
2. *Direct speech:* The manager said, "We usually sell on credit."
Indirect speech: The manager said that they usually sold on credit.
3. *Direct speech:* The banker said, "We have just signed a contract."
Indirect speech: The banker said that they had just signed a contract.
4. *Direct speech:* The buyer said, "I bought a large amount from you but it didn't work."
Indirect speech: The buyer said that he had bought a large amount from me but it hadn't worked.

X. Change the direct speech into indirect speech:

1. The manager said, "We haven't made the necessary arrangements yet."
2. The retailer said, "You can buy machinery and tools on an open account."
3. The customer said, "I bought a new car at your shop and it needs repair."
4. The banker said, "I am opening a credit account for you."
5. The businessman said, "As a rule, we sell our goods abroad."
6. The manager said, "We haven't raised enough money to expand."

7. The wholesaler said, "I sold a large amount of tools to retailer' shops but they are not paying me in due time."

XI. Translate into English:

1. Некоторые непосредственные нужды компании покрывают краткосрочными источниками финансирования. 2. Компания должна выплатить долги в течение года. 3. Предприятие использует краткосрочное финансирование в случаях экстренной необходимости. 4. Компания может использовать торговый кредит, займы, факторинг, правительственные источники. 5. Около 60% всех деловых операций включают торговый кредит. 6. Обычно клиент, не платит за товары и услуги сразу.

7. Квитанция требует уплаты денег в течение установленного срока. 8. Покупатель использует товары и услуги, не платя за них. 9. Компания может использовать торговый кредит как источник сбережений. 10. Если клиент платит в течение 20 дней вместо 40, он получает 2-х-процентную скидку.

11. Коммерческие банки предлагают своим клиентам кредиты без обеспечения. 12. Только клиенты с отличной кредитной репутацией могут получить кредит без предоставления обеспечения. 13. Компания может установить обеспечение под заем. 14. Иногда компания продает невыплаченные долги своих клиентов фактору. 15. Когда клиенты расплачиваются по своим счетам, деньги идут непосредственно в факторинговую компанию. 16. Иногда компании продают векселя.

XII. Learn the given words and expressions to understand the text better.

- in computing - рассчитывая
- average (adj) - средний
- operating costs - операционные издержки
- return (n) - прибыль
- shareholder (n) - акционер
- to compensate (v) for - компенсировать, возмещать
- appropriate (adj) - соответствующий

- credit instrument - кредитный документ
- promissory note - долговое обязательство
- partial (adj) - частичный, частями
- semi-annual - полугодовой
- payable - подлежащий уплате
- on demand - по требованию

XIII. Read and translate the text into Russian.

Commercial Bank Lending 2

When a bank decides to make the loan, it must first **select** an interest rate, which is the price for renting the money to the borrower. **In computing** the interest rate, the banker must consider the cost of the money to his bank. This includes the **average** interest rate the bank is paying its depositors, the bank's **operating costs**, and the normal **return** that the bank **expects**. The bank must **be able** to cover possible loan losses and provide dividends to the bank's **shareholders**.

If the loan is a term loan, the risk is greater and must be **compensated** for in a higher interest rate. For normal commercial loans the maximum term is usually five years.

If the borrower is foreign, the risk may be greater, and therefore the bank expects **extra** interest.

The bank must determine the most **appropriate credit instrument** to use. A **promissory note** is most usual. Generally the bank wants **partial** payments **at least semi-annually**, but a promissory note can also be **payable "on demand"**.

XIV. Answer the comprehension questions:

1. What does a bank have to select first when it decides to make the loan?
2. What is an interest rate?
3. What does the banker have to consider while computing the interest rate?
4. What does the cost of the loan include?
5. How can the risk for a term loan be compensated for?
6. What is the maximum term for normal commercial loans?

7. What happens if the borrower is foreign?
8. What is the most usual credit instrument the bank uses when it executes a loan?
9. How can the borrower pay the loan back?

PART 3

Long-Term Financing

I. Learn the given words and expressions.

extensive (adj)	широкий; основательный
maturity (n)	зрелость; <i>здесь</i> : срок платежа, срок действия долгового обязательства
to eliminate (v)	отменять, исключать
restriction (n)	ограничение
to issue (v)	выпускать
debenture(n)	облигация без обеспечения
face value	номинальная стоимость
predetermined	заранее определенный
coupon (n)	купон
indenture	контракт, оговаривающий обязательства эмитента и права
agreement	держателя облигации
to specify (v)	уточнять
to retire (v)	отзывать
call provision	право эмитента выкупить по обусловленной цене облигации до истечения срока выкупа
to redeem (v)	выкупать, возвращать себе
redemption (n)	выкуп
flexible (adj)	гибкий
to convert (v)	переводить, конвертировать
conversion (n)	конверсия, преобразование
common stock	обыкновенные акции, акционерный капитал

II. Read, understand the text and translate it into Russian.

When a business needs funds to construct a new **assembly line** or to do **extensive** research and development which may not begin to bring in revenues for several years, short term financing wouldn't work. In this case, business will need long term sources of funds.

Firms may meet long term needs by increasing the company's debt either by getting loans or by selling bonds.

A long term loan is a loan that has a **maturity** from one to ten years. Within this period of time the firm pays interest on the debt. Sometimes the lender **protects** his financial position by requiring the company to obtain the lender's **permission** before taking on any additional long term debt. If the loan is **particularly** risky, the lender may even require the firm to limit or **eliminate** dividends to stockholders.

If the firm wants to be free of lender's **restrictions**, it may **issue** bonds. These are long term debts with a maturity date of 20 to 30 years in the future. Governments issue government bonds. Corporations issue corporate bonds which may be secured or unsecured.

If a company wants to sell bonds it can offer some collateral. It is difficult, if not impossible, to find investors who are willing to buy bonds which are not backed up by collateral. Only huge corporations such as AT&T can successfully issue unsecured bonds, which are called **debentures**.

Most bonds carry a **face value** of \$1000 and pay a **predetermined** interest rate (the **coupon** rate). The company pays this interest **regularly according to the indenture agreement** which **specifies** the terms of a bond issue.

The company may **retire** bonds before they mature if the indenture agreement contains a **call provision**. In this case the firm pays the bondholders a **redemption** premium.

Another **flexible** feature in some agreements is the **conversion privilege**. It allows bondholders to convert their investment into a stated number of shares of **common stock**. If the price of the company's common stock is going up, the investors can profit from conversion. Convertibility makes the bond issue more attractive to **potential** investors.

III. Answer the questions for discussion.

1. When does a business need long term sources of funds?

2. What are the two ways of increasing the company's debt?
3. What is a long term loan?
4. How can a lender protect its financial position?
5. What can a lender require of the borrower if the loan is risky?
6. What does a company do if it wants to be free from the lender's restrictions?
7. What is the bond's maturity date?
8. What is a secured bond?
9. Why is it difficult to sell debentures?
10. What is the face value of most bonds?
11. What documents specify the terms of a bond issue?
12. What makes it possible to retire bonds before they mature?
13. What is a redemption premium?
14. What does the conversion privilege allow the bondholders to do?
15. When do the investors profit from conversion?

IV. Substitution drill:

Statement: *If the price of the stock remains steady or is going down, the investors can hang on to their bonds.*

Example: *when*

When the price of the stock remains steady or is going down, the investors can hang on to their bonds.

1. bondholders	4. keep on	7. may
2. is	5. value	8. stable
3. their debentures	6. decreases	9. assets

V. Read the dialogue and learn the new words and expressions.

A company is about to launch an expensive program while its revenues are too small to cover the expenses. The manager is consulting with his financial adviser.

Man: I'd just like to know the advantages and disadvantages of the debt financing.

Adv: Are you going to issue bonds or just to take out a loan?

Man: Well, it depends. If we manage to find an institution that will not demand any collateral, we'll try to obtain a loan.

Adv: But don't you know that you'll have to pledge collateral no matter what kind of a debt you're in for?

Man: Do you mean that even bonds issue needs collateral to back it up?

Adv: Why, yes. Unless you have a solid financial reputation, of course.

Man: We've just started, you know. Anyway, I'll have to report to the Board of Directors on Thursday. And meanwhile, how about talking about the advantages?

Adv: Well, compared to other types of securities, long term loans and bonds have at least two advantages. First, the holders are just creditors, not owners. This provides you with some flexibility in using the funds you have borrowed.

Man: You mean that the holders have no voting rights and can't participate in the operations of the corporation?

Adv: You've got it. And the second one is that the interest you pay to these creditors is tax deductible.

Man: Oh, I see. We subtract this interest from the company's earning before taxes are calculated?

Adv: Right. And this eventually reduces the amount of corporate income tax.

Man: That sounds great!

Adv: Don't jump to conclusions! There are some disadvantages as well. First, these obligations must be repaid. You will have to plan a huge repayment at some fixed point in the future.

Man: I bet it will cause all of us many headaches!

Adv: And moreover, bond agreements often contain restrictive provisions that may limit your flexibility in handling the corporation's future finances.

Man: Yes, I see. We'll have to think twice before creating a debt in either way. Anyway, thanks a lot for your information!

Words and expressions:

- no matter what... - независимо от того ...
- unless you have - если вы не имеете ...
- meanwhile - тем временем, пока
- voting rights - права голоса
- you've got it - вы попали в точку
- to deduct (v) - скидывать, сбавлять; вычитать
deductible - вычитаемые (из сумм, облагаемых налогом)
- to subtract (v) - вычитать, сбавлять
- to figure (v) - считать, подсчитывать
- to jump to conclusions - спешить с выводами
- obligations - обязательства
- to fix (v) - устанавливать
fixed – установленный
- I bet - бьюсь об заклад; *здесь*: я полагаю
- headache (n) - головная боль

VI. Make up dialogues of your own:

1. Your company is planning to construct a new building that would take up lots of money.
2. A bondholder is talking to the manager of the company about the advantages of bonds.

VII. Put the verbs in brackets into their correct forms:

1. I thought that you (to arrive) at some decision.
2. I believed that a long term loan (to be) absolutely necessary for that program.
3. I did not know if you (to apply) for this job.
4. They said they (to work) seven hours a day.
5. Did he say that there (to be) a lot of problems with this agreement?
6. Did he find out that a commercial loan (to be) for a smaller amount that his business (to want)?
7. I was sure that the bank (to arrange) a line of credit for our corporation.
8. She discovered that LTC corporation (to use) both loans and bonds for long term financing.
9. The manager said that we (to need) to reduce the amount of corporate income tax.

10.1 hoped that the bond (to be) backed up by some collateral.

VIII. Study the following:

1. *Direct speech:* He asked me, "Do you take cash?"

Indirect speech: He asked me if I took cash.

2. *Direct speech:* He asked me, "Are you paying interest on bonds?"

Indirect speech: He asked me if I was paying interest on bonds.

3. *Direct speech:* He asked me, "Did you pledge any collateral to back up the loan?"

Indirect speech: He asked me if we had pledged some collateral to back up the loan.

4. *Direct speech:* He asked me, "Have we invested enough money into this business?"

Indirect speech: He asked me if they had invested enough money into that business.

IX. Change the direct speech into indirect speech:

1. The manager asked, "Does this project require long term financing?"

2. The director asked, "Are we repaying debts in due time?"

3. The lender asked, "Have you found any collateral to back up the loan with?"

4. He asked, "Did this debt carry interest?"

5. The head of the company asked the Board of Directors, "Are we able to repay the loan?"

6. The manager asked the customer, "Can you wait a little longer?"

7. The borrower asked, "Do you require that we obtain your permission before taking on another loan?"

8. The bondholder asked, "Is the bond a secured one?"

9. The businessman asked, "Have you used debentures in recent years?"

10. The customer asked, "Were the terms specified in any agreement?"

X. Translate into English:

1. Если предприятие не принесет дохода достаточно быстро, фирма будет вынуждена взять долгосрочный заем.
2. Удовлетворить долгосрочные нужды можно либо получением займа, либо продажей облигаций.
3. Фирма платит проценты по долгу в течение трех лет.
4. Заимодавец может защитить свое финансовое положение, потребовав у заемщика обеспечение.
5. Если заем особенно рискован, заимодавец, как правило, требует прекращения выплаты дивидендов акционерам.
6. Если фирма хочет быть свободной от этих ограничений, она может выпустить облигации.
7. Срок погашения облигаций - 20 лет.
8. Трудно найти инвесторов, которые хотели бы купить облигации без обеспечения.
9. Номинальная цена облигации - 1000 долларов.
10. Специальное соглашение уточняет условия выпуска облигаций.
11. Компания может выкупить облигации до истечения срока платежа.
12. Владельцы облигаций могут перевести свои инвестиции в обычные акции.

XI. Learn the given words and expressions. Read the text and translate it into Russian.

- advance (n) - аванс
- accounts receivable - счета к оплате
- overdraft (n) - отрицательное сальдо текущего счета
- to assign (v) - ассигновать
- precious (adj) - ценный
- to guarantee (v) - гарантировать
- deal (n) - сделка, дело
- to lead (v) - руководить, вести

Commercial Bank Lending 3

Commercial banks extend credit by offering **advances**, discounting **accounts receivable**, and allowing **overdrafts** (not usually done in the United States). The credit officer also decides whether to make an unsecured loan or a secured loan

(secured by collateral **assigned** to the bank, such as securities or **precious** metals), or whether the unsecured loan should be **guaranteed**.

The banker makes an offer to the customer, who may or may not agree to all of the terms and conditions. After the bank and the borrower **reach** an agreement, the banker arranges for the borrower to sign the necessary documents and then disburses the funds to him.

For large loans, banks often form a syndicate, a consortium of banks, each of which disburses a portion of the loan. Usually, one bank puts the deal together – this is called the "lead bank".

XII. Answer the comprehension questions:

1. How do commercial banks extend credit?
2. What is a secured loan?
3. What does a banker do after he reaches an agreement with the borrower?
4. What do the banks do in order to execute a large loan?
5. What are the responsibilities of the "lead bank" of the syndicate?

UNIT 11

Modern Labour Market Trends

I. Study the vocabulary notes.

coffer – денежный сундук; coffers – *pl.* казна

employer – работодатель

employee – работник

wages – заработная плата

benefits – преимущества

to encompass – охватывать

to commute – ездить ежедневно на работу из пригорода в город и обратно, *обыкн.* по сезонному билету

commuter – житель пригорода, работающий в городе; владелец сезонного или льготного билета

demand – спрос

complexity – сложность

access [ˈækses] – доступ; иметь доступ к чему-либо

II. Read, understand the text and get ready for a discussion.

A labour market is an economic system based on the voluntary exchange of labour for income and benefits. Because success is defined as employers and job seekers finding each other, labour markets are inherently dual-customer systems; they must satisfy both parties. At the same time, labour markets are generally based on competition among workers for the best jobs and among employers for the best workers.

In a competitive labour market, the needs of the two customers may conflict. Workers want greater pay, benefits, and job security — which come from the coffers of their employers. Employers seeking to maximize profits want to pay lower wages and provide fewer benefits and less security to workers. Modern labour market systems are large, and the boundaries of many local labour markets have expanded over the years. Historically jobs concentrated in cities. Today jobs increasingly locate in the suburbs and even provincial towns. Labour markets now may encompass entire

regions — huge areas within which hundreds of thousands of workers commute substantial distances between work and home.

Modern labour markets are complex and constantly changing. For instance, the demand side of the market goes up and down with the business cycle, and it also varies by specific sectors and occupations. Demand may be high for computer programmers and low for auto mechanics. At the same time, the skills needed to perform certain jobs also change, due to changes in technology.

Some particular features of the current labour market should be taken into account:

- Understanding the regional nature of labour markets, for example, is important to help low-income people, because the “target populations” rarely live near jobs. Helping people obtain steady work means figuring out how to operate over large geographic areas.

- The ever-increasing demand for workers with higher skills is very important. This complexity results from global economic change which is happening so quickly that frequently employers themselves don’t know what their next product or service is going to be or what skills will be needed to produce it. Schools, especially in cities, poorly help students prepare for the world of work.

- Income-support mechanisms and the unemployment insurance system provide low-income individuals with some assistance. However, the unemployment insurance system is terribly outdated, and many working poor and part-time workers are not eligible for these benefits.

- More financial resources should be spent on training and retraining of workers who are long-term unemployed. It will make them more attractive for employers and may help employers reassess their attitude towards people, who historically they thought of as second-class on the employment market.

- A tremendous amount of information circulates through the labour market. Employers put help-wanted ads in newspapers; job seekers post their resumes on the Internet; and the media rates which companies are the “best to work for.” What

matters here is that many low-income people lack access to good information about the labour market. They may never hear about certain job vacancies because a great deal of the most important information spreads through an informal network — the employees of the firm with the vacancies — to which they are not connected.

Today we have thousands of people no longer working for many years for the same employer and we tend to have a very high level of owner-occupation – more people own their homes. That's a very difficult thing to do if you are moving in and out of two to three year contracts. It would be much more logical to have a big private rented sector, if you want to have a very flexible labour market. Modern labour market is not flexible in the sense that people change their jobs, but they may actually change where they live.

Questions for discussion.

1. What is a modern labour market based on?
2. Why do the needs of the workers and the employers conflict?
3. Where do the jobs locate today?
4. Why do the skills needed to perform certain jobs change?
5. What particular features of the current labour market should be taken into account?
6. What are the necessary changes to make a modern labour market more flexible?
7. Is Belarusian labour market flexible?
8. What changes would you like to introduce into Belarusian labour market?

UNIT 12

Management

I. Learn the new words. Use them in the sentences of your own.

Nouns

team	коллектив, команда, группа
position	должность (позиция)
staffing	подбор и расстановка кадров
directing	инструктирование и надзор
supervision	инструктирование, надзор и контроль
objective	задача
course of action	курс действий
human resources	человеческие ресурсы
personal expectation	самооценка с точки зрения перспектив
restrain	ограничение

Verbs

be in charge (of)/	нести ответственность
be responsible (for)	
evaluate	оценивать
move on	продолжать на следующем этапе
attain	достигать
allocate	выделять, распределять (ресурсы)
guide	наставлять, ориентировать
revise	пересматривать с целью улучшить

Adjectives and Adverbs

managerial	управленческий
interpersonal	межличностный
overall	общий, в целом
regardless of	несмотря на
societal	социальный

Существительные

Глаголы

Прилагательные и наречия

II. Read and translate the text. Write out and learn the unknown words.

What is a Manager?

A number of different terms are used for **manager**, including **director**, **administrator** and **president**. The term **manager** is used more frequently in profit-making organizations, while the others are used more widely in government and non-profit organizations such as universities, hospitals and social work agencies.

What, then, is a manager? When used collectively¹ the term management

refers to those people who are responsible for making and carrying out decisions within the system.

An individual manager is a person who directly supervises people in an organization. Some basic characteristics seem to apply to managers in all types of organizations; they include hard work on a variety of activities, preference for active tasks, direct personal relationships.

Almost everything a manager does, involves **decisions**. The reason for making a decision is that a problem exists. In decision making there is always some uncertainty and risk.

Managing is a hard job. There is a lot to be done and relatively little time to do it. The engineer can finish a design on a particular day, and the lawyer can win or lose a case at a certain time. But the manager's job is like «Old Man River» — it just keeps going.

Vocabulary notes:

collectively – в собирательном значении

“Old Man River” – the name of the song

Management Definition. Attaining results with the help of others

The process of planning, organizing, directing, and controlling helping to use a firm's resources effectively and economically to attain its objectives is called ***management***.

A person who performs the unique work of management is called a manager. That is, a ***manager*** plans, organizes, directs, and controls a company's business. An important characteristic of managers is that they do their jobs by working with and through other people.

In many small businesses managers work only part-time at management. They then devote the rest of their time to selling, production or some other business function.

Functions of a Manager

There is a statement: "Management is getting work done through people". Most of achievements in any society take place because groups of people get involved in joint effort. Almost everyone is, was, or someday will be a manager, i.e. the person who coordinates human, information, physical, and financial resources of an organization. In order to perform their functions adequately, managers need interpersonal, organizational, and technical skills.

Management is a team of managers who are in charge of the organization at different levels. Regardless of the specific job, most managers perform five basic functions:

- **Planning**
- **Organizing**
- **Staffing**
- **Directing**
- **Controlling.**

Planning involves determining overall company objectives and deciding how these goals can best be achieved. Managers consider alternative plans before choosing a specific course of action at all managerial levels. Planning is listed the first management function because the others depend on it. However, even as managers move on to perform other functions, planning continues as goals and alternatives are further evaluated and revised.

Organizing, the second management function, is putting the plan into action. Organizing involves allocating resources, especially human resources, so that the objectives can be attained; creating new positions and determining responsibilities.

Staffing, i.e. choosing the right person for the right job, is also a part of the organizing function.

Directing is the day-to-day direction and supervision of employees. In *directing*, managers guide, teach, and motivate people so that they reach their potential abilities, and at the same time achieve the company goals set in the planning stage.

Controlling involves evaluating how well overall company objectives are being met. If there are any problems and objectives are not being met, changes need to be made in the company's organizational, or managerial, structure. In making changes, managers might have to go back and replan, reorganize, and redirect.

Effective managers achieve the goals of the company through a successful combination of planning, organizing, staffing, directing, and controlling. They must have a variety of tools necessary to meet future needs — making career decisions, managing money, providing economic security, managing credit, and keeping up to date with technology. The informed person is better able to draw maximum benefit and is well-adjusted to the social, economic, and technological changes in the world.

III. Match the terms with their definitions.

- | | |
|-----------------------|---|
| 1. direction | a) secretary who provides special help to a manager or director |
| 2. move on | b) to set aside or distribute for a specific purpose |
| 3. motivate | c) to continue to the next phase |
| 4. allocate | d) to direct the behavior of employees toward company goals |
| 5. position | e) instruction and supervision of some course of action |
| 6. objective | f) a choice or option |
| 7. alternative | g) a statement derived from an organization's goals |
| 8. personal assistant | h) a job within a company or organization |

VI. Match the terms with their Russian equivalents.

- | | |
|---------------------|--|
| 1. direction | a) инструктирование, надзор и контроль |
| 2. staffing | b) людские ресурсы |
| 3. course of action | c) альтернатива |
| 4. human resources | d) подбор и расстановка кадров |
| 5. alternative | e) курс действий |
| 6. supervision | f) инструктирование и надзор |
| 7. attain | g) пересматривать |
| 8. revise | h) достигать |

V. Translate the following sentences into English using your active vocabulary.

1. Есть мнение, что менеджмент — это искусство выполнять работу силами разных людей. 2. Каждый из нас когда-либо выполнял, выполняет или будет выполнять функции руководителя. 3. Менеджер должен уметь работать с людьми. 4. Руководство составляет коллектив руководителей. 5. Основные функции любого руководителя — это планирование, организация работы, подбор и расстановка человеческих ресурсов и контроль за выполнением работы. 6. Подбор и расстановку людей можно рассматривать как часть организационной функции. 7. Руководители ежедневно следят за работой подчиненных, учат и мотивируют их работать лучше. 8. Функция контроля остается одной из самых важных в работе руководителя. 9. Если возникают серьезные проблемы, то бывает необходимо произвести изменения в организационной структуре фирмы. 10. Важность каждой из пяти функций руководителя варьируется в зависимости от ситуации.

VI. Answer the following questions for discussion.

1. What is management?
2. What are managerial tasks/goals?
3. Why is planning the first managerial function?
4. What are the other managerial functions?
5. How do the managers achieve the goals of a company?
6. What kind of skills must a manager have?

UNIT 13

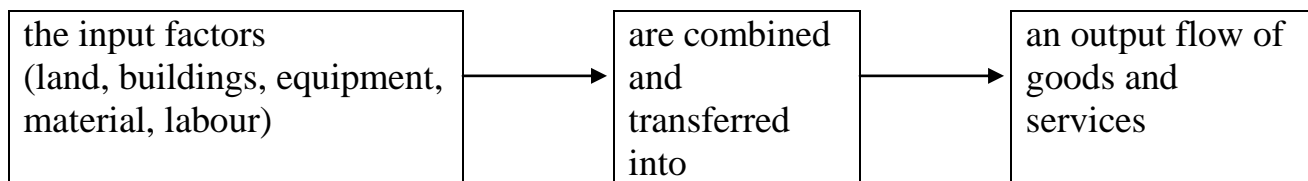
MY SPECIALITY

PART 1

Accounting and Financial Statements. What is Accounting?

I. Read the following text and prepare to answer the questions after it.

The study of accounting begins with the understanding of the way in which accountants see the business enterprise. Accountants frequently refer to a business organization as an accounting entity or a business entity. A **business entity** is any business organization such as a hardware store or grocery store that exists as an economic unit. As an economic unit, the business enterprise acquires, organizes and transforms factors of production in its activity of producing goods and services. This activity may be presented as the following.



The accounting interpretation is an abstraction of the reality portrayed above. The business enterprise is viewed as a system of monetary flow, instead of a system of physical flows. In accounting, business activities are associated with **transactions** and, indeed, are limited to transactions. Thus, unless there is a transaction there is no observable business activity.

A transaction occurs whenever the firm enters into a *legal contract* for the acquisition of means of production or the sale of goods and services. Business activities which do not lead to transactions remain unrecognized in accounting. Transactions involving the acquisition of factors of production lead either to an *outflow* of money immediately or an obligation to pay money at a later date. Transactions by which the firm sells goods or services lead to an *inflow* of money or the right to receive money at a future date. The accounting interpretation of business activities leads to further analysis of these transactions.

First, transactions between the firm and its markets – both its supply markets and its selling markets – are defined as «**external transactions**». The totality of «external transactions» forms the subject matter of **financial accounting**. General purpose of financial statements (reports) is to provide most of the information needed by external users of financial accounting. These financial statements are formal reports providing information on a business entity's financial position (solvency), cash inflows and outflows, and the results of operations (**profitability**). Financial accounting information is historical in nature, reporting on what has happened in the past. Hence, the external users rely on relevant and reliable financial statements to make present decisions about future events.

Second, transactions within the firm, consisting of the exchanges which occur between the various departments are defined as «**internal transactions**». The totality of «internal transactions» forms the subject matter of **cost or managerial accounting**. Managerial accounting information provides special information for the managers of a business entity. The kind of information used by managers may range from very broad, long-range planning data to detailed explanation of why actual costs varied from costs estimates. The purpose of managerial accounting is to generate information that a manager can use to make sound internal decisions.

Answer the following questions.

1. What does the study of accounting begin with?
2. In what way may the activity of an organization be presented?
3. What is business activity associated with in accounting?
4. When does a transaction occur?
5. What business activities are recognized in accounting?
6. How can transactions be classified?
7. What is financial accounting?
8. What is managerial accounting?

II. Read the following text. How many parts does it consist of? Give the title to the text and to its parts. Define the key-sentence of each paragraph.

Accounting is shaped by the environment in which it operates. Just as nations have different histories, values, and political systems, they also have different patterns of financial accounting development. In a number of countries accounting information is directed primarily toward the needs of investors and creditors, and «decision usefulness» is the overriding criterion for judging its quality. Financial accounting in the US and Great Britain has had such an orientation for many years. Moreover, these countries have large and developed stock exchanges and bond markets. As a result, a great deal of information is disclosed in companies' financial reports; and determining profitability is an objective of financial accounting. However, in other countries, financial accounting has a different focus and performs other roles. For example, in some countries, financial accounting is designed primarily to ensure that the proper amount of income tax is collected by the national government. This is the case in most South American countries. In other countries, financial accounting is designed to help accomplish macroeconomic policies, such as achieving a predetermined rate of growth in the nation's economy. Whether income tax and economic policy information are also useful to individual investors and creditors is somewhat beside the point. In such countries as Switzerland, Germany, and Japan the environment is characterized by a few, very large banks that satisfy most of the capital needs of business. Ownership also tends to be concentrated. The information needs are satisfied in a relatively straightforward way – through personal contacts and direct visits. Not surprisingly, the financial reports tend not to contain as much information as US companies' reports. And since banks are the primary source of capital, financial accounting is oriented toward creditor protection. France and Sweden offer still another orientation of financial accounting. National government plays a strong role in managing the country's resources. Governments also actively ensure that businesses have adequate capital and will lend or even invest in

companies if necessary. Financial accounting is oriented toward decision making by government planners.

III. Study the information about business documents. Prepare for a discussion.

Business Documents

The analysis of the transactions completes, what is the next step in the accounting process? How does an accountant present the results of the analysis? We now look at the **financial statements**. These business documents report financial information about the entity to persons and organizations outside the business.

The primary financial statements are the **(1) balance sheet (2) income statement, (3) statement of owner's equity, and (4) statement of cash flow.**

The balance sheet lists all the assets, liabilities, and owner's equity *at a point in time*, usually the end of a month or a year. The balance sheet is like a snapshot of the entity. For this reason, it is also called the *statement of financial position*. A balance sheet is made up of two lists, placed side by side. On the left the company lists everything it owns, such as cash and 'fixed assets' called property, plant, equipment, which include everything from buildings and trucks to tools, pencils, and copy machines. This list is labeled *assets*. On the other side, the company lists its *liabilities*, consisting of all the claims to the company's assets, from creditors and from the company owners. The lists end up being exactly equal – whatever assets are not claimed by the company's creditors belong to the owners.

The income statement, or profit and loss statement (P&L) measures the performance of an enterprise. It presents a summary of the *revenues* and *expenses* of an entity for a specific period of time, such as a month or a year. The income statement, also called the statement of operations, is like a moving picture of the entity's operations during the period. The income statement holds perhaps the most important single piece of information about a business—its *net income*, which is revenues minus expenses. If expenses exceed revenues, the result is a *net loss* for the period.

The statement of owner's equity presents a summary of the changes that occurred in the owner's equity of the entity during a specific time period, such as a month or a year. Increases in owner's equity arise from investments by the owner and net income earned during the period. Decreases result from withdrawals by the owner and from a net loss for the period. Net income or net loss comes directly from the income statement. Investments and withdrawals by the owner are capital transactions between the business and its owner, so they do not affect the income statement.

Another tool for understanding a company's activity is to look at its cash flow. This measures the actual flow of funds — real money — flowing into and out of a company during a given period of time. A company's cash flow factors out all of the accounting tricks and looks at what a company really earned, because it excludes accounting tools such as depreciation.

Good record keeping by a business is not only wise but is required by law. Legal and financial questions may be raised by various agencies, banks, and employees. The questions may be accurately answered when written records of business proceedings are kept. By recording daily transactions, the owner can learn from mistakes and avoid errors in the future. Even if profits are not distributed to shareholders, any organization needs a P&L to account for its activities to see whether it is being efficiently and honestly run.

Questions for discussion:

- 1 .What are the main business statements?
2. What do they show?

IV. Read the text consulting the dictionary and prepare to retell it.

The Accounting Profession

Accounting is an old profession. Records of business transactions have been prepared for centuries. However, only during the last half-century accounting has been accepted as a profession with the same importance as the medical or legal profession.

Positions in the field of accounting may be divided into several areas. Two general classifications are *public accounting* and *private accounting*.

Public accountants are those who serve the general public and collect professional fees for their work, much as doctors and lawyers do. Their work includes auditing, income tax planning and preparation, and management consulting. Public accountants are a small fraction (about 10 percent) of all accountants. Those public accountants who have met certain professional requirements are designated as Certified Public Accountants (CPAs).

Private accountants work for a single business, such as a local department store, the McDonald's restaurant chain, or the Eastman Kodak Company. Charitable organizations, educational institutions, and government agencies also employ private accountants. The chief accounting officer usually has the title of controller, treasurer, or chief financial officer. Whatever the title, this person usually carries the status of vice-president.

Some public accountants pool their talents and work together within a single firm. Most public accounting firms are also called *CPA firms* because most of their professional employees are CPAs. CPA firms vary greatly in size. Some are small businesses, and others are medium-sized partnerships. The largest CPA firms are worldwide partnerships with over 2,000 partners. Such huge firms are necessary because some of their clients are so large and their operations are so complex.

In contrast to public accountants who provide accounting services for many clients, management accountants provide accounting services for a single business. In a company with many management accountants, the executive officer in charge of the accounting activity is often called a controller.

Questions for discussion:

1. What are public accountants?
2. What are private accountants?
3. What is CPA?

SUPPLEMENTARY READING

I. Read the text and be ready to comment on the points of the code. What other professions can use the same principles?

Ethical Behaviour of Accountants

Several accounting organizations have formulated codes of ethics that govern the behaviour of their members. «Code of Professional Conduct» adopted by the American Institute of Certified Public Accountants reads:

«Membership in the American Institute of Certified Public Accountants is voluntary. By accepting membership, a certified public accountant assumes an obligation of self-discipline above and beyond the requirements of laws and regulations...»

In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities.

Members should accept the obligation to act in a way that will serve the public interest, honour the public trust, and demonstrate commitment to professionalism.

A member should observe the profession's technical and ethical standards, strive continually to improve competence and the quality of services, and discharge professional responsibility to the best of the member's ability.

To maintain and broaden public confidence, members should perform all professional responsibilities with the highest sense of integrity.

A member should maintain objectivity and be free of conflicts of interest in discharging professional responsibilities. A member in public practice should be independent in fact and appearance when providing auditing and other attestation services. »

Some business firms have also developed codes of ethics for their employees to follow. But there is something more than merely making sure you are not violating a code of ethics. Most of us sense what is right and wrong. An accountant's most valuable asset is his or her reputation.

Questions for discussion:

1. Do you agree that «An accountant's most valuable asset is his or her reputation»?
2. How can you prove it?

PART 2**Careers in the Financial Profession****I. Read the texts consulting the dictionary.**

The School of Finance and Banking of the Belarus State Economic University is almost certainly unique. It creates mature businessmen and women who have very clear ideas about the direction their careers should take.

Students gain a lot from their study. Those major gains are: firstly, the improvement of strategic thinking in terms of effective business organisation. Secondly, they receive an immediate opportunity to start practicing what they've learnt. Their internship lands them in the largest leading financial organizations and firms, banks of the republic. And students have chances to be invited to stay with those firms after they have had the opportunity to be evaluated during the internship period. So - what can they do with their degree?

A Choice of Specialisation**Finance Area**

Whether you're dealing with a big company or a small business, staying ahead of the curve requires constant challenge. The specialisation in Finance covers all the areas of portfolio management investment banking, and financial risk management. The graduates will be well prepared in Capital Markets Trading as well as in International Corporate Finance.

Positions in the finance industry include treasury and treasury departments of major corporations, banks, investment, management, stock exchange, life insurance/assurance, superannuation portfolio management, security analysis.

Other positions might include – foreign exchange dealer, economist, research officer strategic planner dealer in options, swaps or futures, risk analysis, mergers and takeovers, property management, corporate structuring and financial planning.

Business positions might also include corporate sector and all levels of the public sector, administration, credit control, hospitality, management, project management, business planning and development, production planning and control, purchasing, inventory control, service delivery, warehousing, and distribution, quality-management, manufacturing, marketing, recreation, retail, sales and travel and tourism.

Other Opportunities

An increasing number of graduates seek and find employment in management consultancies, education and publishing, regulatory authorities, human resources and in the telecommunications industry to name a few.

A further area of major growth is in advising on structured finance and securitisation transactions for major international companies. But competition for positions is fierce and finance graduates should appreciate the need to adopt a degree of flexibility in exploring the growing range of career options available.

Opportunities for new graduates include:

PRIVATE PRACTICE – In private practice there are a variety of options ranging from the multi-partnered and disciplined large firms to the sole practitioners within the city, suburbs or country areas. The size of the firm may well affect your career path as there are pros and cons toward specialisation and of course general practice experience.

GOVERNMENT – Positions in the public sector provide a variety of opportunities in a number of different areas, with the opportunity for transfers and promotions to other Departments.

CORPORATE PRACTICE – There are also opportunities in the commercial and corporate fields.

The choice is yours – look at all the opportunities, ask questions and seek advice. There is almost no area of business today where your analytical and research skills cannot be used! Graduates of BSEU have a wide range of careers open to them as they possess a thorough knowledge and understanding of the above areas as well as the ability to put the skills they acquired into practice.

II. Answer the following questions:

1. What do the students gain from their studies at the University?
2. Why should every student of the BSEU think about his or her future job?
3. What are the career opportunities for the graduates of the BSEU?
4. What will your personal choice be?

PART 3

Career Opportunities in Banking

I. Read the texts consulting the dictionary.

Banks are of great importance in the functioning of the economy and on their many services and roles in dealing with the public. But banks are more than just financial service providers; they are also a source of jobs and satisfying professional careers for millions of people. What opportunities are there for careers in banking? If you already have a job in the industry, what opportunities exist for moving up the career ladder into even more challenging positions? To answer these questions, the principal employment options in banking today are described below.

Loan Officers. Most bank managers begin their careers accepting and analyzing loan applications submitted by business and household customers. Bank loan officers make initial contacts with potential new customers and assist them in filling out loan requests and in developing a service relationship with the bank.

Credit Analysis. The credit analyst backstops the work of the loan officer by preparing detailed written assessments of each loan applicant's financial position and

capacity to manage money and advises the bank's management on the advisability of granting any particular loan. Credit analysts and loan officers need professional training in accounting, financial statement analysis, and business finance.

Loan Workout Specialists. With the rising numbers of business failures in recent years many loans to businesses and consumers have gone bad, requiring the services of skilled professionals to identify the causes of each problem loan situation and find solutions that maximize the chances for recovering the bank's funds. This is the job of the loan workout specialist, who must have a strong background in accounting, financial statement analysis, business law, and economics, as well as good negotiating skills.

Managers of Bank Operations. Managers in the operations division of a bank are responsible for processing checks and clearing other cash items on behalf of their customers, for maintaining and improving the bank's computer facilities and electronic network, for the activities of tellers, for handling customer problems with their checking accounts and other bank services, for security systems to protect the bank's property from criminal activity, and sometimes for the operation of the bank's personnel (human-resources) department. Managers in the bank operations division need sound training in the principles of business and financial management and in computers and management information systems, and they must have the ability to interact with large groups of people.

Branch Managers. When banks operate large branch systems, many of these functions are supervised by the manager of each branch office. Branch managers lead each branch's effort to attract new accounts, calling on business firms and households in their local area. They also approve many requests (especially larger loans) and resolve customer complaints. Branch managers must know how to manage and motivate employees and how to represent the bank well in the local community.

Systems Analysts. These highly trained computer specialists work with officers and staff in all departments of a bank, translating their production and information needs into programming language. The systems analyst provides a vital link between

bankers and computer programmers in making the computer an effective problem-solving tool for management. Systems analysts need in-depth training in computer programming and mathematics as well as courses emphasizing business problem solving.

Auditing and Control Personnel. Keeping abreast of the inflow of revenues and outflow of expenses from a bank and tracking changes in the bank's financial position are the responsibilities of auditors and accountants. These are some of the most important tasks within the bank because they help guard against losses from criminal activity and waste and aid management in pinpointing ways to improve bank efficiency. Jobs as important as these require considerable training in the principles of financial accounting and auditing.

Financial Analysts. These quantitatively skilled professionals often work in a bank's auditing and planning departments. Financial analysts are "number crunchers," who analyze the performance of the bank, its various departments, and its employees. They look for activities that need improvement and identify areas of superior performance within the firm.

Trust Department Specialists. Specialists in a bank's trust department provide a wide variety of customer services to businesses, consumers, and nonprofit institutions. They aid companies in managing their employee retirement programs, issuing securities, maintaining business records, and investing business funds. Consumers also receive help in managing their property and in building an estate for retirement or other purposes. Men and women employed in bank trust departments usually possess a wide range of backgrounds—they know commercial and property law, real estate finance and appraisal techniques, securities investment strategies, financial statement analysis, and marketing techniques.

Personal Banking Services Specialists. Personal bankers are typically responsible for helping individuals and families identify and use the bank's services. This often means taking loan applications, marketing consumer deposits, and advising individuals and families on which of the bank's services meet their particular

needs. Personal bankers must have excellent interpersonal skills and an in-depth knowledge of the bank's menu of services.

Tellers. One bank employee that nearly every customer sees and talks with is the teller—the individual who occupies a fixed station or location within a bank office or drive-in window, receiving deposits and dispensing cash and information. Bank tellers must sort and file deposit receipts and withdrawal slips, verify customer signatures, check account balances, and balance their own cash position at least once each day. Because of their pivotal role in communicating with customers, bank tellers must be friendly with customers, accurate with all of their transactions, and knowledgeable about the other departments of the bank and the services they sell. Most banks hire as tellers people with high school, community college, or four-year university degrees. Part-time tellers are added during periods of peak demand.

Security Analysts and Traders. Security analysts and traders are usually found in a bank's bond department and in its trust department. All banks have a pressing need for individuals skilled in evaluating the businesses and governments issuing securities that the bank might buy and in assessing economic and financial market conditions. Such courses as principles of economics, money and banking, money and capital markets, and investment analysis are usually the best fields of study for a person interested in being a bank security analyst or security trader.

Long-Range Planning and Business Acquisition Specialists. Banks must plan for the long term if they are to survive and effectively meet their competition. Bank planners usually prepare a variety of projected budgets and forecasts, showing what the bank's financial and market position will be under a variety of assumptions about the future. College courses in economics, money and banking, accounting and auditing, business finance and capital budgeting, and financial institutions are particularly good preparation for building a career in this field.

Marketing Personnel. With banks facing greater competition today, they have an urgent need to develop new services and to more aggressively sell existing services—tasks that usually fall primarily on a bank's marketing department. This

important function requires an understanding of the problems involved in producing and selling services and familiarity with service advertising techniques and cost accounting. College level course work in economics, services marketing, statistics, and business management are especially helpful in this field.

Human Resource Managers. A bank's performance in serving the public and in earning adequate returns for its stockholders depends, more than anything else, on the talent, training, and dedication of its management and staff. The job of human resource, or personnel, managers is to find and hire people with superior education and skill and to train them to fill the roles needed by the bank. Most major banks operate intensive management training programs, lasting from 6 months to as long as 18 months, which typically are managed and directed by the human resources division of the bank. In addition, human resource managers keep records on employee performance and counsel employees on ways to improve their performance and opportunity for promotion.

International Finance and Business Development Specialists. The market for banking services is becoming global in scale. Business customers frequently need loans, credit guarantees, help with floating new security issues, and analyses of business conditions in foreign markets supplied by their banks. Men and women interested in this exciting banking field will require college level training in business finance, marketing, corporate accounting, and international trade.

Foreign Exchange Traders. A handful of the largest banks buy and sell foreign currencies on behalf of their own account and for their customers who are travelling or trading abroad. Foreign exchange traders within a bank search the market for the best prices on pounds, francs, yen, and other currencies and try to profit from currency-trading operations. They must also be able to negotiate with other currency traders and with the bank's customers. They often travel extensively, and they must be able to learn quickly and make decisions rapidly while under great pressure.

Investment Banking Specialists. Banks are becoming increasingly involved in assisting their business customers with the issue of bonds, notes, and stock to raise

new capital, and they frequently render advice on financial market opportunities and on business mergers and acquisitions. This is the dynamic, fast-paced field of investment banking—one of the highest paid and most challenging areas in the financial marketplace. Investment banking personnel must have intensive training in accounting, economics, money and banking, strategic planning, investments, international finance, and a number of related areas.

Bank Examiners and Regulators. Because banks are among the most heavily regulated of all business firms, there is an ongoing need for men and women to supervise and examine bank financial statements and operating policies and to prepare and enforce banking regulations. Bank regulatory agencies such as the FDIC hire bank examiners and other regulatory personnel from time to time, often by visiting college campuses or as a result of phone calls and letters from applicants. Because they must supervise banks—their financial condition and compliance with regulations—examiners and regulators must have knowledge of accounting principles, business management methods, economics, and banking laws and regulations.

II. Answer the following questions.

1. What career opportunity in banking would you prefer? Why?
2. What background would you need for it?

III. Carefully explain the meaning of the following terms.

Bank account; bank advance; bank bill; bank card; bank certificate; bank charges; bank draft; bank guarantee; bank holiday; bank loan; banknote; bank rate; bankable; banker's cheque; banking.

IV. Give 2-3 sentences of your own, using each word given below, to show that you understand the difference in the shades of their meanings.

Defend, protect, secure, insure, ensure, guarantee.

V. Join the halves A and B. Translate the sentences into Russian.

A

1. Many savers lack the financial expertise
2. Banks are closely watched because
3. Cameras and guards patrol banks
4. Banks are regulated because they provide
5. Fed services are available on the same terms
6. Banks are a source of jobs and satisfying
7. Credit analyst and loan offices need professional training in
8. Branch managers must know how to manage and motivate people
9. Regulation acts as a safeguard against such losses
10. All banks chartered by the Controller of the Currency are
11. Consumers also receive help in managing their property
12. Personal bankers must have excellent interpersonal skills
13. Discrimination in the granting of credit would represent a significant obstacle

B

- a) by providing deposit insurance and by periodically examining bank policies.
- b) individuals and institutions with loans which support consumption and investment spending.
- c) to personal well-being and an improved standard of living.
- d) to other depository institutions keeping reserve deposits at the Fed.
- e) and in-depth knowledge of the bank's menu of services.
- f) and in building an estate for retirement or other purposes.
- g) and how to represent the bank well in the local community.
- h) and depth of information to correctly evaluate the riskness of a bank.
- i) of their power to create money in the form of readily spendable deposits.
- j) designated member banks.
- k) accounting, financial statement analysis, and business finance.

- 1) professional careers for millions of people.
- m) lobbies to reduce the risk of loss due to theft.

VI. Match each job title on the left with the correct definition on the right.

- | | |
|----------------------|---|
| 1. tax inspector | a) The person who is responsible for an individual bank. |
| 2. bank manager | b) Someone who advises people on how to manage their financial affairs. |
| 3. commodity trader | c) Someone who prepares an individual's (or company's) tax return. |
| 4. accountant | d) The person who is responsible for the financial side of running business. |
| 5. finance director | e) A government official who checks that you are paying enough tax. |
| 6. market analyst | f) The person who finds you the best insurance policy at the best price. |
| 7. financial advisor | g) Someone who buys and sells stocks and shares for clients, and charges a commission. |
| 8. insurance broker | h) Someone who comments on business and shares prices in a particular sector of the economy. |
| 9. stockbroker | i) Someone who buys and sells things in large quantities, especially food products such as tea, coffee, cereals, and other raw materials. |

VII. Prepare to speak about your future career.

UNIT 14

BUSINESS ETHICS

Business ethics definition:

Business ethics (also corporate ethics) is a form of professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.

I. Read the text consulting the dictionary and get ready to discuss it.

How Do You Move Ethical Values Down Through Your Company?

What do employees want most in their company's values? That is a question that has plagued companies for many, many years. One of the concepts which should be in the conversation is respect for a company's ethical values. One of the tasks in any company is to get senior and middle management to respect the stated ethics and values of a company, because if they do so, this will be communicated down through the organization. This topic was explored in a recent article, entitled "If the Supervisors Respect Values, So Will Everyone Else", in the Corner Office section of the New York Times (NYT), when reporter Adam Bryant interviewed Victoria Ransom, the Chief Executive Officer (CEO) of Wildfire, a company which provides social media marketing software.

Company Values

Ransom spoke about the role of senior management in communicating ethical values when she said "Another lesson I've learned as the company grows is that you're only as good as the leaders you have underneath you. And that was sometimes a painful lesson. You might think that because you're projecting our values, then the rest of the company is experiencing the values." These senior managers communicate what the company's ethics and values are to middle management. So while tone at the top is certainly important in setting a standard, she came to appreciate that it must

move downward through the entire organization. Ransom came to realize “that the direct supervisors become the most important influence on people in the company. Therefore, a big part of leading becomes your ability to pick and guide the right people.”

Ransom said that when the company was young and small they tried to codify their company values but they did not get far in the process “because it felt forced.” As the company grew she realized that their values needed to be formalized and stated for a couple of reasons. The first was because they wanted to make it clear what was expected of everyone and “particularly because you want the new people who are also hiring to really know the values.” Another important reason was that they had to terminate “a few people because they didn’t live up to the values. If we’re going to be doing that, it’s really important to be clear about what the values are. I think that some of the biggest ways we showed that we lived up to our values were when we made tough decisions about people, especially when it was a high performer who somehow really violated our values, and we took action.” These actions to terminate had a very large effect on the workforce. Ransom said that “it made employees feel like, “Yeah, this company actually puts its money where its mouth is.””

Ransom wanted to make clear to everyone what senior management considered when determining whether employees “are living up to the company culture.” The process started when she and her co-founder spent a weekend writing down what they believed the company’s values were. Then they sat down with the employees in small groups to elicit feedback. Her approach was to look for what they wanted in their employees. They came up with five.

Passion: Do you really have a thirst and appetite for your work?

Humility and Integrity: Treat your co-workers with respect and dignity.

Courage: Speak up – if you have a great idea, tell us, and if you disagree with people in the room, speak up.

Curiosity: They wanted folks who would constantly question and learn, not only about the company but about the industry.

Impact: Are you having an impact at the company?

Leadership: Your employees listen to what you say. So, your words can have influence on them.

Ransom came to realize that as her company's leader, more was expected from her. Her employees listened to what she said. This is one of the best descriptions of 'tone at the top'. Ransom "started to realize how what you say can have such an influence. You can't just say things off the cuff anymore, because people take it so much more seriously than you ever meant it. And that can be good and bad. The bad is that you might say something sort of flippant, or you're trying to be really transparent and honest with the team about the challenges we may have. But that can get passed on down the line and repeated until there's a panic."

But equally important was what she does not say. This is because she learned "how comforting what I say can be to the team, even if I'm not giving the answers. I thought at first that I always needed to be able to give them the solution, but I realized that actually that wasn't needed at all. All that was needed was acknowledging the challenges, and showing that we're on top of it and we get it."

Ransom had an equally valuable insight when she talked about senior management and ethical values. She believes that "the best way to undermine a company's values is to put people in leadership positions, who are not adhering to the values. Then it completely starts to fall flat until you take action and move those people out, and then everyone gets faith in the values again. It can be restored so quickly. You just see that people are happier."

Ransom's interview is quite useful to the compliance practitioner. She makes clear that 'tone at the top' is only one key to instituting ethical values throughout your organization. It also means 'tone in the middle' and 'tone at the bottom'. But she points out not only how to establish that tone but more importantly how to walk the walk of ethics and compliance. Her interview also showed the importance of

establishing the values that you want in your company. By doing more than simply writing and then announcing them, through her work with small employee groups she was able to get buy-in from everyone. This was more than communication, this was collaboration. If you make your employees feel that they are a part of the process you will have greater success in your mission to bring ethical values to your organization. *(About the Author: Thomas Fox has practiced law in Houston for 25 years. He is now an independent consultant, assisting companies with FCPA and international transaction issues.)*

II. Match the English words with the appropriate Russian equivalents:

- | | |
|---------------|-------------------------------------|
| 1. humility | a) применять |
| 2. integrity | b) влияние |
| 3. courage | c) вера, доверие |
| 4. curiosity | d) храбрость, отвага |
| 5. apply | e) успокаивающий |
| 6. impact | f) поведение |
| 7. faith | g) объявлять |
| 8. comforting | h) страстное увлечение, энтузиазм |
| 9. compliance | i) программное обеспечение |
| 10. adhere | j) скромность |
| 11. announce | k) честность, прямота |
| 12. explore | l) любознательность, пытливость |
| 13. software | m) уступчивость, податливость |
| 14. conduct | n) твердо держаться, придерживаться |
| 15. passion | o) исследовать, изучать |

III. Answer the following questions:

1. What is business ethics?
2. What do employees want most in their company's values? Can you answer this question now?
3. Why did Ransom want to see not just senior managers but true leaders underneath her?
4. Why is the ability to pick and guide the right people so important for a senior manager?
5. Why did codification of the company values fail when it was young and small?

6. What were the reasons to formalize and state the company values when it grew?
7. What was done to high performers who somehow really violated the company values?
8. What did Ransom and her co-founder want to see in their employees?
9. Why should a leader be very careful about what he is saying?
10. Is it really important to move out senior managers, who are not adhering to the values?
11. How is it possible to achieve real collaboration in your company?

IV. Before writing your composition “Business Ethics” revise the text “Ethical Behaviour of Accountants”.

SUPPLEMENTARY READING

I. Read the texts, consulting the dictionary. Here you are given one more business ethics definition. Which of them is the most complete?

What is Business Ethics?

Business ethics is the behavior that a business adheres to in its daily dealings with the world. The ethics of a particular business can be diverse. They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer.

Many businesses have gained a bad reputation just by being in business. To some people, businesses are interested in making money, and that is the bottom line. It could be called capitalism in its purest form. Making money is not wrong in itself. It is the manner in which some businesses conduct themselves that brings up the question of ethical behavior.

Good business ethics should be a part of every business. There are many factors to consider. When a company does business with another that is considered unethical, does this make the first company unethical by association? Some people would say yes, the first business has a responsibility and it is now a link in the chain of unethical businesses.

Many global businesses, including most of the major brands that the public use, can be seen not to think too highly of good business ethics. Many major brands have been fined millions for breaking ethical business laws. Money is the major deciding factor.

If a company does not adhere to business ethics and breaks the laws, they usually end up being fined. Many companies have broken anti-trust, ethical and environmental laws and received fines worth millions. The problem is that the amount of money these companies are making outweighs the fines applied. Billion dollar profits blind the companies to their lack of business ethics, and the dollar sign wins.

A business may be a multi-million seller, but does it use good business ethics and do people care? There are popular soft drinks and fast food restaurants that have been fined time and time again for unethical behavior. Business ethics should eliminate exploitation, from the sweat shop children who are making sneakers to the coffee serving staff, who are being ripped off in wages. Business ethics can be applied to everything from the trees cut down to make the paper that a business sells to the ramifications of importing coffee from certain countries.

In the end, it may be up to the public to make sure that a company adheres to correct business ethics. If the company is making large amounts of money, they may not wish to pay too close attention to their ethical behavior. There are many companies that pride themselves in their correct business ethics, but in this competitive world, they are becoming very few and far between.

The number of ethical questions that the banking industry faces are many, but an ethical bank must have a policy that takes into consideration those questions that twenty first century globalization and the social and environmental issues thereon pose. For example, the banking ethics that the Co-operative bank (UK) adopted in 1992 mean that it refuses to invest in companies involved in the arms trade, companies contributing to climate change, animal testing, genetic engineering and those companies who exploit sweat shop labor.

Questions for discussion:

1. Is a good reputation important for modern businesses?
2. Can an unethical company affect the reputation of its partners?
3. Money is the major deciding factor in violating business ethics by most of the major brands that the public use, isn't it?
4. What is the punishment for companies breaking anti-trust, ethical and environmental laws?
5. What can business ethics be applied to?
6. Are there still any companies that pride themselves in their correct business ethics?
7. What did the banking ethics that the Co-operative bank (UK) adopted in 1992 mean?

What is Banking Ethics?

Banking ethics is a set of the moral or ethical principles that certain banks chose to abide by. There isn't an ethics ombudsman or a universal code of ethical conduct, but the banks that vaunt their ethical credentials vet the ethical standing of potential investors and partners and also choose the companies that they in turn invest in with their ethical policy in mind. This means that a typical ethical bank will require potential investors to complete an Ethical Policy questionnaire. Should the nature of the investor's business run counter or in some way compromise the bank's ethical policy, they will refuse to accept the investment. Similarly, an ethical bank will often seek out investment opportunities that encourage environmental or social enterprises.

Banking ethics and profitability are not mutually exclusive, but being an ethical bank does sometimes mean that they maintain their moral rigor at the cost of profitability. This was the case with the Co-operative bank who in 2005, turned away investments totaling \$20 million US Dollars (USD) because the investors were involved in what they considered unethical enterprises. These included a company

who made traditional Scottish sporrans from fox pelts and a shoe-making company that decorated its footwear with sable.

In the United States ethical banks such as ShoreBank, Wainwright and RSF have sought out investment opportunities in those under developed areas and communities that are perhaps unattractive to banks with fewer ethical imperatives. ShoreBank has prospered within this moral framework and has seen its assets grow to \$2.1 billion (USD). Equally, RSF has loaned in excess of \$100 million (USD) and has reaped profits of over \$50 million (USD), with an annual growth rate of 60%.

Banks that are known to have functioning ethical policies are found all over the world, and include the following: Triodos Bank (UK), the Co-operative Bank (UK), ShoreBank (USA), RSF Social Finance (San Francisco and New York, USA), Shared Interest (UK) based in the United Kingdom, Wainwright Bank (USA), La Nef (France), GLS Bank (Germany), Banca Popolare Etica (Italy and Spain).

Questions for discussion:

1. What is banking ethics?
2. Has any bank ever broken business relations with unethical enterprises?
3. Can banks that are known to have functioning ethical policies be found all over the world?
4. Can you name such banks?

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