МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
ХАРКІВСЬКА НАЦІОНАЛЬНА АКАДЕМІЯ МІСЬКОГО ГОСПОДАРСТВА

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ЗБІРНИК ТЕКСТІВ ТА ЗАВДАНЬ З ДИСЦИПЛІНИ

«ІНОЗЕМНА МОВА»
(англійська мова)

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Збірник текстів і завдань рекомендується для організації самостійної роботи студентів 1 курсу економічних спеціальностей заочної форми навчання. Головною метою збірника є формування навиків читання і розуміння інформації з англомовних джерел, що відповідає вимогам професійно-орієнтованого навчання іноземній мові. Зміст завдань відповідає вимогам програми учбової дисципліни “Іноземна мова”, тематика текстів сприяє поширенню обсягу сучасної англійської науково-технічної лексики. Запропонована інформація є необхідною для ефективного виконування професійних обов’язків майбутніх спеціалістів.

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INTRODUCTION

These educational materials are designed for the ESP students of the 1st year of studies of the specialities “Accounting and Auditing” and “Economy of Enterprises” to develop their knowledge and skills in English according to their profession. The collected texts are intended for self-study of post-correspondence students.

This manual is based on the authentic texts concerning economic problems from different sources. It contains key vocabulary, texts for reading and translation, tasks on reading comprehension, vocabulary tasks. The manual consists of 15 texts and is expected to be used for self-study.

Each unit contains:

- key vocabulary;
- an authentic text for reading and translation;
- comprehension exercises;
- exercises for memorization and mastering key vocabulary.

TEXT 1

Vocabulary

economics – экономика

production – производство

distribution – распределение

consumption – потребление

goods and services – товары и услуги

means – средства

resources – ресурсы

incentive – стимул

scarce – ограниченный

ECONOMICS AS A SCIENCE

Economics is the social science that studies the production, distribution, and consumption of goods and services. The term economics comes from the Ancient Greek ‘oikonomia’ meaning "management of a household, administration". Current economic models developed out of the broader field of political economy in the late 19th century, owing to a desire to use an empirical approach more akin to the physical sciences.

A definition that captures much of modern economics is that of Lionel Robbins in a 1932 essay: "the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses." Scarcity means that available resources are insufficient to satisfy all wants and needs. Absent scarcity and alternative uses of available resources, there is no economic problem. The subject thus defined involves the study of choices as they are affected by incentives and resources.

Economics aims to explain how economies work and how economic agents interact. Economic analysis is applied throughout society, in business, finance and government, but also in crime, education, the family, health, law, politics, religion, social institutions, war, and science.

Answer the questions

1. What did the Ancient Greek term ‘oikonomia’ mean?
2. When did current economic models develop?
3. What does the word ‘scarcity’ mean?
4. What does economics aim to explain?

Fill in the gaps with the words given below. Translate the sentences.

incentives consumption scarce means distribution goods and services

1. Most people are aware of the need to reduce energy _____.
2. The new plan will provide strong _____ for young people to improve their skills.
3. Education and training are the most effective _____ of improving the nation's economy.
4. After the war, food and clothing were _____.
5. The cost of almost all _____ soared when price controls were removed.
6. The proposed series of investigations will examine children's understanding of economic need, income, _____ and unemployment.

TEXT 2

Vocabulary

deal with – иметь дело с чем-то

predict – предсказывать

trend – тенденция, движение, изменение

down period – период спада, ухудшения в экономике

raw materials – сырье

data – данные

exchange rate – валютный курс

profit – прибыль, доход

pattern – модель, образец, структура

application – применение

determine – определять

tax – налог

decline – спад, упадок

WHAT DOES AN ECONOMIST DO?

Economists are responsible for predicting trends in the ever-changing economy. They help various agencies to deal with money efficiently and are consulted when a change in economic policy is required. They try to predict future trends to help the economy from sinking into a depression, and help businesses to deal with down periods. Economists also have specialized areas they work in, depending on what business or area of the economy they are interested in.

Function

Economists analyze, interpret and predict future trends in the economy. They are especially concerned with how we spend our money and the use of natural resources. These can include land and raw materials found in the Earth as well as the use of human labour and machinery. Often they collect data through surveys, and they try to predict when a rise or fall in the economy will occur.

Types

Economists choose a specific area within the broad field of economics to work in. Microeconomists are responsible for individual businesses. They help the business to get the most for their money and provide the quality of service their customers expect. Macroeconomists look at the history of the economy and try to predict future developments, which can include a rise in the loss of jobs, inflation and growth in the economy. International economists study markets overseas and the exchange rates among them. They try to find the best policies that bring the most profit to both sides.

Data Collection

Along with conducting surveys, economists are also responsible for creating mathematical equations in which they can use the numbers from their surveys. These

numbers will help in the prediction of future trends in the economy. They study business cycles to find and chart patterns. They also find and chart the trends of individual businesses to help them prepare for declines in the economy.

Application

Economists use their findings in various areas of life, not simply in the area of money. Health, agriculture and education, as well as other areas, are all affected by economics. They help these industries find the best ways to compete against their rival businesses, and are also employed by the government. They track various laws and determine how they will help or hurt the economy in the future.

Taxes

The area of taxes is strongly affected by the economy. Economists advise the government on how increases and decreases in taxes will affect people and industries, and how adjusts in social security could change the economy. They also advise the government about its own spending both in this country and abroad.

Answer the questions

1. What is the area of responsibility of modern economists?
2. What are the functions of economists?
3. What is the difference between microeconomists, macroeconomists and international economists?
4. What do economists collect data for?
5. Where and how can economists apply their findings?
6. What way are taxes affected by the economy in?

Decide whether the following statements are true (T) or false (F). If they are false, correct them.

1. Economists are interested in how we spend our money and the use of natural resources.
2. Microeconomics tries to predict future developments.
3. International economists study domestic markets.

4. Data collection is important for the prediction of future trends in the economy.
5. Economic findings can be applied only for governmental decisions.
6. Economists don’t deal with taxes.

TEXT 3

Vocabulary

merchant – торговец, купец

convention – обычай, условность

interest – доход, процент

gain – заработок, прибыль

utility – полезность, выгодность

usury - ростовщичество

major – главный, основной

wealth – богатство, процветание, изобилие

satisfy – удовлетворять

society – общество

approach – подход

income – доход

supply – запас, общее количество, предложение

rent – рента, арендная плата, наем

wage – заработная плата

diminish – уменьшать(ся), сокращать(ся)

return – возмещение, доход, прибыль, выручка

amount – количество

employment – занятость, работа

long-run – длительный, долговременный

equilibrium – равновесие

value – стоимость, цена

FROM THE HISTORY OF ECONOMIC THOUGHT

Economic thought dates from earlier Mesopotamian, Greek, Roman, Indian, Chinese, Persian and Arab civilizations. Notable writers include Aristotle, Chanakya, Qin Shi Huang, Thomas Aquinas, Ibn Khaldun, Joseph Schumpeter and many other names. The study of the economy in Western civilization began largely with the Greeks, particularly Aristotle and Xenophon, with minor contributions by other writers. We refer to these as the "Ancients". The "Scholastics" refer to the group of 13th and 14th Century theologians, notably the Dominican St. Thomas Aquinas, that set down the dogma of the Catholic Church in light of the resurrection of the Greek philosophy in the hands of 12th Century Islamic scholars. In the economic sphere, we can discern roughly four themes the Scholastics were particularly concerned with: property, justice in economic exchange, money, and usury.

The coexistence of private property with Christian teachings was never comfortable. In the 5th Century, the early Church fathers had struck down "communistic" Christian movements and the Church itself went on to accumulate enormous amounts of property. In the 12th Century, St. Francis of Assisi began a movement (the "Franciscans"), which insisted on vows of poverty and "brotherhood". Against the Franciscans were arrayed St. Thomas and the Dominicans, who dug out of Aristotle and the Bible the necessary arguments to put down their challenge. The Thomists took a practical stance: they argued that private property was a "conventional" human arrangement with no moral implications, and furthermore, it had the nice side-effect of stimulating economic activity and thus general welfare.

Another question that arose was that of entrepreneurship. Should a merchant be allowed to profit from differentials in prices? The Scholastics replied with a qualified yes, provided the merchant is not motivated by pure gain and profit be only just enough to cover his labor expenses of the merchant.

The charging of usury, or interest on money lent, came quickly under scrutiny. There is no clear basis for a ban on usury in Christian scriptures. To early Church fathers, the Christian notion that "all men are brothers" necessarily implied that usury

must be banned outright. Another patrician, St. Ambrose, decided that lending with interest to enemies in the course of a just war was permissible.

The Thomists argued that as money was not in Genesis, then it had no "intrinsic worth". They appealed to Aristotle's idea, that money is merely a human social convention which yields no utility itself, thus its value is "imposed" by humans. Loosely speaking, as money has no intrinsic worth, then a lender of money loses nothing of worth when lending it out. Thus, by the Golden Rule, he should not ask for compensation for doing so. Other forms of "earning without labor" (e.g. rent on land) were acceptable to the Thomists because there was indeed "intrinsic worth" in the object lent and thus it is "costly" to part with it.

Publication of Adam Smith's ‘The Wealth of Nations’ in 1776, has been described as "the effective birth of economics as a separate discipline." The book identified land, labour, and capital as the three factors of production and the major contributors to a nation's wealth.

In Smith's view, the ideal economy is a self-regulating market system that automatically satisfies the economic needs of the populace. He described the market mechanism as an "invisible hand" that leads all individuals, in pursuit of their own self-interests, to produce the greatest benefit for society as a whole.

In his famous invisible-hand analogy, Smith argued for the seemingly paradoxical notion that competitive markets tended to advance broader social interests, although driven by narrower self-interest. The general approach that Smith helped initiate was called political economy and later classical economics. It included such notables as Thomas Malthus, David Ricardo, and John Stuart Mill writing from about 1770 to 1870.

While Adam Smith emphasized the production of income, David Ricardo focused on the distribution of income among landowners, workers, and capitalists. Ricardo saw an inherent conflict between landowners on the one hand and labor and capital on the other. He posited that the growth of population and capital, pressing against a fixed supply of land, pushes up rents and holds down wages and profits.

Malthus cautioned law makers on the effects of poverty reduction policies. Thomas Robert Malthus used the idea of diminishing returns to explain low living standards. Population, he argued, tended to increase geometrically, outstripping the production of food, which increased arithmetically. The force of a rapidly growing population against a limited amount of land meant diminishing returns to labor. The result, he claimed, was chronically low wages, which prevented the standard of living for most of the population from rising above the subsistence level. Malthus also questioned the automatic tendency of a market economy to produce full employment.

Coming at the end of the Classical tradition, John Stuart Mill parted company with the earlier classical economists on the inevitability of the distribution of income produced by the market system. Mill pointed to a distinct difference between the market's two roles: allocation of resources and distribution of income. The market might be efficient in allocating resources but not in distributing income, he wrote, making it necessary for society to intervene.

Value theory was important in classical theory. Smith wrote that the "real price of every thing ... is the toil and trouble of acquiring it" as influenced by its scarcity. Smith maintained that, with rent and profit, other costs besides wages also enter the price of a commodity. Other classical economists presented variations on Smith, termed the 'labour theory of value'. Classical economics focused on the tendency of markets to move to long-run equilibrium.

Marxist economics descends from classical economics. It derives from the work of Karl Marx. The first volume of Marx's major work, Das Kapital, was published in German in 1867. In it, Marx focused on the labour theory of value and what he considered to be the exploitation of labour by capital. The labour theory of value held that the value of a thing was determined by the labor that went into its production. This contrasts with the modern understanding that the value of a thing is determined by what one is willing to give up to obtain the thing.

Answer the questions.

1. What were the main four themes the Scholastics were particularly concerned with?
2. Why did Adam Smith's ‘The Wealth of Nations’ became so important for economics?
3. What were the basic ideas of Adam Smith's ‘The Wealth of Nations’?
4. What was the difference between Adam Smith’s and David Ricardo’s ideas about income?
5. What economist tried to explain low living standards of population?
6. What was the central point of classical economics?

Fill in the gaps with the words given below. Translate the sentences.

society rents approach utility employment income gain wealth convention

1. Office _____ are highest in the city centre.
2. The amount of tax you have to pay depends on your _____.
3. A Japanese company plans to set up a factory in the area, so this should provide some _____ for local people.
4. This chapter is concerned with the study of the unequal distribution of power, prestige and _____ in society.
5. Space scientists had to adopt a whole new _____ to design and construction.
6. We live in a _____ that values hard work.
7. Demonstrations allow customers to get an immediate idea of a product's _____.
8. It is a matter of _____ that male business people usually wear suits.
9. Companies just don't invest enough – short-term _____ is all they think about.

TEXT 4

Vocabulary

authority – власть, орган власти

quantity – количество

quality – качество

private property – частная собственность

enterprise – предприятие

waste – тратить

consumer – потребитель

efficiency – эффективность, производительность, продуктивность

preference – предпочтение, льгота

exchange – обмен

purchase – покупка

PLANNED, MARKET AND MIXED ECONOMIES

Three main sets of decisions need to be made by the economic system - what to produce, how to produce, and how to share out the product of the economy. A planned economy is one in which a central planning agency such as the government determines the 3 economic decisions outlined above. A market economy is one in which these decisions are determined by buyers and sellers interacting with each other without government interference. A mixed economy includes elements of both the planned and the market economies.

Economies (and there are few of these left today) that favour the centrally planned economy argue that the government (central planners) is best placed to meet the needs of all the people of a particular society. The state organizes the whole economic effort of the country. A central authority with complete power decides what goods and services will be produced. The authority decides what quantities of goods will be produced, and also controls the quality, distribution and prices. In such states private property and private enterprise are reduced to a minimum. The national economy must be planned ahead over a number of years. A Marxist economy is

planned. The system is related to the needs of the state as a whole, not to the need of the private person. The emphasis is on collective effort and not on personal effort, so that the individual is subordinated to the needs of the collective state.

Economies in favour of the free market argue that central planning wastes resources and that the market makes sure that consumers get what they want producing, while producers supply it at a profit. The market economy refers to the system whereby what is produced and how is determined by buyers and sellers engaging in free exchanges for the sale and purchase of goods.

The reality is that most societies operate some form of mixed economy. No state today is completely communistic or completely capitalistic. The various national economic systems tend generally towards one type or the other, but many systems are difficult to classify. It has been found necessary in many countries, even in such dedicated strongholds of free enterprise as the USA, to control or regulate national economic conditions. Systems of this type are sometimes called mixed economies.

Britain nowadays has a mixed economy. Most decisions are made by the market – e.g. when you buy goods in supermarket you vote with your money for the goods that you want to buy. However, some decisions are made by the government e.g. those relating to road building, school and hospital construction, the supply of medicines in hospitals etc.

In the UK the emphasis is on letting the market make most decisions because of its high level of efficiency in responding to customer preferences. However, some decisions must be made by the government on behalf of society e.g. decisions about military spending, and public education.

Answer the questions.

1. What are the basic decisions made by any economic system?
2. Who determines these main decisions in a market economy?
3. What economy does the government play the most important role in?
4. What are the principal features of a planned economy?
5. What type of economies does the United Kingdom belong to?

Fill in the gaps with the words given below. Translate the sentences.

private property enterprise consumer authority efficiency exchange

1. The King had the _____ to raise taxes without the permission of parliament.
2. Many state documents were considered as the officer's _____ _____.
3. The main characteristics of capitalism are private ownership of capital and freedom of _____.
4. The management seems to expect staff to be constantly achieving higher levels of _____ and productivity.
5. Improved _____ choice is one of the benefits of a free market.
6. In any negotiations there must be an honest _____ of information.

TEXT 5

Vocabulary

fluctuation – колебание, изменение

inflation / deflation – инфляция / дефляция

measurement – измерение

fiscal tool – мероприятия налоговой политики

sole proprietor – единоличный владелец

not-for-profit organization – некоммерческая организация

interaction – взаимодействие

cause and effect – причина и следствие

individual agent – отдельный представитель

transaction – сделка, торговая операция

competition – конкуренция

reciprocity – взаимная выгода, взаимность

allocation – распределение

quid pro quo – услуга за услугу, компенсация

community – сообщество

eminent domain – право государства на отчуждение частной собственности

MICROECONOMICS AND MACROECONOMICS

MACROECONOMICS

Macroeconomics is the study of the process and performance of an economic system. Usually the analysis is at a national level but often, regional economies, such as Asian, Latin America, European, North American, are considered. Typically, aggregate levels of employment, economic growth, general levels of prices (inflation/deflation), and business fluctuations are examples of topics in macroeconomics. Macroeconomics includes measurement of economic activity (national income accounting and related data), theories to explain relationships among economic events and economic policies that include monetary and fiscal tools.

MICROECONOMICS

Modern microeconomics is the study of the behavior and interactions among the various individuals and organizations within an economic system. Typically, microeconomics considers the forces that shape the behavior of such economic elements as consumers, producers, buyers, sellers, individuals, sole proprietors, partners, corporations, not-for-profit organizations and industries. These interactions are usually described as interactions within the context of markets. Modern neoclassical microeconomics (orthodox economics) is "atomistic" i.e. the individual units are studied and summed to reflect the operation of the whole or system. Most of the explanations are "mechanical" or use "cause and effect" to explain the interactions among individual agents. Economics as provisioning is concerned with the nature of the system in which the individual agents function.

One of the ways that the economic units interact is through market exchange. A market is a social institution that organizes the contractual relationships among all potential buyers and sellers. Since market transactions are observable and quantifiable, microeconomics tends to focus on competition in the context of market exchange. Cooperation and conscription are other approaches that may be used. Reciprocity, philanthropy, theft and eminent domain are processes that societies may use for the allocation of resources and goods. Market exchange is based on *quid pro quo*. Ideally, it is a voluntary contract between two agents. It specifies what is given

and what is to be received. The conditions of payment are known to both parties. Reciprocity is an allocative mechanism based on "obligatory gift giving." If individual A gives individual B a gift or does B a favor, B is obligated to give a gift or return the favor at some point in the future. Reciprocity requires trust between the participants. A sense of community where expectations and social sanctions may enforce the reciprocal obligations may substitute for trust. Market exchange can occur between anonymous individuals. Trust, social institutions and legal sanctions may be used to enforce the terms of market exchanges. Philanthropy is giving gifts with nothing expected in return. Eminent domain is a form of command enforced by an authority. Theft is the taking of property rights through methods not sanctioned by society.

Theory is an explanation about the way the world works. Economic theory is a set of explanations about how individuals interact with one another and the environment to solve the economic problems. Orthodox microeconomic theory can be thought of as a set of "tools," as a perspective or as a way of thinking. As a set of tools, economic theory can be envisioned as a road map. It does not get us to our objective but it is useful to identify some of the important landmarks or elements on the route to our objective. As a perspective, it emphasizes the importance of the sacrifices that individuals make to achieve ends. Those things we give up to achieve an objective are called tradeoffs. The focus tends to be market oriented and exchange is emphasized.

Answer the questions.

1. What does macroeconomics study?
2. What does macroeconomics include?
3. What definition of market is given in the text?
4. What does microeconomics consider?

Decide whether the following sentences are true (T) or false (F). If they are false, correct them.

1. Usually macroeconomics includes such problems as levels of employment, economic growth, general levels of prices, business fluctuations.
2. Interactions between consumers, producers, buyers, sellers, individuals, sole proprietors, partners, corporations, not-for-profit organizations and industries are studied by macroeconomics.
3. Studies of the behaviour of individual units as the reflection of the whole economic system operation are called "atomistic" approach in microeconomics.
4. The allocation of resources and goods cannot be based on such processes as reciprocity, philanthropy, theft and eminent domain.
5. When giving gifts, philanthropy wants something in return.

Fill in the gaps with the words given below. Translate the sentences.

cause and effect fluctuation economic growth transaction obligation competition

1. Employers have an _____ to treat all employees equally.
2. He asked whether _____ between the old private companies and the newly privatised ones is fair.
3. When the _____ is complete it will be at least two weeks before you receive your copy of the contract.
4. Prices are subject to _____.
5. A lightly-taxed economy generates more _____ _____, and more revenue.
6. The influence of wages is more difficult to assess because _____ _____ _____ are entangled with one another.

TEXT 6

Vocabulary

production – производство

distribution – распределение

consumption – потребление

inputs (resources) – затраты (на производство)

output – выпуск, продукция, производство

entrepreneurial – предпринимательский

entrepreneur – предприниматель

renewable – возобновляемый

exhaustible – истощимый, небезграничный

wage – заработная плата

salary – жалованье, оклад

commissions – комиссионные

means of production – средства производства

interest – процент (на капитал), доход

venture – коммерческое или рискованное предприятие

profit – доход, прибыль

utility – полезность

eminent domain - право государства на принудительное отчуждение частной собственности

relative price – относительная цена

ECONOMIC ACTIVITIES

Production, distribution and consumption are clearly economic activities. Each of these activities is interrelated with other aspects of society as well as the natural and built environments. It may be helpful to think of an economic system as a process that begins with a set of inputs (or resources) that are used for production that must be distributed for ultimate consumption.

INPUTS OR RESOURCES

The economic process begins with a set of inputs. These inputs are often referred to as resources or “factors of production.” Typically, these resources are classified as labour, capital, land, and entrepreneurial ability.

LAND

Land is a resource or input that is a “gift of nature”. It exists independently of human activities. Soil, a forest, a deposit of oil or coal, rain, a river, the climate are a few examples of land. In economics the payment for land is often called rent. There are many categories of land.

Some resources, like solar or wind, are referred to as “flow resources.” If the resource is used for one purpose, there is no significant impact on the availability of the resource for other uses. Other land resources are called “renewable.” A forest, fishery, herd of buffalo, whales, water quality and the like are renewable resources. Trees may be harvested from a forest at a maximum rate equal to the growth rate of new trees. This is called the maximum sustainable yield. Fish, whales and buffalo (and other wildlife) can be harvested and if a large enough population is left it will “renew” or replenish. Other resources are called exhaustible resources. There is a finite amount available and once used it is gone, it cannot be replaced. Coal and oil are examples of these resources. In practice, society does not know about all deposits of those resources. As one deposit of coal is mined out, new deposits may be discovered.

LABOUR

Labour is any human effort to produce goods and services. The payment for labour is usually called wages (payments might be commissions, salary, bonus or whatever). Labour can be physical or mental. A person digging a ditch, managing a firm, or performing accounting functions is providing labour.

CAPITAL

Capital is a means of production that is made by human labour and used for the further production of goods and services. Drill presses, dams, roads, irrigation canals

and buildings are examples of things that may be considered as capital if they are used to produce other goods. The payment for capital is usually measured as interest.

ENTREPRENURIAL ABILITY

The term entrepreneur was first used in economics by Richard Cantillon (1680-1734). The term was later popularized by Jean-Baptiste Say (1767-1832). Joseph Schumpeter (1883-1950) further developed the concept of the entrepreneur. For Schumpeter, the term was applied to those persons who were innovators and creators of new goods and processes. The act of creating something new is fundamental to the concept of the entrepreneur.

The person who provides the capital for a new venture is not an entrepreneur. The person who manages a project after its creation is not an entrepreneur. The process of creating new goods or processes is usually accompanied by risk. Innovation and risk are important elements of the entrepreneurial function. The return to the entrepreneur is usually thought of as profit.

PRODUCTION

Production is the process of altering inputs to increase their ability to satisfy human wants. Production can occur if inputs are physically altered to increase their ability to satisfy wants (utility). Steel that has been made into a pan may provides more utility that a sheet of steel or an iron ingot. The iron has been physically altered to increase its ability to satisfy wants.

A change in the location of a good can increase its ability to satisfy wants. Lobster is moved from Maine to Arizona because it will satisfy more wants in Arizona than in Maine. Changes in time or ownership are other types of productive activities.

Physical production is the most obvious and easiest to measure. Units of automobiles, cans of peaches, pizzas and bottles of wine can be counted. A variation in the quality of these goods is often ignored. (Relative prices paid for goods may be an indicator of quality.) Airlines measure their production by passenger-miles. Trucking companies use ton-miles to measure output. Services are often more difficult to measure. A police department may produce safety or security. How is that

measured? A teacher produces education. How is that measured? Is the output of a fire department measured as the number of fires they extinguish or the number of fires they prevented?

DISTRIBUTION

Distribution usually describes the process of allocating the property rights to goods and services that have been produced. Societies have used market exchange, reciprocity, eminent domain, inheritance, theft and philanthropy to distribute these property rights. The primary means of distribution or allocative mechanisms that are used in most societies are exchange, reciprocity and eminent domain.

CONSUMPTION

The end purpose of economic activity is to provide for the survival and betterment of the conditions for individuals in a society. One aspect of this is the production of goods and services that can be consumed by individuals to satisfy needs and wants. Modern, neoclassical economists generally do not like to use the word “needs.” The use of the word “wants” is an attempt to take subjective judgment out of the analysis.

Consumption patterns are influenced by preferences (tastes), income, wealth, and the relative prices of goods. Preferences cannot be measured directly. The choices that individuals make give some indication as to preferences. The consumption choices are often correlated with variables that can be measured. Age, gender, ethnicity, religion and other characteristics may be related to preferences and consumption choices. In orthodox microeconomics, demand analysis is one approach to summarizing the consumption choices.

Consumptive activities may include more than goods and services that are exchanged in a market. Individuals value security, aesthetics, creativity, leisure, a sense of belonging, and other non-market phenomena. These consumption activities should be considered in the study of the provisioning problem. The role of these things frequently arises in the allocation process because individuals may trade market goods for non-market values. An artist may give up some income to engage in creative activities. Income or goods that can be purchased with that income may be

iven up for leisure of job security. Societies may tradeoff electricity or irrigation to have a free flowing river.

INTERRELATION OF ECONOMIC ACTIVITIES

Production, distribution and consumption are interrelated. What to produce is influenced by what individuals want to consume. What people want to consume is influenced by the distribution process and what can potentially be produced. This coordination may come in the form of cooperative activities, such as the creation of a business firm. The firm usually organizes production internally as a cooperative process but must compete externally. Alternatively, the coordination of activities may be accomplished by competition or some combination of cooperation and competition.

Answer the questions.

1. What inputs or resources are used for production?
2. What kinds of resources are usually distinguished?
3. What is capital?
4. What person can be called an entrepreneur?
5. What is production? What are the measures of production?
6. What are consumption patterns influenced by?

Decide whether the following statements are true (T) or false (F). If they are false, correct them.

1. Basic economic activities are production, distribution and consumption.
2. Land is fully dependent on human activities.
3. Resources having finite amount available are called renewable.
4. The person providing the capital for a new venture is an entrepreneur.
5. Production depends on what individuals want to consume.

Fill in the gaps with the words given below. Translate the sentences.

means of production **renewable** **venture** **salary** **interest** **entrepreneurs** **utility**

1. Trees are a _____ resource that when managed properly can sustain our needs indefinitely.
2. The Bay Area is full of _____ hoping to make money on the Internet.
3. It is difficult to formulate a standard definition of a joint _____.
4. It would be foolish to nationalize all the _____.
5. The university provides a _____ of $3,000 a month plus benefits.
6. Demonstrations allow customers to get an immediate idea of a product's _____.
7. Credit companies charge huge amounts of _____.

TEXT 7

Vocabulary

owner – владелец

ownership – собственность

sole proprietorship – единоличная собственность

liability – обязательство, пассив; мн.ч. – долги, денежные обязательства, задолженность

account – счет, финансовый отчет, бухгалтерский отчет

accountant – бухгалтер

take into account – принимать во внимание

earnings – заработок, доход, прибыль, поступления

run the business – управлять бизнесом, вести дело

debt –долг, обязательство

assets – актив (баланса); средства, фонды, авуары, имущество

partnership – партнерство

raise funds – получать деньги; мобилизовать капитал; получать ссуду

tax – налог

tax return – налоговая декларация

insurance – страхование

loan – заем, ссуда

incentive – стимул

share – доля, часть, акция

shareholder – акционер

stock – капитал; акционерный капитал; основной капитал; акция; акции

board of directors – совет директоров

limited liability company – компания с ограниченной ответственностью

FORMS OF BUSINESS ORGANIZATION

One of the first decisions that you will have to make as a business owner is how the business should be structured. All businesses must adopt some legal configuration that defines the rights and liabilities of participants in the business's ownership, control, personal liability, life span, and financial structure. This decision will have long-term implications, so you may want to consult with an accountant and attorney to help you select the form of ownership that is right for you. In making a choice, you will want to take into account the following:

- Your vision regarding the size and nature of your business.
- The level of control you wish to have.
- The level of "structure" you are willing to deal with.
- The business's vulnerability to lawsuits.
- Tax implications of the different organizational structures.
- Expected profit (or loss) of the business.
- Whether or not you need to re-invest earnings into the business.
- Your need for access to cash out of the business for yourself.

So you should choose between four basic legal forms of organization: Sole Proprietorship; Partnerships; Corporations and Limited Liability Company.

Sole Proprietorship

The vast majority of small businesses start out as sole proprietorships. These firms are owned by one person, usually the individual who has day-to-day

responsibility for running the business. Sole proprietorships own all the assets of the business and the profits generated by it. They also assume complete responsibility for any of its liabilities or debts. In the eyes of the law and the public, you are one in the same with the business.

Advantages of a Sole Proprietorship

- Easiest and least expensive form of ownership to organize.
- Sole proprietors are in complete control, and within the parameters of the law, may make decisions as they see fit.
- Profits from the business flow-through directly to the owner's personal tax return.
- The business is easy to dissolve, if desired.

Disadvantages of a Sole Proprietorship

- Sole proprietors have unlimited liability and are legally responsible for all debts against the business. Their business and personal assets are at risk.
- May be at a disadvantage in raising funds and are often limited to using funds from personal savings or consumer loans.
- May have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business.
- Some employee benefits such as owner's medical insurance premiums are not **directly** deductible from business income (only partially as an adjustment to income).

Partnerships

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed. Yes, it's hard to think about a "break-up" when the business is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. They also must decide up front how much time and capital each will contribute, etc.

Advantages of a Partnership

- Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.
- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners' personal tax return.
- Prospective employees may be attracted to the business if given the incentive to become a partner.
- The business usually will benefit from partners who have complementary skills.

Disadvantages of a Partnership

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns.
- The partnership may have a limited life; it may end upon the withdrawal or death of a partner.

Corporations

A Corporation, chartered by the state in which it is headquartered, is considered by law to be a unique entity, separate and apart from those who own it. A Corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Advantages of a Corporation

- Shareholders have limited liability for the corporation's debts or judgments against the corporation.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.

- Corporations can raise additional funds through the sale of stock.
- A Corporation may deduct the cost of benefits it provides to officers and employees.

Disadvantages of a Corporation

- The process of incorporation requires more time and money than other forms of organization.
- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income; thus this income can be taxed twice.

Limited Liability Company (LLC)

The LLC is a relatively new type of hybrid business structure that is now permissible in most states. It is designed to provide limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. Formation is more complex and formal than that of a general partnership.

The owners are members, and the duration of the LLC is usually determined when the organization papers are filed. The time limit can be continued if desired by a vote of the members at the time of expiration. LLC's must not have more than two of the four characteristics that define corporations: Limited liability to the extent of assets; continuity of life; centralization of management; and free transferability of ownership interests.

Answer the questions.

1. Why is the decision about the structure of a business so important when starting a new business?
2. What is a sole proprietorship?
3. What are advantages and disadvantages of the sole proprietorship?
4. What are the basic principles of a partnership?
5. Who controls a corporation?
6. What are the main features of a limited liability company?

Decide whether the following statements are true (T) or false (F). If they are false, correct them.

1. Partners have both joint and individual liability for the actions of the other partners.
2. The owners of a corporation are authorities and state agencies.
3. A limited liability company unites features of a sole proprietorship and a corporation.
4. A sole proprietor owns all the capital of the business and the profits generated by it.

Fill in the gaps with the words given below. Translate the sentences.

shareholders accountant earnings tax return ownership tax incentives loans

1. Classes teach the basics of small business _____ such as accounting and customer service.
2. Just as an _____ might use a financial model, the analyst can develop an entity model.
3. Most single mothers spend a large part of their _____ on childcare.
4. Some _____ are unhappy with the running of the business and are concerned with the way the recent annual meeting was conducted.
5. The government is offering special _____ _____ to people wanting to start up small businesses.
6. He received hundreds of dollars in _____ from the financial institutions.
7. If your child has already paid tax, he or she must complete a _____ _____ to receive a rebate.

TEXT 8

Vocabulary

economic law – экономический закон

supply – предложение

demand – спрос

equilibrium price – равновесная цена

good – товар

competitor – конкурент

apply – применять(ся)

total output – валовый выпуск, вся продукция; общий объем производства

costs – затраты, расходы

cut production – сокращать производство

satisfy – удовлетворять

charge price – назначать цену

performance – поведение, исполнение, совершение

DEMAND AND SUPPLY

The most basic laws in economics are the law of supply and the law of demand. Indeed, almost every economic event or phenomenon is the product of the interaction of these two laws. The law of supply states that the quantity of a good supplied (i.e., the amount owners or producers offer for sale) rises as the market price rises, and falls as the price falls. Conversely, the law of demand says that the quantity of a good demanded falls as the price rises, and vice versa.

One function of markets is to find “equilibrium” prices that balance the supplies of and demands for goods and services. An equilibrium price is one at which each producer can sell all he wants to produce and each consumer can buy all he demands. Naturally, producers always would like to charge higher prices. But even if they have no competitors, they are limited by the law of demand: if producers insist on a higher price, consumers will buy fewer units. The law of supply puts a similar limit on consumers. They always would prefer to pay a lower price than the current

one. But if they successfully insist on paying less, suppliers will produce less and some demand will go unsatisfied.

Economists often talk of “demand curves” and “supply curves.” A demand curve traces the quantity of a good that consumers will buy at various prices. As the price rises, the number of units demanded declines. That is because everyone’s resources are finite; as the price of one good rises, consumers buy less of that and, sometimes, more of other goods that now are relatively cheaper. Similarly, a supply curve traces the quantity of a good that sellers will produce at various prices. As the price falls, so does the number of units supplied. Equilibrium is the point at which the demand and supply curves intersect — the single price at which the quantity demanded and the quantity supplied are the same.

Markets in which prices can move freely are always in equilibrium or moving toward it. For example, if the market for a good is already in equilibrium and producers raise prices, consumers will buy fewer units than they did in equilibrium, and fewer units than producers have available for sale. In that case producers have two choices. They can reduce price until supply and demand return to the old equilibrium, or they can cut production until the quantity supplied falls to the lower number of units demanded at the higher price. But they cannot keep the price high and sell as many units as they did before.

Why does the quantity supplied rise as the price rises and fall as the price falls? The reasons really are quite logical. First, consider the case of a company that makes a consumer product. Acting rationally, the company will buy the cheapest materials (not the lowest quality, but the lowest cost for any given level of quality). As production (supply) increases, the company has to buy progressively more expensive (i.e., less efficient) materials or labor, and its costs increase. It charges a higher price to offset its rising unit costs.

Demand and supply are used to explain the behavior of perfectly competitive markets, but their usefulness as a standard of performance extends to any type of market. Demand and supply can also be generalized to explain variables applying to

the whole economy, for example, quantity of total output and the general price level, studied in macroeconomics.

In supply-and-demand analysis, the price of a good coordinates production and consumption quantities. Tracing the effects of factors predicted to change supply and demand — and through them, price and quantity — is a standard exercise in applied microeconomics and macroeconomics. Economic theory can specify under what circumstances price serves as an efficient communication device to regulate quantity.

Answer the questions.

1. What does the law of supply state?
2. What is the function of markets?
3. What do “demand curves” and “supply curves” trace?
4. What are the reasons that the quantity supplied rises when the prices rise?
5. When does a company have to use expensive materials and labour?

Decide whether the following statements are true (T) or false (F). If they are false, correct them.

1. The law of demand states that the quantity of a good supplied rises as the market price rises, and falls as the price falls.
2. An equilibrium price is the single price at which the quantity demanded and the quantity supplied are the same.
3. Markets in which prices can move freely can not be in equilibrium.
4. The economic law of supply and demand can be applied to explain the behavior of any type of market.

Fill in the gaps with the words given below. Translate the sentences.

goods equilibrium satisfy charge supply and demand output

1. The operation of the free market maintains an _____ between supply, demand and price.

2. Cost of _____ sold represents such items as materials costs, direct factory labor, and factory overhead costs.
3. Small shops _____ much higher prices for the same products.
4. The program is designed to _____ the needs of adult learners.
5. Ford plans to increase its car _____ next year.
6. The direction of the change in quantity depends upon the relative sizes of the changes in _____.

TEXT 9

Vocabulary

level of prices – уровень цен

purchasing power – покупательная способность

inflation rate – темпы (уровень) инфляции

value – стоимость, цена

measure – мера

price index – индекс цен

savings – сбережения

shortage – нехватка, дефицит

increase – увеличение, рост; увеличивать

decrease – снижение; снижаться

debt – долг

scarcity – недостаток, нехватка, дефицит

economic growth – экономический рост

adjust – приспосабливать, согласовывать, регулировать,

interest rate – процентная ставка

Consumer Price Index (CPI) – индекс потребительских цен

experience – испытывать

exceed – превышать, превосходить

link to gold – привязка к золоту

hyperinflation - гиперинфляция

INFLATION

In economics, inflation is a rise in the general level of prices of goods and services in an economy over a period of time. When the price level rises, each unit of currency buys fewer goods and services; consequently, inflation is also erosion in the purchasing power of money – a loss of real value in the internal medium of exchange and unit of account in the economy. A chief measure of price inflation is the inflation rate, the annualized percentage change in a general price index (normally the Consumer Price Index) over time.

Inflation can have positive and negative effects on an economy. Negative effects of inflation include a decrease in the real value of money and other monetary items over time; uncertainty about future inflation may discourage investment and saving, and high inflation may lead to shortages of goods if consumers begin hoarding out of concern that prices will increase in the future. Positive effects include a mitigation of economic recessions, and debt relief by reducing the real level of debt.

Economists generally agree that high rates of inflation and hyperinflation are caused by an excessive growth of the money supply. Views on which factors determine low to moderate rates of inflation are more varied. Low or moderate inflation may be attributed to fluctuations in real demand for goods and services, or changes in available supplies such as during scarcities, as well as to growth in the money supply. However, the consensus view is that a long sustained period of inflation is caused by money supply growing faster than the rate of economic growth.

Today, most economists favor a low steady rate of inflation. Low (as opposed to zero or negative) inflation may reduce the severity of economic recessions by enabling the labor market to adjust more quickly in a downturn, and reduce the risk that a liquidity trap prevents monetary policy from stabilizing the economy. The task of keeping the rate of inflation low and stable is usually given to monetary authorities. Generally, these monetary authorities are the central banks that control the size of the money supply through the setting of interest rates, through open market operations, and through the setting of banking reserve requirements.

Inflation rates vary from year to year and from currency to currency. Since 1950, the U.S. dollar inflation rate, as measured by the December-to-December change in the U.S. Consumer Price Index (CPI), has ranged from a low of −0.7 percent (1954) to a high of 13.3 percent (1979). Since 1991, the rate has stayed between 1.6 percent and 3.3 percent per year. Since 1950 at least eighteen countries have experienced episodes of hyperinflation, in which the CPI inflation rate has soared above 50 percent per month. In recent years, Japan has experienced negative inflation, or "deflation," of around 1 percent per year, as measured by the Japanese CPI. Central banks in most countries today profess concern with keeping inflation low but positive.

Although economies on silver and gold standards sometimes experienced inflation, inflation rates in such economies seldom exceeded 2 percent per year, and the overall experience over the centuries was inflation of close to zero. Economies on paper-money standards, which all economies have today, have displayed much more inflation. In 1971 the U.S. government cut the U.S. dollar's last link to gold, ending its commitment to redeem dollars for gold at a fixed rate for foreign central banks. Even among countries that have avoided hyperinflation, inflation rates have generally been higher in the period after 1971. But inflation rates in most countries have been lower since 1985 than they were in 1971–1985.

Answer the questions.

1. What is the cause of inflation and hyperinflation?
2. What is the measure of price inflation?
3. What are the positive effects of a low steady rate of inflation?
4. What is the main function of the central banks?

Decide whether the following statements are true (T) or false (F). If they are false, correct them.

1. Economists use the term “inflation” to define a sustained increase in the general level of prices for goods and services.
2. Inflation always has negative effects on an economy.
3. Economies on silver and gold standards are much stronger than economies on paper-money standards.
4. Keeping the rate of inflation low and stable is usually one of the main tasks given to monetary authorities.

Fill in the gaps with the words given below. Translate the sentences.

savings value shortages measure purchasing power price index exceed

1. The minimum wage has been raised, but its _____ has fallen by 40 % since the late 60s.
2. Parts of Britain are suffering water _____ after the unusually dry summer.
3. Salaries are rising barely as fast as the consumer _____, meaning most families do not have more buying power.
4. All small companies will need to make _____ if they are to survive.
5. The share price has continued to fall in _____over the past week.
6. Legal requirements state that working hours must not _____ 42 hours a week.
7. The new law gives local governments a significant _____ of control over their own finances.

TEXT 10

Vocabulary

fee – сбор

income – доход

direct tax – прямой налог

indirect tax – косвенный налог

progressive tax – прогрессивный налог

regressive tax – регрессивный налог

expenditure – трата, расход

tax assessment – налоговое обложение

tax rate – налоговая ставка

fixed rate – фиксированная процентная ставка

entity – экономический объект

charge – вменять в обязанность, взыскивать

levy – взимать, облагать, взыскивать

impose – облагать

TAXES AND TAXATION SYSTEM

Tax is a fee charged ("levied") by a government on a product, income, or activity. If tax is levied directly on personal or corporate income, then it is a direct tax. If tax is levied on the price of a good or service, then it is called an indirect tax. The purpose of taxation is to finance government expenditure. One of the most important uses of taxes is to finance public goods and services, such as street lighting and street cleaning. Since public goods and services do not allow a non-payer to be excluded, or allow exclusion by a consumer, there cannot be a market in the good or service, and so they need to be provided by the government or a quasi-government agency, which tend to finance themselves largely through taxes.

Tax has an extremely long-established history. The ancient Egyptians appointed Tax Masters who increased the burden on the Children of Israel - slaves under Egyptian domination.

Throughout history, the collection of taxes has had interesting results. In the year 60 A.D. the Queen of East England rebelled against corrupt tax collectors. The Queen succeeded in recruiting 230,000 warriors to fight the war, and when it was over, some 80,000 men had been killed.

In 1369, the reason for the renewal of the 100 Years War between England and France was the rebellion of the nobility against the tax policy of Edward, the Black Prince.

An original method of fighting the tax authorities was adopted by the Englishwoman, Lady Godiva. In the 11th century, Lady Godiva successfully reduced the tax assessment on her husband, the Earl of Mercia, by riding naked on a white horse through the streets of Coventry.

As a general rule, tax is the source that is best exploited by government. It is imposed on individuals and companies to finance services that the State is obligated to provide and to meet its goals. On extremely rare occasions, governments have used sources other than tax; for instance, income from natural resources. However, as a general rule, most governments use the collection of taxes as the main tool for financing their expenses.

Tax is divided into two main categories, progressive and regressive taxes. Progressive tax is graduated and its rate varies according to the taxpayer's income. Regressive tax is a tax at a fixed rate irrespective of the taxpayer's income. For example, sales tax is imposed on sales, at a fixed rate, on rich and poor alike. It is regressive in that it is a tax that is proportionally greater on the income of a poor man than that of a rich man.

TAXATION SYSTEM FOR FOREIGNERS - UKRAINE

Ukrainian tax legislation is built on the principle of non-discrimination and equal terms of taxation for any business entity in the Ukraine. Regarding foreign investors, in the scope of taxation they are treated under the national regime. The following laws are the main tax laws in the Ukraine:

- law on the System of Taxation;
- law on Local Taxes and Duties;
- law on Taxation of Company Profits;
- law on Value-Added Tax;
- law on Unified Customs Tariffs; and
- laws on Excise Duty.

Under laws of the taxation system, only taxation laws may introduce taxes and duties and their rates. Only taxes and duties stipulated by said law shall be paid. Amendments to this law, as well as to other taxation laws, concerning rates and the mechanism for calculating taxes, shall be made not later than six months before a new budget year and will take effect from the beginning of the new budget year.

The law on taxation of company profits fixes the corporate tax rates depending on the business activities.

The law on value-added tax fixes the general rate of value-added tax at 20 per cent, as well as defining a range of transactions, which are exempted from said tax.

Answer the questions.

1. What are taxes usually imposed by?
2. What was the reason for the renewal of the 100 Years War between England and France?
3. What do governments exploit taxes for?
4. What main categories of taxes do you know?
5. What is the basic principle of Ukrainian tax legislation?
6. What is the fixed rate of the value-added tax in Ukraine?

Decide whether the following statements are true (T) or false (F). If they are false, correct them.

1. Progressive tax rate varies according to the taxpayer's income.
2. Regressive tax doesn’t vary depending on the taxpayer's income.
3. Terms of taxation are different for Ukrainian and foreign investors.
4. Indirect tax - a tax paid directly by the person or organization on whom it is levied.

Fill in the gaps with the words given below. Translate the sentences.

direct **rate of tax** **regressive** **expenditure** **impose**

1. Income tax is by far the most important _____ tax, alone contributing almost 26% of government receipts.
2. The new regulations will require unnecessary _____ of time and money.
3. The income tax we pay may vary with changes either in our income or in the _____ charged.
4. A _____ tax structure is one in which the average tax rate falls as income level rises.
5. The court can _____ a fine.

Text 11

Vocabulary

stock-holding company — акционерное общество, компания

Managing Director — управляющий

Chief Executive — руководитель

Board of Directors — совет директоров, правление

the Chairman of the Board of Directors — председатель правления совета директоров

be in overall control — полностью контролировать

department — отдел

Finance Department — финансовый отдел

Sales Department — отдел торговли и реализации

Marketing Department — отдел маркетинга

Production Department — производственный отдел

Research and Development Department — отдел прогнозирования и развития

Personnel Department — отдел кадров

Tax Department — налоговый отдел

Logistics Department — транспортный отдел

be in charge of smth — быть ответственным за что-либо

supervise — наблюдать; быть начальником; руководить

supervisor — инспектор; руководитель

execute — исполнять

forecasting — прогнозирование

revenue — прибыль

move up to the position — получить повышение

oversee — предусматривать

computer literacy — компьютерная грамотность

timeline — срок

facility — оборудование

negotiate — вести переговоры

shipment — отгрузка; поставка

arrange — договариваться; устраивать

treasury — казна

cash flow — оборот наличных денег

capital expenditures – капиталовложения

accuracy – точность, правильность

Chief Accountant — главный бухгалтер

Cash Accountant — бухгалтер по работе с наличностью

Expenses and Allowances Accountant — бухгалтер по суммам, выплачиваемым на содержание кого-либо или по расходам

Bookkeeper — бухгалтер

Tax Specialist — специалист по налогам

Treasurer — кассир; секретарь акционерного общества; казначей

COMPANY STRUCTURE

Each company, firm, joint venture, stock-holding company, concern, bank, fund has its own complicated business structure and the staff which is necessary for the work. But still there are some general principles how to organize the work at the enterprise. The Managing Director or the Chief Executive or President is the head of the

company. The company is usually run by a Board of Directors — each Director is in charge of a department. The Chairman of the Boards is in overall control and may not be the head of any one department.

Vice-President or Vice-Chairman is at the head of the company if the President or the Chairman is absent or ill.

Most companies have Finance, Sales, Marketing, Production, Research and Development, Personnel, Tax, Logistics Departments. These are the most common departments, but some companies have others as well.

Most departments have a Manager, who is in charge of its day-to-day running, and who reports to the Director. The Director is responsible for strategic planning and for making decisions. Various personnel in each Department report to the Manager.

Let's dwell on some positions in details.

General Manager supervises and leads the company's employees; maintains relations with customers, executes sales contracts and provides problem analysis and resolutions; represents the company at fairs and distributors' conferences; provides quality audits. General Manager is a self-motivated decision maker.

Sales Manager manages the sales staff of a company, supervises sales activity including a staff of sales representatives, plans and achieves target sales revenues and maintains a positive relationship between the company and its clients. Sales Manager must have extensive sales experience, often as many as 5 years in the position of sales representative before moving up to the position of sales manager. Excellent communication and management skills are required. The person must be a proven problem solver and possess management skills necessary to develop a sales team.

Finance and Administration Manager must have strong accounting experience including maintenance of Internal Controls, costing, budgeting, forecasting and the development of Management Information Systems. He/she must possess proven general management skills, including development of Logistics and Administration Systems to support a rapidly growing business.

Marketing Manager manages marketing department. Plans, directs and executes all marketing and related activities. Initiates and/or implements advertising strategy and

promotional programs. Oversees creative effort and media plans. Must have 3 year commercial experience, strong interpersonal skills, ability to manage a team and lead personnel, excellent communication skills, computer literacy.

Customer Service Manager finds proper persons, organizes and supervises the job of Customer Service Clerks, Receptionist. Provides the solution for all existing conflict situations. Provides information and orders forms for distributors, directors. Prepares monthly reports regarding performance of distributors.

Product Development Manager develops branded products for the company. Prepares a brief of the project, a timeline with priorities and options for the successful competition of the project. Researches on potential facilities, provides competitors' analysis. Realizes market research on product quality and packing. Negotiates with the producer.

Training Manager — Organizes and supervises trainers, develops and implements training courses for distributors, directors, staff, etc. Learns the existing training practice in other countries with the aim to extract, develop and implement the best ideas in Ukraine. Tests courses to satisfy all distributors' and directors' needs in training.

Forecast, Supply and Transport Supervisor makes monthly forecasts of all products. Works with a company software system (product Forecast). Provides logistics, works with suppliers concerning shipments of product to Ukraine. Arranges shipments to Service Centers in Ukraine.

Treasury, Budget Specialist realizes treasury and cash flow management. Prepares, reviews and monitors reports on all capital expenditure projects. Provides budget cycle and management reporting. Ensures the company's costing system. Deals with internal projects, company's legal documents. Coordinates all insurance matters. Trains and develops staff in functional expertise.

Sales Representative realizes coordination of commercial activities. Conducts negotiations with customers. Markets intelligence functions targeting new customer group identifying business opportunities and introduction of new technologies. Is responsible on and controls the selling activities in the frame of the regional strategy.

Frequently travels to customers. Must have the following qualifications: Engineering degree in some sphere, 3-5 year experience in the chosen field.

Financial Controller develops accounting policies and procedures. Inputs and oversees confidential and complex transactions. Implements auditing techniques that ensure accuracy of financial results. Analyzes data and provides recommendations to senior management for improvement. Prepares consolidated results. Provides financial analysis. Improves internal controls. Must have University education, be well-organized, accurate, detail-oriented personality.

Answer the questions.

1. What is the structure of a modern business?
2. What positions are necessary at a developing enterprise?
3. What is the sphere of responsibility of a Treasury Specialist?
4. Who is in charge of staff training?
5. What skills and abilities must a Marketing Manager have?

Decide whether the following statements are true (T) or false (F). If they are false, correct them.

1. The chairman of the Board of Directors is in charge of day-to-day running the business.
2. As usual all companies and firms have a complicated business structure.
3. Strong accounting experience is necessary for a Sales manager.
4. Financial Controller is in charge of internal control and financial analysis.

Fill in the gaps with the words given below. Translate the sentences.

cash flow department Chief accuracy facilities supervises negotiating Board of Directors arrange

1. There have been questions about the _____ of the report.
2. You have to learn to estimate capital expenditures, _____, and receivables.

3. The college has excellent research _____.
4. Our _____ deals mainly with exports.
5. The _____ Executive will be invited to meet a Minister of the Department to discuss the report.
6. At work, she _____ a production team of fifteen.
7. The _____ met yesterday.
8. Colombia and Venezuela are currently _____ a trade agreement.
9. If you have a lot of things to do, just make a list and _____ them in order of importance.

TEXT 12

Vocabulary

accountancy – бухгалтерия, счетоводство

accounting – бухгалтерское дело, бухгалтерский учет

bookkeeping – счетоводство, бухгалтерия

shareholder – акционер

financial statement – финансовый отчет

management accounting – оперативный учет, текущий анализ хозяйственной деятельности

financial accounting – финансовое счетоводство

vendor – продавец, оптовая фирма

single-entry bookkeeping – простая бухгалтерия

double-entry bookkeeping – двойная бухгалтерия

ledger – главная книга, гроссбух

trial balance – пробный баланс

income statement – декларация о доходах

balance sheet – бухгалтерский баланс

revenue – доход, доходы

expense – трата, расход

entry – бухгалтерская запись

account – счет, отчет

assets – актив (баланса); средства, фонды, авуары, имущество

liabilities – долги, денежные обязательства, задолженность

ACCOUNTING AND BOOKKEEPING

Accountancy is the art of communicating financial information about a business entity to users such as shareholders and managers. The communication is generally in the form of financial statements that show in money terms the economic resources under the control of management. It is the branch of mathematical science that is useful in discovering the causes of success and failure in business. The principles of accountancy are applied to business entities in three divisions of practical art, named accounting, bookkeeping, and auditing.

Accounting is defined as "The art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are of financial character, and interpreting the results thereof." Accounting is thousands of years old; the earliest accounting records were found in the Middle East which date back more than 7,000 years. The people of that time relied on primitive accounting methods to record the growth of crops and herds. Accounting evolved, improving over the years and advancing as business advanced.

Today, accounting is called "the language of business" because it is the vehicle for reporting financial information about a business entity to many different groups of people. Accounting that concentrates on reporting to people inside the business entity is called management accounting and is used to provide information to employees, managers, owner-managers and auditors. Management accounting is concerned primarily with providing a basis for making management or operating decisions. Accounting that provides information to people outside the business entity is called financial accounting and provides information to present and potential shareholders, creditors such as banks or vendors, financial analysts, economists, and government agencies.

Bookkeeping is the recording of financial transactions. Transactions include sales, purchases, income, and payments by an individual or organization. Bookkeeping is usually performed by a bookkeeper. Bookkeeping should not be confused with accounting. The accounting process is usually performed by an accountant. The accountant creates reports from the recorded financial transactions recorded by the bookkeeper. There are some common methods of bookkeeping such as the Single-entry bookkeeping system and the Double-entry bookkeeping system. But while these systems may be seen as "real" bookkeeping, any process that involves the recording of financial transactions is a bookkeeping process.

A bookkeeper, also known as an accounting clerk or accounting technician, is a person who records the day-to-day financial transactions of an organization. A bookkeeper is usually responsible for writing the "daybooks." The daybooks consist of purchase, sales, receipts, and payments. The bookkeeper is responsible for ensuring all transactions are recorded in the correct daybook, suppliers' ledger, customer ledger, and general ledger. The bookkeeper brings the books to the trial balance stage. An accountant may prepare the income statement and balance sheet using the trial balance and ledgers prepared by the bookkeeper.

BOOKKEEPING SYSTEMS

Two common bookkeeping systems used by businesses and other organizations are the single-entry bookkeeping system and the double-entry bookkeeping system. Single-entry bookkeeping uses only income and expense accounts, recorded primarily in a revenue and expense journal. Single-entry bookkeeping is adequate for many small businesses. Double-entry bookkeeping requires recording each transaction twice, using debits and credits.

JOURNALS

A journal is a formal and chronological record of financial transactions before their values are accounted in general ledger as debits and credits. Journals are recorded in the journal daybook, which is one of the books of first entry. For every debit journal there must be an equivalent credit journal. There must be at least two journal entries for every transaction recorded.

LEDGERS

A ledger (also known as a book of final entry) is a record of accounts, each recorded individually (on a separate page) with its balance. Unlike the journal listing chronologically all financial transactions without balances, the ledger summarizes values of one type of financial transactions per account, which constitute the basis for the balance sheet and income statement. Ledgers include: Customer ledger (for financial transactions with a customer), Supplier ledger (for financial transactions with a supplier), and General ledger (representing assets, liabilities, income, and expenses).

Answer the questions.

1. What is accountancy?
2. What are the three divisions of accountancy?
3. Why is accounting called "the language of business"?
4. What is the difference between management and financial accounting?
5. What transactions are recorded by bookkeepers?
6. What is the difference between journals and ledgers?

Decide whether the following statements are true (T) or false (F). If they are false, correct them.

1. Financial statements of a business entity show in money terms the economic resources under the control of management.
2. Information to present and potential shareholders, creditors, financial analysts, economists, and government agencies is provided by financial accounting.
3. Double-entry bookkeeping records income and expense accounts in a revenue and expense journal.
4. A bookkeeper creates reports from the recorded financial transactions.

Fill in the gaps with the words given below. Translate the sentences.

asset **liability** **double-entry bookkeeping system** **vendors** **account** **revenue** **accountancy**

1. The most powerful _____ we have is our skilled, dedicated workforce.
2. I'd like to deposit this check into my _____.
3. Their purpose is to examine different aspects of the relationship between law and _____.
4. This _____ would be payable even if the venture failed, and all the capital were lost.
5. Outside the theatre, there was a row of flower _____.
6. But all these ideas mean a huge loss of _____ to the Treasury, in the hundreds of billions of dollars.
7. A _____ is defined as any bookkeeping system in which there was a debit and credit entry for each transaction, or for which the majority of transactions were intended to be of this form.

TEXT 13

Vocabulary

Responsibility – ответственность, платежеспособность, обязательство

Obligation – обязательство

Assertion – утверждение

Ascertain – устанавливать; определять

In accordance with – в соответствии с

Issue – издавать, выписывать, выставлять

Audit application – заявка на аудит

Audit report – заключение аудитора

Appraisal – оценка, экспертиза

Discharge of responsibilities – выполнение обязательств

Counsel – обсуждение

Regulatory agencies – органы государственного регулирования

Comply – исполнять, подчиняться

Stockholder – акционер

CPA (Certified Public Accountant) – бухгалтер-ревизор, дипломированный бухгалтер высшей квалификации, присяжный бухгалтер

Integrity – честность

Credence – доверие

Impediment – препятствие, задержка, помеха

AUDITING

"In God we trust, all others we audit." This quote sums up a basic viewpoint of some professionals towards auditing. Auditing has existed in one form or another since ancient times. Records show that auditing activity was part of early life in Babylonia, China, Greece, and Rome. One ancient meaning for the word "auditor" was a "hearer or listener". In Rome, auditors Heard transactions as they took place. They observed the events as they happened and were able to recount the responsibilities and obligations to which each party was bound. Modern auditing, as defined by the American Accounting Association, is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users.

An examination of the definition of auditing reveals that there are three key aspects of the definition. First, auditing is not an activity which can be performed in a haphazard manner, it is a systematic process based on logic and reasoning.

Second, during an examination of financial statements the auditor objectively obtains and evaluates evidence regarding assertions about economic actions and events embodied in the financial statements to ascertain the degree of correspondence between those assertions and established criteria. In the audit of financial statements prepared by a company, the established criteria are *generally accepted accounting principles* (GAAP). That is, the financial statements must be prepared in accordance with GAAP, Consequently, the auditor must obtain and evaluate evidence to determine whether the assertions (the elements of the financial statements) meet the established criteria (GAAP).

The third and final key aspect of the definition is that auditing involves communicating the results of the audit to interested users. The auditor communicates the findings of the audit process by issuing an audit report. In the audit report, the auditor gives an opinion as to whether the assertions are reported in accordance with the established criteria. For example, in the audit of financial statements the auditor issues an audit report which describes the scope of the examination in the first paragraph and states in the last paragraph whether in his or her opinion the financial statements are fairly presented in accordance with generally accepted accounting principles applied on a consistent basis.

Although the audit process of obtaining and evaluating evidence and communicating the results to interested users applies to all audit applications, the objectives of auditing vary depending on the needs of users of the audit report. Internal auditing, governmental auditing, and external auditing all serve different objectives.

Internal auditing is defined as an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed.

Internal auditors require a broader definition of auditing because they are employed by the company that they audit. Consequently, internal auditors must define their function in such a way that the function will include any activity that is helpful to their employer.

Governmental auditing covers a wide range of activities on the federal, state, and local levels and numerous regulatory agencies. Governmental auditors not only examine financial statements but also determine whether government program objectives are met and whether certain government agencies and private enterprises comply with applicable laws and regulations.

External auditing involves reporting on financial statements prepared by management for external users of third parties. Third parties include stockholders, creditors, bankers, potential investors, and federal, state, and local regulatory agencies. External audits are performed by independent CPA firms.

Although the audit fee for an external audit is paid by the company being audited, external auditors, unlike internal auditors, are not employees of the company being audited - they must be independent of the company and its management. If external auditors do not maintain personal integrity and objectivity regarding the audit client, the audit report will lack credence from the viewpoint of third party users. Independence is, therefore, the backbone of external auditing.

External auditors must be independent in fact and in the appearance they present to third parties. So in addition to being objective and unbiased, they must free themselves of any impediments which, in the eye of third party users, would impair their appearance of independence. Independent auditors cannot own stock in the companies they audit nor have a direct or material indirect financial interest in their clients. Independent auditors cannot perform duties equivalent to that of employees or members of management for the companies they audit.

Answer the questions.

1. Could you give the definition of auditing?
2. What are the key aspects of the definition of auditing?
3. What does an audit report include?
4. What is the difference between the functions of internal and external auditors?
5. What are the purposes of governmental auditing?
6. By whom is the audit fee for external audit paid?

Decide whether the following statements are true (T) or false (F). If they are false, correct them.

1. Financial statements must be prepared by a company in accordance with generally accepted accounting principles.

2. The auditor communicates the findings of the audit process with interested users by issuing an audit report.
3. Governmental auditing reports on financial statements prepared by management for external users of third parties.
4. External auditors cannot own stock and take positions in the companies they audit.

Fill in the gaps with the words given below. Translate the sentences.

credence appraisal integrity obligation stockholders

1. It is well known that the _____ has been carried out and that the information is with the Minister.
2. Political economy and class perspectives on urban sociology lend little _____ to this type of analysis.
3. Employers have an _____ to treat all employees equally.
4. She is a woman of _____ who has never abandoned her principles for the sake of making money.
5. Dividend payments reflect the division of earnings between payments to _____ and reinvestment in the firm.

TEXT 14

Vocabulary

a medium of exchange –средство обмена

commodity – предмет потребления; товар, продукт

coining of money – чеканка монет, печатание денег

IOU note – долговая расписка

legal tender – законное платежное средство

receipt – получение, расписка

fiat money – неразменные на драгоценные металлы бумажные деньги, "горячие" деньги

bond – облигация

checking account – текущий счет

demand deposit – бессрочный вклад

debit card – дебетная карта

savings – сбережения

precaution – предусмотрительность, предосторожность

MONEY

Money is a medium of exchange, which means that its function is to facilitate the exchange of goods. Without money, we would have a direct exchange of goods, or barter. Goods would exchange directly for other goods. With money, we have indirect exchange: you exchange a good for money (such as trading your labor for dollars), and then you exchange your money for other goods. The unique nature of money is that it is a good which can be easily exchanged for any other good. Money becomes the final means of payment; you can exchange goods for money substitutes such as IOU notes, but ultimately these notes are exchangeable for money.

A medium of exchange implies that it is also a "unit of account," which means it includes some measurement unit by which the value of all other goods can be measured. For example, if gold is used as money, the unit can be a gram or ounce. The value of goods is then calculated in terms of grams or ounces. In the U.S., the unit of account is the dollar, and in the U.K. it is the pound. These once referred to weights of gold, but now there are simply artificial units, accepted by law and custom.

Money originated in many societies for several reasons. First, with much trading, barter becomes inefficient, since you can't always find someone who wants your particular goods. Some commodities can be much more easily exchanged than others, and these become a medium of exchange. Shells, cacao beans, salt, cattle, gold and silver have been such mediums, since they transported and measured more easily than other commodities. Gold and silver became widely used because of their high value, durability, and divisibility. A second origin of money was temple

worship. Pieces of metal were used as offerings to deities. These became valued generally by the community and evolved into media of exchange. Gold and silver eventually became coined into pieces with standard shapes and weights.

The value of money relative to other goods today depends on its value yesterday. Though originating as a tradable commodity, money takes on a life of its own, and its exchange value can become different from that of the original commodity, since the commodity gets extra value from being used as money. The relative value of the money units becomes established by custom, though it can evolve.

While originating in private and religious practice, governments took over the coining of money. In recent decades, money has become a government monopoly called "legal tender." Paper money originated as receipts for money stored with goldsmiths. During the 20th century, governments stopped the convertibility of paper notes into metals, and paper continued to circulate out of habit. How the world uses "fiat money," which is valued only because the government mandates it.

Money is financial wealth, but not real or economic wealth. Real wealth consists of produced things, such as buildings, automobiles, and computers. If an earthquake destroys buildings, this is a real economic loss. But if all the money in a city were burned, there is little real loss. Since a $100 bill can be printed at a cost of one or two pennies, the money can be reprinted at low expense, and if we have a record of who held the money, we can give it all back and everything is back to normal!

If we double the amount of money in an economy and the amount of goods stays the same, generally their prices will double. So the amount of wealth has not doubled just because the amount of money is doubled, since the real wealth consists of the goods. The money claims simply lose half their exchange value for real wealth. We cannot arbitrarily increase the amount of wealth just by printing money, in contrast to real wealth, which is indeed increased when more is produced.

Therefore, money is not real wealth but a "claim" on wealth, just as a ticket to a show does not have value except that it can be exchanged for attendance at the show.

We can burn the tickets and still let you into the show. Similarly, bonds are not real wealth, but a claim on wealth. If gold is used as money, however, it is real wealth, since melted gold has a market value as a commodity. But the real value of a gold coin is the melt value of the gold, which can be less than the exchange value of the coin.

When people deposit cash in a checking account in a bank, it is called a "demand deposit" because you can demand your money in cash at any time. Economists consider demand deposits to be money just like cash, since these funds are available for spending just by writing a check or using a debit card, both of which withdraw the money from your account. Savings accounts are considered a secondary type of money.

Answer the questions.

1. What is the main function of money as a medium of exchange?
2. What were the reasons for originating money?
3. Does money have real or economic wealth?
4. Why are demand deposits considered to be money like cash?

Decide whether the following statements are true (T) or false (F). If they are false, correct them.

1. Now the U.S. dollar and the U.K. pound refer to weights of gold.
2. All commodities can be always easily exchanged.
3. The relative value of the money units becomes established by custom.
4. The amount of wealth is not doubled just because the amount of money is doubled.

TEXT 15

Vocabulary

Depositor/saver – вкладчик

Loan – заем, ссуда

Borrower – заемщик

Lender – заимодавец, кредитор

Intermediary – посредник

Profit-sharing partnership/plan – система участия в прибылях

Interest-free loan – беспроцентный заем

Interest rate – процентная ставка

In effect – в сущности

Operating cost – эксплуатационные / текущие расходы

Equity – акция без фиксированного дивиденда, собственный капитал, чистая доля в средствах, ценные бумаги

Account balance – остаток на счете

Too-lenient law – слишком снисходительный закон

Bankruptcy – банкротство

Fraud – обман, мошенничество

Debt – долг

Fractional reserve – частичный резерв

Coercive – принудительный

Clearing house – организация по сбору, классификации и распространению информации, услуг; расчетная палата

Insurance premium – страховая премия

Redemption – погашение, возвращение, выкуп

Check clearing – чековые взаимозачеты между банками

BANKING

A bank is a firm that receives deposits of money and loans the money. In most countries, banks pay interest to the depositors and charge a higher amount of interest to the borrowers, the difference in rates being kept for operating expenses, losses from bad loans, and profits. A banks is thus an "intermediary" or go-between. Ultimately, the lender is not the bank itself but the saver or depositor of the money.

The bank is basically an agent that handles the lending, saving the depositor from the trouble and risk of knocking on doors to see who wants to borrow his money.

In some cases, especially in Islamic countries, banks do not pay or receive direct interest, but instead participate as a partner in the business they loan money to, and get some of the profits. There is always a "natural" interest rate when people save or borrow goods or money, due the time preference of preferring goods in the present rather than in the future. So in a profit-sharing partnership, the partner who borrows funds is in real effect paying interest, even though no financial interest is being paid. If you give someone an "interest-free" loan, and the going market rate is 5%, in effect the borrower is being given a gift of 5% annually; the borrower is really collecting the interest. Islamic law thus forbids direct payments of interest but does not rule out paying for the benefit of obtaining goods now and repaying later. The partnership approach may be a wise policy in general, since the bank as partner takes a business equity "interest" in seeing that the operation is successful.

One type of "bank" is a credit union, a club which receives deposits and loans money to its members. It is also possible to run a mutual exchange without cash, in which members exchange goods and services with debits and credit, account balances adding up to zero.

"Usury" means the collection of excessively high interest rates. This may happen when legal restrictions prevent the poor from obtaining credit from normal channels and instead have to borrow from loan sharks. In a pure market economy, there are no restrictions and thus usury does not exist. Interest paid for loans then reflects real risks as well as the natural interest rate and operating costs. Too-lenient laws on bankruptcy and fraud raise interest rates to borrowers, since they increase operating costs for bad loans not repaid. A pure market economy thus requires that fraud is severely prosecuted and that debts cannot be eliminated except by voluntary agreement.

"Credit" is the exchange of goods received in the present for goods paid back in the future. A person is said to have "credit" if he is able to receive goods today and can pay back later, plus interest. Banks extend credit to borrowers, which means they

enable borrowers to get goods at present and repay in the future. But in real effect, the banks being only intermediaries, the ultimate credit is extended by the depositors of the banks.

Money is a type of credit, since with the buyer obtains goods in the present and the seller does not get immediate goods but tickets for goods he will get in the future. Money is essentially transferable credit.

Banking is normally done with "fractional reserves." Reserves are stocks of money. They are fractional because only a fraction of deposits is kept by a bank, the rest being loaned out. Banks can therefore expand the money supply beyond the base of cash. You put $100 in the bank, and if the reserve ratio is 10%, the bank only keeps $10 in its vault, and loans out the other $90. It figures that it is unlikely for all depositors to come in and demand all their money at once. Central banks typically set reserve requirements for a country's banks.

This $90 loaned out gets deposited in some bank. That bank in turn keeps $9 and loans out the other $81. This goes on and on until out of the original $100, we now have $1000 of deposits created from all that lending if none of the extra money is held as cash. This is not a problem so long as 1) depositors are informed of the policy (hence it is not fraud), 2) they money loaned is eventually repaid; 3) there is little or no inflation of the cash base.

Unfortunately, conditions #2 and #3 have not been the case. Central banks have expanded the monetary base, which the banks then expand many times more through loans. Also, during recessions, many borrowers cannot repay their loans. Then many banks fail, since depositors are not able to get their cash back. The solution is not to eliminate fractional reserves (though some banks may do this and advertise themselves as extra-safe) but to eliminate conditions (2) and (3) by switching from coercive central banking to free banking.

With free banking and a pure and free market in money, the money supply expands with production and the demand for money, but no further, resulting in a stable money supply, without price inflation. There is no need for any government monetary policy, just as in a pure market economy there is no bread policy or

automobile policy. Consumers and entrepreneurs can freely determine the demand and supply for both money and credit, just as with any other commodity. Bank safety is established by 1) banks wanting to have a reputation for security; 2) banks forming a clearing house and network for mutual support in case of crises; 3) private insurance; and 4) rating services that inform consumers of the various bank policies and risks.

With government deposit insurance, depositors may feel safe, but they are paying for this safety, since the banks must pay premiums for the insurance, and the government insurance can lead banks to take too-high risks and make unwise loans, as happened in the U.S. during the 1980s. The taxpayers had to pay many billions of dollars to bail out the savings and loans from banks. It turns out that this deposit insurance was very expensive indeed.

Under free banking, banks may be established without having to join a federal reserve or central bank system, and they may issue their own bank notes. There are no restrictions on interest rates or the extension of credit, so long as there is no fraud. Banks may form branches anywhere, making banking more accessible and efficient. Free banks are not required to have deposit insurance. There are also no taxes on savings, interest, banking, or bank notes. When the money consists of private bank notes (as it did in the U.S. before the Civil War, Scotland before 1844, and many other countries before the 20th century), monetary inflation does not take place. If one bank issues more notes than people want to hold, they take them to the bank for redemption, or conversion into some base money, such as gold.

In a free economy, a government bank can operate, but not be imposed by force on the economy. It could provide services such as check clearing and the provision of currency in competition with other institutions. When all individuals have the freedom to use the currency of their choice, and when there is unhampered competition among financial institutions, then an economy will tend to have a stable currency, credit for responsible borrowers, and interest rates set by the desires and needs of enterprise. There is no need for government monetary policy other than the provision of a national currency that is offered to the public but not imposed by force.

Answer the questions.

1. What is a bank?
2. How is partnership approach implemented in banking of Islamic countries?
3. What are the principles of work of a credit union?
4. What does usury mean?
5. What economy will tend to have a stable currency?

Decide whether the following statements are true (T) or false (F). If they are false, correct them.

1. Lenient laws on bankruptcy and fraud decrease interest rates to borrowers as they increase operating costs for bad loans not repaid.
2. Banking reserves are stocks of money.
3. When the money supply expands with production and the demand for money, it results in economy without price inflation.
4. Under free banking it is possible to make banking more accessible and efficient.

Fill in the gaps with the words given below. Translate the sentences.

intermediary fraud loan depositors bankruptcy

1. The bank offered him a _____ of £15,000 to set up a business.
2. Switzerland's foreign minister served as an _____ between the two countries.
3. Big losses due to theft and _____ forced the company to close.
4. Bankers and the new elite were threatened by _____.
5. All banks need to maintain a cash ratio large enough to meet the cash requirements of their _____.

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CONTENTS

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