

МІНІСТЕРСТВО ОСВІТИ І НАУКИ, МОЛОДІ ТА СПОРТУ УКРАЇНИ
ХАРКІВСЬКА НАЦІОНАЛЬНА АКАДЕМІЯ МІСЬКОГО ГОСПОДАРСТВА

**МЕТОДИЧНІ ВКАЗІВКИ
ДЛЯ ПРАКТИЧНОЇ РОБОТИ
З ДИСЦИПЛІНИ “ІНОЗЕМНА МОВА (ДОДАТКОВО)”
(АНГЛІЙСЬКА МОВА)**

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Методичні вказівки для практичної роботи призначені для студентів денної форми навчання, які в майбутньому працюватимуть у сфері економіки та підприємництва. Головною метою їх є формування навичок читання і розуміння інформації з автентичних англомовних джерел та засвоєння необхідного обсягу лексичного матеріалу, що відповідає вимогам професійно-орієнтованого навчання іноземній мови. Зміст завдань відповідає вимогам навчальних програм, а тематика текстів сприяє розширенню обсягу сучасної англійської науково-технічної лексики. Запропонована інформація необхідна для ефективного виконання професійних обов'язків майбутніх спеціалістів.

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INTRODUCTION

These educational materials are designed for the students of the 1st year of speciality “Economics of enterprises” and “Business accounting and Audit” to develop their knowledge and skills in English language according to their profession.

The manual is based on the authentic texts concerning the economic problems. It also has the tasks for reading and translation, lexical tasks, texts for self-study. It has 4 units. Each unit contains:

- authentic texts for reading, translation and discussion in class;
- activities on vocabulary;
- activities on reading comprehension;
- additional texts with tasks.

The manual can be recommended both for using in class and for students’ self-study.

UNIT 1

ECONOMY

I. Read and translate the following words and definitions:

Economy

- ✓ a system according to which the money, industry, and trade of a country or region are organized.
- ✓ a country's economy is the wealth that it gets from business and industry.
- ✓ careful spending or the use of things in order to save money.
- ✓ large-size packages of goods which are cheaper than the normal sized packages on sale.

Economic

- ✓ concerned with economics and with the organization of the money, industry, and trade
- ✓ of a country, region, or social group.
- ✓ relating to services, businesses, etc. that produce a profit.

Economical

- ✓ something that is economical does not require a lot of money to operate.
- ✓ using the minimum amount of time, effort, language, etc. that is necessary.

Economics

- ✓ the study of the production of wealth and the consumption of goods and services in a society, and the organization of its money, industry, and trade.

Economist

- ✓ an expert or student of economics.

Economize

- ✓ save money by spending it very carefully and not buying expensive things.

Economic Institution

- ✓ a physical or mental structure that significantly influences economic decisions

Economic policy

- ✓ an action (or inaction) taken, usually by government, to influence economic events.

Economic model

- ✓ simplified representation of reality.

Positive Economics

- ✓ the study of what is, and how the economy works.

Normative Economics

- ✓ the study of how the economy should be, from society's standpoint.

II. To show that you understand the words given above, choose the best word to complete the following sentences. Add noun, verb or adverb endings if necessary.

1. Home ... is a subject studied at school and college in which students are taught how to run a house well and efficiently.
2. New England's ... is still largely based on manufacturing.
3. All Western ... are competing against each other.
4. These businesses contribute hundreds of millions of pounds to the ... of the country.
5. I switched off the lights as an ... measure.
6. If you make ..., you take action in order to save money, by not spending it on unnecessary things.
7. You'll have to travel ... class.
8. Buy our new ... packs of 100.
9. If you are really going to buy a car, we'll have to ... on other things.
10. In his works he explains the ideas of the great English ... J.M. Keynes.
11. She thought of herself as an ... wife.
12. This system was extremely ... because it ran on half-price electricity.
13. What has gone wrong with the ... system during the last ten years?
14. The book is very ... written, but very warm.
15. ... is the oldest of social sciences.

III. Look at the following derivatives. Use your knowledge of English and logical reasoning to explain the meaning of each word below.

system, systematic, systematically, systematize, systemic

Use these words in the following sentences.

1. The police made a search of the building.
2. You need some ... in your work if you want to succeed.
3. I wish they'd organize themselves more
4. ... insecticides spread all through a plant and kill any insects that feed on it.
5. This method helps ... the information received.

IV. Add appropriate words where there are blanks in the sentences below and you'll get the definitions of the words in bold. Some words can be used in their different meanings.

imply, convey, standpoint, overall, range, scarce, free, available, utility, rate, output, environment, artifact, discretion

1. The ... is the total set of outside forces surrounding and shaping the behaviour of the organization and its members.
2. To ... information, ideas, feelings, etc. means to cause them to be known or understood by someone.
3. Someone or something that is ... is not restricted, controlled by rules, customs, or other people.
4. An ... is an object that is made by a person.
5. The ... of something is the total area or extent within which it can operate effectively, and beyond which it is no longer effective.
6. If something is ..., there is not very much of it, and there may be enough for those who want or need it.
7. If something is ..., you can have it or use it without paying for it.
8. If you ... people or things, you arrange them in a line or in lines.
9. If you ... that something is the case, you suggest that it is the case without actually saying so.

10. The ... at which something happens is the speed at which it happens over a period of time.
11. The ... of something is how useful and practical it is.
12. ... is used to describe a situation in general, including everything but not considering the details.
13. The ... of taxation is the level of it.
14. If something is ..., you are able to use it or obtain it.
15. A ... is an important service such as water, electricity, or gas provided for everyone.
16. If you ... something highly, you consider that it is important.
17. Someone who is ... is not busy and is therefore free for you to talk to.
18. A ... is a particular way of looking at or thinking about an event, situation, or idea.
19. Someone's ... is the amount of something that they make or produce.
20. ... is the quality of behaving in a quiet and controlled way without drawing attention to yourself or giving away personal or private information.

V. Give synonyms to the following words. Be ready to give your own examples to show the difference in their meanings.

Affect, effect, aggregate, change, demand, allocate, borrow, income, seek, require, fair, refer to, scarcity, ultimate, restrict.

VI. Give the opposite meaning to each word. Make up your own sentence with each word.

Push, appear, diverse, lend, facilitate, available, output, fair, increase, completely, complicate.

VII. Consult the dictionary and find the root words to the following:

Help, participate, contribute, allocate, mean, equitable, prevent, assemble, perform, imply, consider, scarce, benefit, value, societal, vary, certainly, compete.

VIII. Make the following words negative.

Regard, responsible, desirable, respective, checked, doubt, certainty.

IX. Read the following definitions. Can you guess the word they all refer to?

1. A company or a business.
2. Something new, difficult, or important that you do or try to do.
3. A system of business, especially one in a particular country.
4. The ability to think of new and effective things to do, together with an eagerness to do them.

(You can find the word in text 1, paragraph 1).

Now check your understanding. Insert the missing words. Translate the sentences into Ukrainian.

1. He said he had doubts about the whole
2. This has done much to damage national
3. They are known to be the men of ..., energy, and ambition.
4. I admire their ... in trying to start up a new business.
5. This company is one of the largest ... of this kind.

X. Study the following words and word-combinations. What are their Ukrainian equivalents?

to aim at, to arrange (for), game plan, to go ahead, a means to an end, on purpose, to set up, to tackle, to take action (on), to take steps, to take the initiative.

Translate the following sentences into Ukrainian.

1. Our products are aimed at working mothers.
2. Let's arrange for a meeting now. How about Friday, nine o'clock, your office?
3. OK, so we have arranged for finance and now we can go ahead with marketing.
4. The game plan for this morning's meeting is to finish ordinary business in the first

half hour, then take time out for coffee, so that, in the second half, we can zero in on the all-important question of new product development.

5. We use special offers in order to attract bigger orders – in other words, as a means to an end.

6. We have to reduce our overhead expenses. This will lead to job losses in some departments – an unpleasant fact, I’m afraid, but the end justifies the means.

7. Although everyone has to be at the meeting on time, the chairman will be a few minutes late, as usual, He does this on purpose, just to let everyone know who’s who in charge.

8. The company was set up ten years ago.

9. The government is doing all it can do to tackle the problems of housing and unemployment.

10. We need to take firm action, now, on the reduction in our market share – before matters get worse.

11. In the course of the next day or so, we shall be taking steps to put our plans into action.

12. For this job, we’re looking for someone with a go-ahead attitude, a self-starter, someone who’s prepared to take and maintain the initiative.

XI. Translate into Ukrainian in written form.

In 1776, the Scottish professor of philosophy, Adam Smith, published *The Wealth of Nations*. In this book, the first systematic study of capitalism, Smith described his principle of the “**invisible hand**”. This principle states that each person, pursuing his or her self-interest without interference by government, will be led, as if by an invisible hand, to achieve the best good for society.

Self-interest drives people to action, but alone it is not enough. People must understand the effects of their decision and their economic well-being. They must think rationally if they are to make the right decisions.

Because of this, economists long ago introduced the concept of **economic man**.

This notion holds that each person is motivated by economic forces. In other words, each person will always attempt to obtain the greatest amount of satisfaction for the least amount of sacrifice or cost. This satisfaction may take the form of greater profits for a businessperson, higher wages or more leisure time for a worker, and greater pleasure from goods purchased for a consumer.

Of course, these assumptions are not entirely realistic. People may be motivated by forces other than self-interest. Nevertheless, the idea of economic man does deserve as a reasonable approximation of the prevailing pattern of economic behaviour in a capitalistic society. And in economics, as in other social sciences, reasonable approximations are often the best that can be made.

XII. Think and answer the following questions:

1. What is meant by the word «system»? How do you understand it?
2. What systems do you know? Give your examples.
3. To what systems do you belong?

T E X T 1

WHAT IS SYSTEM?

Everybody is familiar with the word system and uses it in everyday language. We speak of heating systems, communication systems, economic systems, and transportation systems. We talk of cultural and social systems. The word system is used because it conveys the idea that these things are made up of parts and that the parts somehow interact with each other for some purpose or reason. **A system is an organized or complex whole – an assemblage or combination of things or parts performing as a complex or unitary whole.**

This definition implies several ideas. First is the concept of *interdependency*. If a change occurs in one part or set of parts, it affects all other parts of the system. This affect on each part may be direct or indirect.

A second implication of the definition of a system is the concept of *wholism*. This means that the system should be considered as a functioning whole. Changes in

parts of the system and in the functioning of elements of the system should be considered from the standpoint of the system's overall performance.

A third concept implied by the definition is *synergism*. This refers to the interactive effect of the parts of the system working together. The actual interaction of the parts creates an effect which is greater than the effect of the parts acting separately.

We've started our work with this small text about a system because we want you to bear in mind and apply the systematic approach to everything you see, hear, read or discuss, for everything in this world belongs to this or that system. While reading the texts pay attention to the economic and business terms. They'll become the basis of your professional vocabulary.

TEXT 2

HISTORY OF ECONOMICS

In the 1500s there were few universities. Those that existed taught religion, Latin, Greek, philosophy, history, and mathematics. No economics. Then came the Enlightenment (about 1700) in which reasoning replaced God as the explanation of why things were the way they were. Pre-Enlightenment thinkers would answer the question, "Why am I poor?" with, "Because God wills it." Enlightenment scholars looked for a different explanation. "Because of the nature of land ownership" is one answer they found.

Such reasoned explanations required more knowledge of the way things were, and the amount of information expanded so rapidly that it had to be divided or categorized for an individual to have hope of knowing a subject. Soon philosophy was subdivided into science and philosophy. In the 1700s, the sciences were split into natural sciences and social sciences. The amount of knowledge kept increasing, and in the late 1800s and early 1900s social science itself split into subdivisions: economics, political science, history, geography, sociology, anthropology, and psychology. Many of the insights about how the economic system worked were codified in Adam Smith's *The Wealth of Nations*, written in 1776. Notice that this is

before economics as a subdiscipline developed, and Adam Smith could also be classified as an anthropologist, a sociologist, a political scientist, and a social philosopher.

Throughout the 18th and 19th centuries economists such as Adam Smith, Thomas Malthus, John Stuart Mill, David Ricardo, and Karl Marx were more than economists; they were social philosophers who covered all aspects of social science. These writers were subsequently called Classical economists. Alfred Marshall continued in that classical tradition, and his book, *Principles of Economics*, published in the late 1800s, was written with the other social sciences in evidence. But Marshall also changed the question economists ask; he focused on the questions that could be asked in a graphical supplydemand framework. In doing so he began what is called *neo-classical economics*.

For a while economics got lost in itself, and economists learned little else. Marshall's analysis was downplayed, and the work of more formal economists of the 1800s (such as Leon Walras, Francis Edgeworth, and Antoine Cournot) was seen as the basis of the science of economics. Economic analysis that focuses only on formal interrelationships is called Walrasian economics.....

The text you've read gives a very brief view of the history of Economics. What other names (schools, theories) can you give to continue the story?

TEXT 3

Read the text. Define the main idea of each paragraph.

THE ECONOMIC SYSTEM

There are many forms of economic order, ranging from the mixed private enterprise system to partially or completely controlled economies. Regardless of their form, however, **economic system is the system that a society uses for allocation and distribution of scarce resources**. Private enterprise means that decisions about what and how much to produce are left to the discretion of owners and managers. In controlled economies such decisions are the responsibility of some governmental agency.

There is, of course, no economy today that is completely free of governmental influence, nor is this condition necessarily undesirable. There are many beneficial services and protections available from government. The question then is a matter of degree.

Irrespective of the form of economic order, it performs certain valuable functions in the life of organizations of all types.

Among the functions of the economic order the most important one is to provide some means of **resource allocation**. In a private enterprise this function is basically performed by the price mechanism. This simply means that **demand for** and **supply of** goods and services interact to set their market price. In the case of regulated utilities, there are governmental agencies such as public service commissions that determine the rates that may be charged by utility companies. These rates are set at the level that will allow a fair return on investments made by the companies. This form of regulated monopoly is considered, on balance, preferable to unchecked competition. This is true because of efficiency reasons. In taking actions in the area of employment, government is attempting to control the economy in such a fashion as to help the business community operate at the level of production that will yield full employment.

Without a **system of distribution** economy simply could not exist. A major part of this distribution system is credit. Economy flourishes on credit or extended methods of payment. Such a system literally affects every link in the distribution chain from the supplier of raw materials to the ultimate consumer. Without this vital financing function being performed, the economy would doubtless be forced to a lower order of production.

Economic goals for a nation include **price stability**, **full employment**, **economic growth**, and **equitable distribution of income**. Price stability contributes to the efficient allocation of resources and facilitates long-term planning. Full employment means that jobs are available for those seeking work. Higher standards of living require increased output per person (economic growth per capita). An equitable distribution of income means that the fruits of the economy are divided in a

way that seems fair to the majority of the people. With the long-run trend toward a more sophisticated, highly integrated economic system, it is becoming increasingly important for an individual decision maker to be aware of the macroeconomic environment.

Answer the following questions:

1. What is a system?
2. What are three main concepts of a system? What do they imply?
3. What is an economic system?
4. What functions does economic order perform?
5. What do economic goals for a nation usually include?

T E X T 4

Read the text. Make up the plan and retell the text using your plan.

PROLOGUE TO ECONOMICS

There is almost universal agreement that economies are becoming more complex every year and that an understanding of how an economy works is more important than ever before. For someone who is just beginning to study economics, the task indeed appears to be a difficult one. **Economics is the study of the way in which mankind organizes itself to solve the basic problem of scarcity.** All societies have more wants than resources, so that a system must be devised to allocate these resources between competing ends. In a very real sense, the complexity of the economy makes it difficult to decide exactly where to start. Simultaneously, production is taking place, goods and services are being allocated, and a great number of market participants are being motivated by a diverse set of goals. In addition, there is the complex financial system in which individuals, firms, and governments borrow and lend funds.

Economics is divided into two major branches: macroeconomics and microeconomics. **Macroeconomics is the study of behavior of the economy as a whole with emphasis on the factors that determine growth and fluctuations in output, employment, and the level of prices.** Macroeconomics studies broad

economic events that are largely beyond the control of individual decision makers and yet affect nearly all firms, households, and other institutions in the economy. Specialists in macroeconomics are particularly interested in understanding those factors that determine **inflation**, **unemployment**, and **growth** in the production of goods and services. Such an understanding is necessary in order to develop policies that encourage production and employment while controlling inflation.

The other major branch of economics is microeconomics. **Microeconomics is the study of behavior of individual units within the economy.** The division of economics has resulted from the growing complexity and sophistication of economic research.

These two approaches and the topics they include are in fact interdependent. Individuals and firms make their decisions in the context of the economic environment, which has an impact on the constraints the decision makers face as well as their expectations about the future. At the same time, when taken as a whole, their decisions determine the condition of the overall economy. A good understanding of economic events and an ability to forecast them require knowledge of both individual decision making and the way in which individuals react to changes in the economic environment.

Answer the following questions:

1. Economies are becoming more complex every year. Why?
2. What is the main division of economics?
3. What is macroeconomics «responsible for»?
4. What does microeconomics deal with?

XIII. Let's review the core concepts of economics. Translate the following into Ukrainian.

1. **Economics** is the study of how people, individually and collectively, allocate their limited resources to try to satisfy their unlimited wants.
2. **Scarcity** occurs because human wants exceed the production possible with our limited time and resources.

3. A **good** is any item or service that satisfies a human want and, in so doing, adds to human happiness.
4. **Production** entails using technology to apply energy to materials in ways that make the materials more valuable, or that otherwise help satisfy human wants.
5. **Labour** resources are the physical and mental talents that people can make available for production.
6. **Opportunity cost** is the value of the best alternative surrendered when a choice is made.
7. **Absolute prices** are prices in terms of some monetary unit.
8. **Relative prices** are the prices of goods or resources in terms of each other, and are computed by dividing their absolute prices by one another.
9. **Economic efficiency** is achieved when we produce the combination of outputs with the highest attainable total value, given our limited resources.
10. **Inputs** are resources used in the production process, such as labour and raw or semifinished materials.
11. **Outputs** are transformed materials; the results of production.
12. **Demand** is the quantity of a specific good that people are willing and able to buy during a specific period, given the choices available.
13. **Supply** refers to the quantity of a specific good that sellers will provide under alternative conditions during a given period.
14. **Market equilibrium** occurs at the price-quantity combination where the quantities demanded and supplied are equal.
15. A **surplus** is the excess of the quantity supplied over quantity demanded when the price is above equilibrium.
16. **Gross Domestic Product (GDP)** is the total market value of goods and services produced within a country during some period, usually one year.
17. **Gross National Product (GNP)** is the value of all output produced by resources owned by the citizens of a country.

18. **Economic growth** is a positive quantitative change in an economic system; occurs when a society acquires greater productive capacity that can be used for consumption or investment.

19. **Capital** is all physical improvements made to natural resources that facilitate production, including buildings and all machinery and equipment.

20. **Wealth** is the value of the assets owned by an individual or a group of individuals.

XIV. Work in pairs to discuss the following questions.

1. Why is it important to view organizations open systems interacting with their environment?

2. Do you know any closed systems? Give some examples.

3. Give your own examples of the environmental influence on a business / on an individual.

4. Prepare a short report on the biography of a famous economist.

5. What would happen to standards of living in your country if all foreign trade were prohibited? How significant do you think this would be? In what areas would this impact be the strongest?

6. Does everything have a price? Are there some things you would not do regardless of price? Remember: prices and money are not synonyms; prices may be nonmonetary.

7. Summarize the information of the Unit to be ready to speak on Economics. The first step to be done is to write the plan of your future report.

8. Choose any question (problem, topic) relating to Economics and prepare a 5-7 minute report. Refer to different additional sources to make your report instructive, interesting and informative.

UNIT 2
PRODUCTION AND COSTS

I. Think and answer the following questions:

1. How can you define production?
2. What is the ultimate aim of production?
3. What are factors of production? Can you name some of them?

II. Skim the text and give its key idea.

III. Scan the text for the following information.

1. What difficult task does any producer face?
2. How many stages of production are mentioned in the text?
3. What is the key concept of Diminishing Returns?

IV. Read the text and answer the questions.

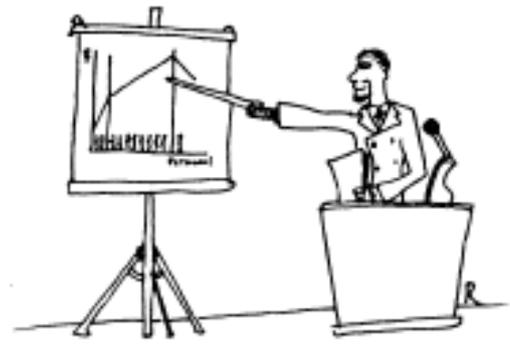
1. How can you formulate the Law of Variable Proportions?
2. In what way is the output of final product affected by adding more units of production?
3. How does total cost of production differ from marginal cost?
4. Where is marginal analysis used?

Text 1
Production and Costs

Garry Clayton

Whether they are film producers of multimillion-dollar epics or small firms that market a single product, suppliers face a difficult task. Producing an economic good or service requires a combination of land, labour, capital, and entrepreneurs. The theory of production deals with the relationship between the factors of production and the output of goods and services.

The theory of production is generally based on the short run, a period of production that allows producers to change only the amount of the variable input called labour. This contrasts with the long run, a period of production long enough for producers to adjust the quantities of all their resources, including capital.



The Law of Variable Proportions state that, in the short run, output will change as one input is varied while the others are held constant. The Law of Variable Proportions deals with the relationship between the input of productive resources and the output of productive resources and the output of final products. The law helps answer the question: How is the output of the final product affected as more units of one variable input or resource are added to fixed amount of other resources? Of course, it is possible to vary all the inputs at the same time. Economists do not like to do this, however, because when more than one factor of production is varied, it becomes harder to gauge the impact of a single variable on total output.

When it comes to determining the optimal number of variable units to be used in production, changes in marginal product are of special interest. There are three stages of production — increasing returns, diminishing returns, and negative returns — that are based on the way marginal product changes as the variable input of labour is changed.

In stage one, the first workers hired cannot work efficiently because there are too many resources per worker. As the number of workers increases, they make better use of their machinery and resources. This results in increasing returns (or increasing marginal products) for the first five workers hired. As long as each new worker hired contributes more to total output than the worker before, total output rises at an increasingly faster rate. This stage is known as the stage of increasing returns.

In stage two, the total production keeps growing, by smaller and smaller amount. This stage illustrates the principle of diminishing returns, the stage where output increases at a diminishing rate as more units of variable input are added.

The third stage of production begins when the eleventh worker is added. By his time, the firm has hired too many workers, and they are starting to get in each other's way. Marginal product becomes negative and total plant output decreases.

Measures of Costs

Because the cost of inputs influences efficient production decision, a business must analyze costs before making its decision. To simplify decision making, cost is divided into several different categories.

The first category is fixed cost — the cost that a business incurs even if the plant is idle and output is zero. Total fixed cost, or overhead, remains the same whether a business produces nothing, very little, or a large amount. Fixed costs include salaries paid to executives, interest charges on bonds, rent payments- on leased properties, and local and state property taxes. Fixed costs also include depreciation, the gradual wear and tear on capital goods over time and through use. Another kind of cost is variable cost, a cost that changes when the business rate of operation or output changes. Variable costs generally are associated with labour and raw materials. The total cost of production is the sum of the fixed and variable costs.

Another category of cost is marginal cost — the extra cost incurred when a business produces one additional unit of a product. Because fixed costs do not change from one level of production to another, marginal cost is the per-unit increase in variable costs that stems from using additional factors of production. The cost and combination, or mix, of inputs affects the way businesses produce. The following examples illustrate the importance of costs to business firms.

Consider the case of a self-serve gas station with many pumps and a single attendant who works in an enclosed booth. This operation is likely to have large fixed costs, such as the cost of the lot, the pumps and tanks, and the taxes and licensing fees paid to state and local governments. The variable costs, on the other hand, are

relatively small. As a result, the owner may operate the station 24 hours a day, seven days a week for a relatively low cost. As a result, the extra wages, the electricity, and other costs are minor and may be covered by the profits of the extra sales.

Measures of Revenue

Businesses use two key measures of revenue to find the amount of output that will produce the greatest profits. The first is total revenue, and the second is marginal revenue.

The total revenue is the number of units sold multiplied by the average price per unit. The marginal revenue is determined by dividing the change in total revenue by the marginal product.

Keep in mind that whenever an additional worker is added, the marginal revenue computation remains the same. If a business employs, for example, five workers, it produces 90 units of output and generates \$ 1,350 of total revenue. If a sixth worker is added, output increases by 20 units, and total revenues increase to \$ 1,600. To have increased total revenue by \$ 300, each of the 20 additional units of output must have added \$ 15. If each unit of output sells for \$ 15, the marginal or extra revenue earned by the sale of one more unit is \$ 15 for every level of output.

Marginal revenue can remain constant but businesses often find that marginal revenues start high and then decrease as more units are produced and sold.

Marginal Analysis

Economists use marginal analysis, a type of cost-benefit decision making that compares the extra benefits to the extra costs of an action. Marginal analysis is helpful in a number of situations, including break-even analysis and profit maximization. In each case the costs and benefits of decisions that are made in small, incremental steps.

The break-even point is the total output or total product the business needs to sell in order to cover its total costs. A business wants to do more than break even, however. It wants to make as much profits as it can. But, how many workers and what level of output are needed to generate the maximum profits?

The owner of the business can decide by comparing marginal costs and marginal revenues. In general, as long as the marginal cost is less than the marginal revenue, the business will keep hiring workers. When marginal cost is less than marginal revenue, more variable inputs should be hired to expand output.

The profit-maximizing quantity of output is reached when marginal cost and marginal revenue are equal.

V. Decide whether these statements are True (T) or False (F).

1. The theory of production deals with a period of production that allows producers to change the amount of labour used.
2. The law helps answer the question: How is the output of final product affected as more units of one variable input or resource are added to fixed amount of other resources?
3. In stage one of production the more workers are hired the less are the returns.
4. When an additional worker is added, the marginal revenue computation changes according to the stage of production.
5. When marginal cost is less than marginal revenue, more variable inputs should be hired to expand output.

VI. Read and learn new words.

output (*n*) — the amount of goods or services produced by a person, machine, factory, company, etc.

input (*n*) — ideas, advice, effort, or money that you put into something to help it succeed

factor of production — something that is needed to produce a particular product

diminishing return — the idea that a point can be reached where the advantage or profit you are getting, stops increasing in relation to the effort you are making

marginal (*αβ*) — relating to a change in a cost, value, etc. when one more thing is produced, one more dollar is earned, etc.

costs (*n*) — money that a business or an individual must regularly spend

fixed costs — costs to a business that do not change when the amount of goods or services produced does

incur (*y*) — if you incur a cost, a debt, or a fine, you do something that means that you lose money or have to pay money

overhead costs — costs not directly related to a particular product or service, but related to general costs for buildings, equipment, etc.

interest (*n*) — an amount paid by a borrower to a lender, for example to a bank by someone borrowing money for a loan or by a bank to depositor

charges (*n*) — an amount of money paid for services or goods

rent payment — money paid for the use of a house, office, etc.

lease (*v*) — to give somebody the right to use something for a particular period of time in return for payment

depreciation (*n*) — decreasing in value over a period of time

variable costs — costs that change when the amount of something produced changes

rate of operation — capacity of work done by a company or machine

marginal cost — the extra cost of producing one more of something

self-service (*n*) — a self-service shop, restaurant, etc. is one in which customers get the goods themselves and then go and pay for them

lot (*n*) — an area of land on which nothing has been built and which may be available to rent, or build on

revenue (*n*) — money that a business or organization receives over a period of time, especially from selling goods or services

break-even (*adj*) — when a company is neither making a profit or a loss

VII. Give English equivalents to the following words and expressions:

- фіксовані витрати;
- самообслуговування;
- беззбитковий;
- норма завантаження виробничих потужностей;
- дохід, виручка;

- змінні витрати;
- накладні витрати;
- знос;
- скорочується дохід;
- фактор виробництва.

VIII. Choose an appropriate word or expression from the box to complete the following sentences.

returns	costs	fixed cost	incurred
interest	rents	leased	depreciation

1. Commercial... have decreased significantly since their peak in 1997.
2. The East Moline foundry has been operating at less than 50 % capacity and has ... significant operating losses.
3. The ... is the added output resulting from employing one more worker.
4. Their retail branches are a ..., so the more business they put through them the better.
5. Delay in construction could increase ... significantly.
6. Chrysler might run out of money to pay ... on its bonds.
7. The proposed site of the factory may lead to... of property value in the immediate vicinity.
8. The local authority ... him the property.

IX. Make a summary of the text. Use the active vocabulary.

X. Answer the following questions.

1. How can overhead costs change the way people do business?
2. How does costs affect total revenue?

XI. Discuss the following topics with your partner.

1. Comment on the statement: Profit is maximized when the marginal costs of production equal the marginal revenue from sales.
2. Explain the use of marginal analysis for break-even and profit-maximizing decisions.
3. Many oil-processing plants shift workers to maintain operations. How do you think a plant's fixed and variable costs affect its decision to operate around the clock?

XII. Translate the following passage into English using the active vocabulary.

Сутність і структура витрат виробництва

Виробництво будь-якого товару пов'язане з певними витратами (витратами). Витрати матеріальних ресурсів і грошових коштів, які несе виробник на виробництво продукції, називаються витратами виробництва.

Оскільки в ринковій економіці кінцевою метою виробника є отримання прибутку, то витрати виробництва як один з її обмежувачів завжди знаходяться під його пильною увагою.

Слід розрізняти витрати виробництва:

- а) прямі і непрямі;
- б) зовнішні і внутрішні;
- в) постійні та змінні;
- г) короткострокові та довгострокові.

До прямих витрат виробництва належать ті витрати по виробництву продукції, які несе безпосередньо виробник. В економічній теорії вони отримали назву собівартості.

На підприємствах, де існує найм робочої сили, вони включають наступні елементи:

- сировину, основні і допоміжні матеріали;
- паливо та енергію;
- амортизацію;

- зарплату та відрахування на соціальне страхування;
- інші витрати.

Непрямі витрати з виробництва продукції несе держава, уособлює суспільство в цілому. Це витрати на освіту, медицину, спорт (фінансуються за рахунок держави), утримання армії та органів правопорядку, управління та ін. Як правило, ці витрати забезпечують виробництво робочої сили на якісно новій основі і створюють умови для нормального функціонування виробництва. Основним джерелом погашення цих витрат є додатковий продукт, що вилучається державою у вигляді податків та обов'язкових платежів. Тому в основі цін на товари і послуги лежить не собівартість, а вартість, тобто суспільні витрати на виробництво продукції.

UNIT 3
BUSINESS ORGANIZATION

The world is a chain, one links another.

I. Read and learn new words.

Business

- ✓ work relating to the production, buying, and selling of goods and services;
- ✓ an organization which produces and sells goods, or which provides a service;
- ✓ important matters that you have to discuss or deal with.

Businessman, Businesswoman

- ✓ a person engaged in trade or commerce.

Business cycle

- ✓ process by which investment, output, and employment in an economy tend to fluctuate up and down in a regular pattern causing boom and depression, with recession and recovery as intermediate stages.

Organization

- ✓ a large group of people that has particular aims.

Organizer

- ✓ the person who makes all the arrangements for something and makes sure that happens as planned.

II. Study the following words and word combinations and translate the sentences given below into Ukrainian. Consult a good dictionary if necessary.

mean business, none of one's business, go out of business, businesslike, be busy with, have no business to do, be in business, like nobody's business, mind one's own business

1. Mother has *busied* herself with our affairs for too long.
2. When traveling *on business* I take my tiny travel kit.
3. Let's get down to business.

4. She *had no business* to publish his letters to her.
5. 50% of these stores *were not in business* five years ago.
6. They are working away *like nobody's business*.
7. Umbrella sellers *went out of business*.
8. Stop teaching me! It's *none of your business*.
9. Listen to me! I *mean business*!
10. The visit to Copenhagen was brisk and *businesslike*.

*III. The words given below are the synonyms to the word **organization**. In what do they differ? Give your own definition to each of them.*

Institution, council, body, entity, fund, trust, party, club, society, association, league, federation, union.

IV. Match the words listed below with the dictionary definitions which follow.

accountability, effort, pattern, requirement, accomplish, existence, consumer, foster, affect, establish, benefit, involve

1. Create or set it up in a way that is intended to be permanent.
2. Help its development or growth by encouraging people to do or think about it.
3. Something that you must do or possess in order to be allowed to do some other thing.
4. The state of being real, alive, or actual.
5. Energy in the form of thought, action, time, or money that people use in their work.
6. It influences someone or something or causes them to change in some way.
7. Succeed in doing or finishing something.
8. Being responsible for and prepared to justify one's actions.
9. A good result of something.
10. A person who buys things or uses services.
11. A particular, recognizable way in which something is done or organized.
12. To include somebody or something as a necessary part or use them in some way.

V. Make the following words negative. Use prefixes -un, -in, -mis, -dis, -ir, and so forth.

Human, existence, enable, realized, regard, responsible, careful, systematic, effective, mature, aware, understand, loyal, formal, direct, continuous.

VI. Give the opposites to the following words. Use each of them in your own sentence.

Flexible, voluntary, to share, to adhere to, enjoy, confidential, consensus, versus.

VII. Be sure you know the meaning of the words given below. Give their derivatives.

Existence, accomplishment, benefit, authority, obligation, responsibility, extend, consider, favour, perception, value, equal, assume, conscious.

VIII. Give the synonyms to the following words. Make up your own sentences to show the shades in their meaning.

To handle, to accomplish, goal, benefit, coerce, to achieve, to purchase, output, affect, to establish, to enhance, power.

IX. Translate into Ukrainian. Pay attention to the economic and business terms.

1. Business is the production, buying, and selling of goods and services.
2. A business, company, or firm is an organization that sells goods or services.
3. A business is also may be referred to as an enterprise to emphasize its adventurous, risk-taking qualities, and business in general may be referred to as free enterprise and private enterprise.
4. Large companies are referred to as corporations, especially in the US.
5. Large companies operating in many countries are multinationals.
6. An entrepreneur is usually someone who builds up a company from nothing: a start-up company.
7. The people legally responsible for a company are its board or board of directors.

8. When a private company is bought by the state and brought into the public sector, it is nationalized.
9. When the state returns a company to the private sector in a sell-off, it is privatized.
10. A holding or holding company is one that holds stakes in one or more subsidiaries.
11. A holding company's relationship to its subsidiaries is that of parent company.

What words and word combinations do you consider to be economic and business terms? Explain what they mean.

TEXT 1

Read the text. Define the main idea of each paragraph. What are the key sentence(s) of each paragraph?

ORGANIZATION

Early in human existence people learned that their individual efforts often fell short of success. They found that they were unable to accomplish many tasks that require more than individual effort. The result was that only limited goals could be attained. Therefore the necessity of group activity was discovered relatively early in human existence.

Group activity could be aimed at some higher, more complex set of goals and could thus bring greater benefits to all concerned. This quality of group activity must be counted as one of the chief requirements for success. Cooperation is a prime element of a group of people who want to achieve more than they can acting individually. A system of group relationships built upon and fostering cooperation, then, is basically the meaning of an organization.

This system of cooperation consists of several parts: the human element, the physical element, the work element, and the coordination element. All of these elements, taken collectively, can be thought of as an organization. Today, this system of cooperation is much more complex than it was in the first attempts at organization.

Thus, ***organization*** is an open, dynamic, purposeful social system of cooperation designed to enhance individual effort aimed at goal accomplishment; consists of the human element, the physical element, the work element, and the coordination element; transforms resources into outputs for users.

It is important to examine the various parts or components of organization theory in order to outline its broad scope. These components are: *goals, work, power and authority, delegation, structure*. It was stated earlier that organizations were established to enable an individual to accomplish more in a group than he could as an individual. In other words, organizations are devices for pooling talent and ability into an effective whole that can accomplish some desired objective.

Every organization is initially built to accomplish some goal. The ***goal or purpose*** is an unrealized state or condition that the members do not possess but which they deem desirable. It is imperative that organizational goals be clearly defined and communicated to all organization members who are to be affected by them. Goals are the starting point for the design and maintenance of the organization itself. At the same time, these goals must meet a need that society has defined as important. Thus, consumer needs play a crucial role in organization. Once the goal of an organization is established, it is time for the members to decide on the type of work activity that will be necessary to accomplish these goals.

Basically, any organization must perform two fundamental types of work: primary and secondary. ***The primary work*** (it also commonly referred to as line work) consists of production and distribution of goods and services that will satisfy consumer needs. ***The secondary work*** (it is often termed staff work) consists of all those activities that support and extend the operations of primary work. For example, in a manufacturing firm, the secondary work would include accounting, personnel and quality control.

No theory of organizations would be complete without a treatment of the roles that power and authority play in organizational activity. These two components of theory help explain the network of relationships that tie the other components of an organization together into some logical pattern.

Power is the ability to influence others successfully. It comes from any single or combination of possible sources. For example, one can have power over others because of one's intelligence, skill, or money. Regardless of its source, power enables its holder to exercise one's will over others. Thus, in order to understand the total workings of an organization, one must have an appreciation of the role that power plays in these workings.

Authority can be defined as power that has been given official recognition by the organization. Once an organization legally authorizes an individual to act on its behalf, that person is said to possess authority. Every member of the organization has some amount of authority to take action necessary to carry out his responsibility. The concern of the theorist is to understand how authority comes to be officially recognized by the organization and what considerations should be made regarding its use.

Organizations that enjoy any measure of success find it necessary to increase their membership and to assign duties to these additional members. The process that is used to add members to the organization will result in the necessity to divide the work of the organization into sub-units or groups. Each of these groups will be under the direction of a manager or managers. In order for these managers to perform their managerial duties properly, they must be granted appropriate responsibility and authority. The means for making these assignments is termed delegation. In general, **delegation** may be defined as the process of transferring an obligation (responsibility) and an accompanying right (authority) from a superior to a subordinate position in the organization. It is this basic process that enables an organization to grow. Without delegation, an organization simply cannot exist and prosper.

The patterns of work divisions and their hierarchical arrangements constitute the basic components of structure. **Structure**, then, is the hierarchical pattern of authority, responsibility, and accountability relationships designed to provide coordination of the work of the organization. It is basically a managerial tool that aids in guiding the organization towards its goals and can be considered the skeleton of the organizational body. The idea of hierarchy of authority, the division of

organization by function, the differentiation of responsibility of the line (doers) and the staff (the advisors) are all inventions of the church and military leaders who were faced with the need to manage large aggregations of human, technical, and material resources. Organizations create an officially sanctioned structure known as the *formal organization* or *de jure* organization. This structure is often depicted by a chart as that seen in Fig. 1.

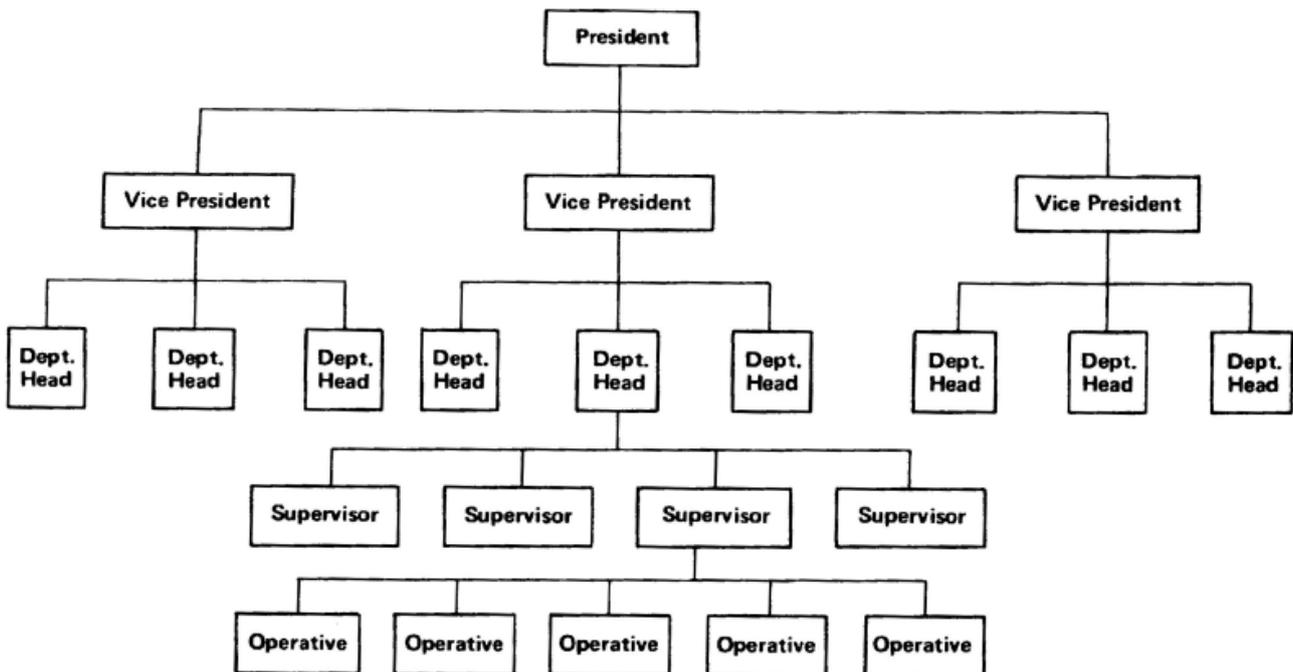


Figure 1. A Formal Organization Chart

A formal organization is only half the story, for superimposed on these relationships is a whole series of *informal or de facto* relationships that are not sanctioned by the organization. These include informal work groupings of employees, informal leaders, informal channels of communication and informal power and status differentials. Usually the structure of an organization is rather permanent and stable but in some cases a temporary, ad hoc, organization may be created. The organization exists to reach a certain goal or set of goals and disbands once the goal is achieved.

1. What did people find early in human existence?

2. What is the meaning of the organization?
3. What is an organization?
4. What are the components of organization theory?
5. What role do power and authority play in building every organization?
6. What is the starting point for the design of an organization?
7. What is delegation and why is it necessary in today's organization?
8. Which is more important: formal or informal structure?
9. Can you give any example of an ad hoc organization?

TEXT 2

Read the text and be ready to define: 1. what a business entity is and 2. three maintypes and forms of business organizations.

TYPES AND FORMS OF BUSINESS ORGANIZATION

A business organization is frequently referred to as a business entity. **A business entity is any business organization that exists as an economic unit.**

Business entities can be grouped according to the type of business activity they perform.

1. *Service companies* perform services for a fee. This group includes companies such as accounting firms, law firms, repair shops, and many others.
2. *Merchandising companies* purchase goods that are ready for sale and sell them to customers. They include such companies as auto dealerships, clothing stores, and supermarkets.
3. *Manufacturing companies* buy materials, convert them into products, and then sell the products to the companies or to the final customer. Examples are steel mills, auto manufacturers, and so on.

The business entity concept applies to all forms of businesses – single proprietorship, a partnership, and a corporation.

A *single (sole) proprietorship* is business owned by an individual and often managed by that same individual. Single proprietors include physicians, lawyers,

electricians, and other people who are ‘in business for themselves’. In a single proprietorship, the owner is responsible for all debts of the business. Operating as a proprietorship is the easiest way to get started in a business activity. Other than the possibility of needing a local license, there are not any prerequisites to beginning operations.

A partnership is a business owned by two or more persons associated as partners. Partnerships are created by an agreement. Included in the agreement are such terms as the initial investment of each partner, the duties of each partner, the means of dividing profits or losses between the partners each year, and the settlement to be made upon the death or withdrawal of a partner. Accountants, attorneys, and other professionals frequently operate their firms as partnerships.

A corporation is a business owned by a few persons or by thousands of person. The owners of the corporation are called shareholders or stockholders. They buy shares of stock. If the corporation fails, the owners lose only the amount they paid for their stock. The personal assets of the owner are protected from the creditors of the corporation. The stockholders do not directly manage the corporation; they elect a board of directors to represent their interests. The board of directors select the president and vice president, who manage the corporation for the stockholders.

TEXT 3

WHY ARE COMPANIES REFERRED TO AS LTD., INC., GMBH, OR S.A.?

An individual, like Henry Ford, might want to begin a small enterprise and personally retain total responsibility and liability, but once it starts to grow, a partnership or a "company"—such as Ford Motor Company—would need to be formed. The key factor in owning any company is the guarantee called *limited liability*: the owners of a company never have to pay more than they have invested in the company. Their liabilities are limited. When a company goes bankrupt, the owners can never be required to pay its unpaid bills. The worst that can happen to investors in a limited liability company is losing their initial investment if the

company fails. By limiting the downside risk for shareholders, companies are able to attract *equity investors* and raise large amounts of funds called *equity capital* through sales of shares rather than by borrowing money at potentially high interest rates.

The names of companies around the world reflect this guarantee of limited liability. The abbreviations "GmbH" in Germany, "Inc." in the United States, or "Ltd." in most other English-speaking countries indicate that the firm is a limited liability company and investors have nothing more to lose than the money invested in their shares. The "S.A." in French- and Spanish-speaking countries also refers to limited liability by defining shareholders as "anonymous". Since the identity of shareholders can be kept secret, the creditors of a bankrupt company have no right to pursue them for the company's unpaid debts.

Many countries make a clear distinction between public and private companies, with separate designations, such as AG and GmbH in Germany, or Plc and Ltd. in Britain. Generally, "public" companies are those large enough to have their shares traded on stock exchanges, while smaller unquoted companies are said to be "private," even though their shares can be held by the public at large. In some countries, a large company is said to be privately owned if its shares are not available to the general public. In the United States, where little distinction is made between public and private companies, most companies simply bear the title "Incorporated".

What do the names of companies around the world reflect?

UNIT 4
ACCOUNTING AND AUDITING

Accounting is the language of business.

I. Read and learn the vocabulary:

Account

- ✓ a detailed record of all the money that a person receives and spends.

Accountant

- ✓ a person whose job is to inspect or keep accounts.

Accounting

- ✓ the system that measures business activities, processes that information into reports, and communicates these findings to decision makers.

Accountancy

- ✓ the theory and practice of keeping and inspecting accounts.

Audit

- ✓ the inspection of an organization's annual accounts.

Auditor

- ✓ a person who carries out an audit.

II. Translate the following sentences into Ukrainian. Pay special attention to the words in bold. They are your professional vocabulary.

1. The money that a business spends in order to produce goods or services is its **costs**.
2. **Fixed costs** do not vary in relation to the output level of goods or services; **variable costs** do.
3. **Direct costs** are directly related to the things produced. In manufacturing, for example, direct costs include raw materials and wages and **indirect costs** may include things like social security charges on top of the wages.
4. **Overhead costs** or **overheads** are used to mean different things, but usually cover all the regular non-production costs of running a business, such as salaries and

telephone bills, and can be extended, for example, to include the cost of marketing and R&D activities.

5. A company's financial performance for a period is its results, which it reports in the form of a **profit and loss** account, indicating whether it has made a profit or a loss.

6. The equivalent document in the US is the **income statement**. A pre-tax profit or loss is one calculated before tax is taken into account.

7. The accuracy of accounts such as the **balance sheet** and the profit and loss account is checked and supposedly guaranteed by **auditors**, outside accountants who specialize in this.

8. When a company's accounts are presented in a way that makes performance look better than it really is, the company may be accused of window dressing or **creative accounting**.

9. The **bottom line** is an informal way of talking about the results of a company: the so-called bottom line of the profit and loss account. The bottom line also means the final result or the most important aspect of something.

10. **Assets and liabilities** are normally shown on a firm's **balance sheet**: a "photograph" taken, normally once a year, of its financial situation at that time. Firms in a good situation are said to have a strong balance sheet and those that are not, a weak one.

11. Things that are not shown in the balance sheet but in a footnote, for example, are **offbalance** sheet.

12. A company's balance sheet may include provisions for potential losses, such as **bad debts**, debts that may never be paid.

13. If it looks almost certain that a debt will not be paid, it is considered a **write-off** and **written off**.

14. A company supplying goods or services to another company does not, of course, usually expect to be paid immediately, but after an agreed period. This is **trade credit**.

15. Amounts that a business is waiting to be paid by its customers are **accounts receivable** or **receivables**. Customers owing money in this way are **debtors**.

16. Money that a business owes to its suppliers are **accounts payable** or **payables**. Suppliers waiting to be paid are **creditors**.
17. The **cash flow** of a business is the actual movement of money into and out of it, independently of how much it owes and is owed.
18. **Cash flow** is also used to refer exclusively to cash flowing into a company from sales.
19. When sales reach a level where revenues match costs, a company or product **breaks even**.
20. This is break even or the **break even point**, a crucial figure when calculating the return on investment (ROI) for a given business or product.

III. Match each word in column A with its definition in column B.

A	B
1. on account	a. unimportant
2. account for	b. on one's behalf
3. by all accounts	c. serve as or provide an explanation for
4. call to account	d. because of
5. of no account	e. require an explanation from
6. of some account	f. important
7. on one's account	g. in everyone's opinion
8. on account of	h. consider
9. on no account	i. under no circumstances
10. take into account.	j. use smth fully and profitably
11. put (take) smth to good account	k. to be paid for later

Use the words from column A to fill in the blanks

1. She told me not to run my illness.
2. she was a very clever young lady.
3. You can have it
4. If you buy something, you take it away with you and pay for it at a later

date.

5. How do you losing such a large sum of money?
6. In this new job she can ... her talents
7. Their reactions were to me.
8. must strangers be let in.
9. We'll certainly ... your feelings
10. I was for my conduct by the headmaster.

IV. Write down a synonym for each of the words on the left. Choose from the ones on the right.

- | | |
|----------------|-----------------|
| 1. responsible | a. buy |
| 2. public | b. influence |
| 3. earnings | c. costs |
| 4. purchase | d. information |
| 5. impact | e. provide with |
| 6. acquire | f. employ |
| 7. expenses | g. in charge of |
| 8. supply | h. obtain |
| 9. hire | i. state-owned |
| 10. evidence | j. income |

Using these words ask your partner as many questions as you can.

V. Join the halves.

1. Before making a loan, potential lenders...
2. Both profit and non-profit organizations...
3. Public accountants are those who...
4. Several accounting organizations have formulated...
5. To do an audit, there must be information in a ...
6. It is important to obtain a sufficient...

7. The final stage in the audit process is...
8. Very often the general public...
9. The function of accounting is to provide certain types of...
10. Auditing is the process of recording, classifying and summarizing economic...
 - a. serve the general public and collect professional fees for their work.
 - b. quality and volume of evidence to satisfy the audit objectives.
 - c. the audit report.
 - d. quantitative information that management can use to make decisions.
 - e. verifiable form and some standards by which the auditor can evaluate the information.
 - f. determine the borrower's ability to meet scheduled payment.
 - g. confuses auditing with accounting.
 - h. codes of ethics that govern the behaviour of their members.
 - i. events in logical manner for the purpose of providing financial information for decision-making.
 - j. deal with budgets, payrolls, rent payments, and the like.

VI. Before you begin this exercise, be sure that you know the meaning of the words and word-combinations given below. From the list, choose a word or word combination that fits both grammatically and contextually in each blank. Use each word only once and add noun or verb endings if necessary.

direct costs, fixed costs, income statement, costs, indirect costs, assets and liabilities, earnings, balance sheet, timely information, revenue, entry, depreciation.

1. Substance should triumph are form in situations of window-dressing and off-... financing.
2. It is argued that ...should be brought together on the balance sheet if this is necessary to give a true and fair view, whether or not the information involved is specifically required be legislation.

3. Firms locate their production and other operations internationally for reasons that are more complex than the simple minimization of
4. Mainly because of higher ..., a German manufacturing worker costs almost twice as much per hour as a British one.
5. The ... shows the amount that the company earned during the year.
6. After deducting the costs of goods sold and other expenses, the firm had total ... before interest and taxes of S 10mln.
7. Lufhansa's cost problem is illustrated in a comparison with British Airways, when personnel ... amount to about 24 per cent of revenues against Lufhansa's 33 per cent.
8. Any gain in market share fattens profit, because ... are high and variable costs are low.
9. There remains, of course, the risk of capital ...
10. The purpose of adjusting ... is to bring the accounts to their proper balances before the financial statements are prepared.
11. This matching of expenses and ... is necessary for the income statement to present an accurate picture of the profitability of a business.
12. Since those interested in the activities of a business need ... , financial statements must be prepared periodically.

TEXT 1

*What do you know about accounting? How old is it? What century does it date back?
When you hear the word 'accountant', what kind of work do you draw in your mind?*

HISTORY OF ACCOUNTING

Accounting has been called 'the language of business'. Perhaps a better term is the 'language of financial decisions'. The better you understand the language. The better you can manage the financial aspects of living.

Accounting has a long history. Some scholars claim that writing arose in order to record accounting information. Account records date back to the ancient civilisations of China, Babylonia, Greece, and Egypt. The rulers of these civilisations

used accounting to keep track of the cost of labour and materials used in building structures like the great pyramids.

Accounting developed further as a result of the information needs of merchants in the city-states of Italy during the 1400s. In that commercial climate the monk Luca Pacioli, a mathematician and friend of Leonardo da Vinci, published the first known description of double-entry bookkeeping in 1494.

The **double-entry accounting system** -- in which for every 'debet dare' there is a 'debet habere' -- has evolved to the point where it is very much like the present day system. Debet dare and debet habere are Latin terms meaning 'should give' and 'should have' respectively.

The pace of accounting development increased during the Industrial Revolution as the economies of developed countries began to mass-produce goods. Until that time, merchandise had been priced based on managers' hunches about cost, but increased competition required merchants to adopt more sophisticated accounting systems.

In the nineteenth century, the growth of corporations, especially those in the railroad and steel industries, spurred the development of accounting. Corporation owners—the stockholders—were no longer necessarily the managers of their business. Managers had to create accounting systems to report to the owners how well their businesses were doing. The role of government has led to still more accounting developments. When the federal government started the income tax, accounting supplied the concept of "*income*". Also, government at all levels has assumed expanded roles in health, education, labour, and economic planning. To ensure that the information that it uses to make decisions is reliable, the government has required strict accountability and compliance with standards in the business community.

Accounting standards may be defined as «... uniform rules for external financial reporting applicable either to all or to a certain class of entity». Accounting standards may be viewed as a method of resolving potential conflicts of interests between the various user groups which have access to company accounts. The various

groups have different objectives, information needs, and capacities for the generation and interpretation of information and, therefore conflicts may arise between groups outside the entity. It is a role of accounting standards to attempt to reconcile the conflicts. A number of important issues for the accounting profession should be mentioned here. These issues are as follows:

- *Reliability*. Accounting information should be reliable in use.
- *Uniformity*. The pressure for the standardization of accounting practices is to ensure a uniformity of treatment of data and hence an identity of the meaning of information.
- *Comparability*. Reliability and uniformity are integrated in the notion of comparability.
- *Judgment*. Accountants say that they should be allowed to exercise some judgment in interpreting data. This implies that some variety should be allowed for in the procedures available for transforming data into information.

Accounting practice and financial reporting regulation have shown great variety internationally. In recent years there has been growing interest in the harmonization of international accounting. Factors which have stimulated the movement towards harmonization have included the increasing internationalization of business, the importance of multinational companies in the world economy, and the development of international capital markets. In 1973 the International Accounting Standards Committee (IASC) was established in an attempt to coordinate the development of accounting standards internationally.

TEXT 2

WHAT IS ACCOUNTING?

The study of accounting begins with the understanding of the way in which accountants see the business enterprise. Accountants frequently refer to a business organization as an accounting entity or a business entity. A **business entity** is any business organization such as a hardware store or grocery store that exists as an economic unit. As an economic unit, the business enterprise acquires, organizes and transforms factors of production in its activity of producing goods and services.

The accounting interpretation is an abstraction of the reality portrayed above. The business enterprise is viewed as a system of monetary flow, instead of a system of physical flows. In accounting, business activities are associated with **transactions** and, indeed, are limited to transactions. Thus, unless there is a transaction there is no observable business activity.

A transaction occurs whenever the firm enters into a *legal contract* for the acquisition of means of production or the sale of goods and services. Business activities which do not lead to transactions remain unrecognized in accounting. Transactions involving the acquisition of factors of production lead either to an *outflow* of money immediately or an obligation to pay money at a later date. Transactions by which the firm sells goods or services lead to an *inflow* of money or the right to receive money at a future date. The accounting interpretation of business activities leads to further analysis of these transactions.

First, transactions between the firm and its markets – both its supply markets and its selling markets – are defined as «**external transactions**». The totality of «external transactions» forms the subject matter of **financial accounting**. General purpose of financial statements (reports) is to provide most of the information needed by external users of financial accounting. These financial statements are formal reports providing information on a business entity's financial position (**solvency**), cash inflows and outflows, and the results of operations (**profitability**). Financial accounting information is historical in nature, reporting on what has happened in the past. Hence, the external users rely on relevant and reliable financial statements to make present decisions about future events.

Second, transactions within the firm, consisting of the exchanges which occur between the various departments are defined as «**internal transactions**». The totality of «internal transactions» forms the subject matter of cost or **management or managerial accounting**. Managerial accounting information provides special information for the managers of a business entity. The kind of information used by managers may range from very broad, long-range planning data to detailed explanation of why actual costs varied from costs estimates. The purpose of

managerial accounting is the generate information that a manager can use to make sound internal decisions.

1. What does the study of accounting begin?
2. In what way may the activity of an organization be presented?
3. What is business activity associated with in accounting?
4. When does a transaction occur?
5. What business activities are recognized in accounting?
6. How can transactions be classified?
7. What is financial accounting?
8. What is managerial accounting?

TEXT 3

What do you know about auditing?

How can we translate the word into Ukrainian?

What is auditor's job supposed to be?

The answers to these questions can be found in the following texts.

AUDITING

Auditing is the process by which a competent, independent person accumulates and evaluates evidence about qualifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria. This definition includes several key words and phrases. Let's discuss each of them. *Qualifiable information and established criteria.* To do an audit, there must be information in a verifiable form and some standards (criteria) by which the auditor can evaluate the information. Quantifiable information can and does take many forms. It is possible to audit such things as a company's financial statements, the amount of time it takes an employee to complete an assigned task, the detail cost of a contract, and individual tax return. The criteria for evaluating qualitative information can also vary considerably. For example, in auditing a vendor's invoice for the

acquisition of raw materials, it is possible to determine whether materials of the quantity and stated description were actually received, whether the proper raw material was delivered considering the production needs of the company, or whether the price charged for the goods was reasonable.

Economic entity is a legal entity, such as a corporation, unit of government, partnership, etc. Whenever an audit is conducted, the scope of the auditor's responsibilities must be made clear. The primary method involves defining the economic entity and the time period, the last typically being one year, but may be for a month, a quarter, several years, and even the life time of entity.

Accumulating and evaluating evidence. Evidence is defined as any information used by the auditor to determine whether the quantifiable information being audited is stated in accordance with the established criteria. Evidence takes many different forms, including oral testimony of the auditee (client), written communication with outsiders, and observations by the auditor. It is important to obtain a sufficient quality and volume of evidence to satisfy the audit objectives.

Competent, independent person. The auditor must be qualified to understand the criteria used and competent to know the types and amount of evidence to accumulate to reach the proper conclusion after the evidence has been examined. The auditor must also have an independent mental attitude. Independence cannot be absolute by any means, but it must be a goal that is worked toward and it can be achieved to a certain degree. Even though an auditor is paid by a company, he or she may still be sufficiently independent to conduct audits that can be required and can be relied upon by users.

Reporting is the communication of the findings to users. The final stage in the audit process is the audit report. Reports differ in nature, but in all cases they must inform readers of the degree of correspondence between quantifiable information and established criteria. Reports also differ in form and can vary from the highly technical type usually associated with financial statements to a simple oral report in the case of an audit conducted for a particular individual. Very often the general public confuses auditing with accounting. It happens due to the fact that most auditing is concerned

with accounting information, and many auditors have considerable expertise in accounting matters. Auditing is the process of recording, classifying and summarizing economic events in a logical manner for the purpose of providing financial information for decision making. The function of accounting is to provide certain types of quantitative information that management and others can use to make decisions. In addition, accountants must develop a system to make sure that the entity's economic events are properly recorded on a timely basis and at a reasonable cost.

In auditing accounting data, the concern is with determining whether recorded information properly reflects the economic events that occurred during the accounting period. Since the accounting rules are the criteria for evaluating whether the accounting information is properly recorded, any auditor involved with these data must also thoroughly understand rules. In addition to understanding accounting, the auditor must also possess expertise in the accumulation and interpretation of audit evidence.

Determining the proper audit procedures, sample size, particular items to examine, timing of the tests, and evaluating the results are problems unique to the auditor.

TEXT 4

TYPES OF AUDIT

Three types of audit are the main ones: operational audits, compliance audits, and audits of financial statements. *Operational audits* is a review of any part of an organization's operating procedure and methods for the purpose of evaluating efficiency and effectiveness. At the completion of an operational audit, recommendations to management for improving operations are normally expected. In operational auditing, the reviews are not limited to accounting. They can include the evaluation of organization structure, computer operation, production methods, marketing, and any other area in which the auditor is qualified. In this sense,

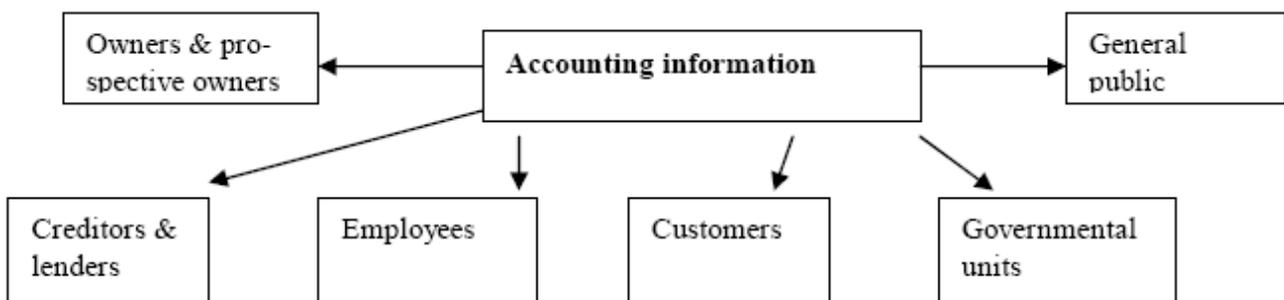
operational auditing is more similar to management consulting than to what is generally required as auditing.

Compliance audits. The purpose of the compliance audits is to determine whether the auditee is following specific procedures or rules set down by some higher authority. A compliance auditing could include determining whether accounting personnel are following prescribed procedures, reviewing wage rates for compliance with minimum laws, or examining contractual agreements with bankers and other lenders, etc.

Audits of financial statements. This type of auditing is conducted to determine whether the overall financial statements are stated in accordance with specific criteria. The assumption underlying an audit of financial statements is that they will be used by different groups for different purposes. Normally, the criteria are generally accepted accounting principles.

1. What is auditing?
2. What is the difference between auditing and accounting?
3. Speak about each 'component' of the definition of auditing.
4. What types of auditing have you read about?

VII. Speak on the following.



VIII. Translate the following text in written form.

Bookkeeping

Bookkeeping is writing down all the transactions arising from business activities which can be expressed in money. To run your business well you must

know what money you have received, how much money you have spent and, most important of all, how you spent it. A bookkeeping system can provide you with that information. The books used for keeping records consist of a ledger and subsidiary books.

The ledger is the general book in which you enter almost all the figures arising from your business activities. A ledger consists of a number of accounts. A **chart of accounts** serves as an index to the ledger, and each account is numbered to facilitate the frequent references that are made to it. An account is a column in the ledger that has been given a specific name, e.g. Cash, Bank, Sales and etc.

The invoice book helps you to remember who owes the business money for goods and services you have sold but have not been paid for. When you have delivered a commodity or provided a service you send an invoice to the customer. You keep a copy of the invoice in the invoice book.

The purchase journal is used to write down details of goods and services bought on credit which are not yet paid for. The invoice you receive from the supplier is kept in the purchase journal until it is fully paid.

The wages book. In this book you make notes about your employee names, wages, advance payments and so on.

IX. In turns, explain the meaning of the economic terms given below to your partner.

Accounting, cost, income, liabilities, transaction, cost accounting, assets, balance sheet, debit, credit, invisible assets, account, double-entry, expenses, direct costs, cash, ledger, invoice book, revenue, owner's equity, profit & loss account, scheduled payments, inventory.

X. Translate the definitions into English and match them with the words given below.

Liquidity, balance sheet, historical cost, assets, accountability, inventory turnover ratio, liabilities

1. Матеріальні цінності, що знаходяться у власності фірми або окремої особи.

2. Фінансовий документ, який показує що знаходиться у власності фірми або окремої особи, а що взято в борг або які активи, пасиви і власний капітал.
3. Всі офіційні вимоги стосовно фірми або приватної особі.
4. Здатність активів безпосередньо використовуватися як засіб звернення або бути готовими до перетворення на засіб обігу, зберігаючи фіксованою свою номінальну вартість.
5. Необхідність відповідати за результати якої-небудь дії.
6. Відношення продажів до запасів.
7. Ціна, за якою дійсно були куплені товарно-матеріальні запаси та фіксовані активи.

XII. Translate the following into English.

1. **External costs** - витрати виробництва, які фірма перекладає на інші підприємства та суспільство в цілому.
2. **Internal costs** - витрати виробництва, які покриваються самою фірмою.
3. **Loss** - перевищення витрат над доходами.
4. **Profit** - доходи мінус витрати.
5. **Revenue** - загальна сума грошей, отримана від продажів.
6. **Accounts receivable** - сума заборгованості покупців організації за куплені ними в кредит товари.
7. **Current assets** - активи, якими організація має намір володіти протягом року або менше року.
8. **Current ratio** - відношення загальних поточних активів до поточних пасивів. Використовується для визначення платоспроможності організації.
9. **Double-entry bookkeeping** - принцип, відповідно до якого кожна операція повинна бути відображена у балансовому звіті у двох різних частинах для того, щоб дотримуватися балансової рівності.
10. **Liquid assets** - активи, що включають монети і паперові гроші, банківські вклади та деякі види цінних паперів.

XII. Give the English equivalents to the following:

Бухгалтерська рівність; фінансова звітність; пасиви; бухгалтерський облік за методом подвійного запису; проводка; дебет рахунку; принцип працюючого підприємства; наступність; виробничий облік; який має силу; головна бухгалтерська книга; первинний документ, внутрішня звітність; безнадійні борги; дебіторська заборгованість; прострочений; товарно-матеріальні запаси; нематеріальні активи; ліквідні активи; активи за вирахуванням ...; собівартість реалізованої продукції; прибутки або збитки; точні дані; звіт про прибутки та збитки; амортизація; основний капітал; зменшення вартості активів; обортовий капітал; потік готівкових коштів; короткострокові зобов'язання, термін платежу; платіжний баланс.

XIII. Work in pairs and discuss the following topics.

1. Differentiate between financial and managerial accounting.
2. Describe employment opportunities in accounting.
3. Explain the relationship, if any, between accounting and auditing.
4. An anonymous adage reads, "An accountant is a man who is hired to explain that you didn't make the money you did". Your comments?
5. Explain, in your own words, the meaning of the fundamental accounting equation.
6. Define, in your own words, the notions of accounting, auditing and bookkeeping.
7. Drawing on the information provided in this Unit and referring to other professional sources, list the users of accounting information and define their interests in the business.
8. Summarize the information of the Unit to be ready to speak on Accounting and Auditing. The first step to be done is to write the plan of your future report.
9. Choose any question (topic, problem) relating to Accounting or Auditing and make a 10-15 minute report in class. Refer to different additional sources to make your report informative, instructive, and interesting.

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