

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

**ЗБІРНИК ТЕКСТІВ І ЗАВДАНЬ
ДЛЯ САМОСТІЙНОЇ РОБОТИ
З ДИСЦИПЛІНИ “ІНОЗЕМНА МОВА (ДОДАТКОВО)”
(АНГЛІЙСЬКА МОВА)**

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Збірник текстів і завдань для організації самостійної роботи призначений 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

Text 1.

I. Read and translate the text

THE ECONOMY OF GREAT BRITAIN

The United Kingdom has a developed mixed private-and public-enterprise economy and ranks among the top industrial countries in growth rates, productivity, and competitiveness. The gross national product (GNP) is growing faster than the population. The GNP per capita is among that of most other European countries.

The state sector was reduced during the 1980s and 1990s owing to policies of privatization, or denationalization, of publicly owned corporations. There was also an improvement in the standard of living. Unemployment and inflation rates were gradually reduced but remained high.

Nowadays, government policies include the close monitoring and frequent adjustment of interest rates; a gradual reduction in the level of direct personal taxation; a reduction in the levels of power and influence of national trade unions in national labour negotiations; the encouragement of wider home ownership and of individuals' share holdings in companies. Considerable emphasis is placed on increased exposure of the economy to market forces. The government controls the production of coal, steel, and ships, it also runs certain utilities, the railways, and most civil aviation.

Manufacturing industries account for one-fifth of the GNP. Small companies predominate, though companies with 500 or more employees employ a larger percentage of the work force. Major manufactures include motor vehicles, aerospace equipment, electronic data-processing and telecommunication equipment, metal goods, precision instruments, petrochemicals, and other chemicals. High-technology industries are being developed.

Agriculture accounts for less than 2 percent of the GHP and employs some 2 percent of the work force. Farming is highly mechanized, though farms are not extremely large, and is dominated by the raising of sheep and cattle. The United Kingdom is not agriculturally self-sufficient. Chief crops include barley, wheat, sugar beets, and potatoes.

The mineral industry accounts for approximately 6 percent of the GNP but employs less than 1 percent of the work force. Production from oil fields in the North Sea has allowed the United Kingdom to become virtually self-sufficient in petroleum.

The United Kingdom's coal industry, despite its steady decline since the early 1950s, remains one of the largest and most technologically advanced in Europe.

Public revenues ordinarily fall short of expenditures and are chiefly derived from income taxes, which are highly progressive, and excises. A single graduated income tax was introduced in 1973. Deficits are offset by public borrowings. The country (as well as its capital) is a major world financial and banking centre.

Chief imports of Great Britain are: metallic ores, except iron ore, food. Chief exports are: china, automobiles and other vehicles, wooden goods, steel, electrical and mechanical machinery, tractors, scientific instruments, chemicals, petroleum.

Just under half of the total population is in the labour force. The highest proportion of employees (more than two-thirds) are in the service sectors, financial services and distribution. Manufacturing although it has declined, employs more than one-fifth of all workers. Smaller numbers are in construction, energy, agriculture, forestry, and fishing.

Words to know:

to account for	складати частку
adjustment	регулювання
public borrowing	державна позика
competitiveness	конкурентоспроможність
considerably	значно
to debilitate	послаблювати
decline	спад
to derive	походити, виникати
to emerge	виникати
to encompass	включати
electronic data processing equipment	електронне обладнання для обробки інформації
to exceed	перевищувати
excise	акциз
expenditure	витрата
exposure	нездатність прийняти заходи захисту проти впливу чогось
to fall short	не вистачати
to fall short expenditures	бути менше, ніж витрати
forefront	передній край
gross national product (GNP) (per capita)	валовий національний продукт (ВНП) (на душу населення)
share holdings	акції
lag	менше
manufacturing industry	обробна промисловість

labour negotiations	переговори щодо умов праці
to offset	покривати, сплачувати
owing to	завдяки кому, чому
petrochemicals	нефтохімічні продукти
precision instrument	точний інструмент
to predominate	переважати, домінувати
to prevail	домінувати
private-and-public-enterprise economy	економіка на основі приватного та державного майна
prosperity	процвітання, добробут
to rank	займати певне місце
in growth rates	по темпам зростання
interest rate	відсоткова ставка
graduated tax	прогресивний прибутковий податок
taxation	оподаткування
direct personal taxation	пряме оподаткування фізичних осіб
utilities	послуги громадського користування
virtually	фактично, по суті

II. Agree or disagree with the following statements.

1. The economy of Great Britain is among the less developed countries in growth rates and competitiveness.
2. The United Kingdom has a developed mixed private- and public enterprise economy.
3. The state sector increased considerably during the 1980s and 1990s.
4. A gradual reduction in the level of direct personal taxation is one of the actual policies of the British government.
5. Small companies predominate in the economy of the UK.
6. Agriculture accounts for more than 50 per cent of the GNP.
7. The United Kingdom's coal industry remains one of the largest and most technologically advanced in Europe.

III. Using the information from the text prove that:

1. The United Kingdom is an attractive country for foreign investors.
2. UK has many natural resources for its developed industry.
3. UK is a large market for national producers.
4. UK is a perfect place for international trade.

IV. Answer the questions:

1. What is the rank of the UK in the world in terms of the GNP?

2. How did the GNP of the UK changed in years 1993-94?
3. What are the major industries in the UK?
4. When did Great Britain become a member of the EU?
5. What are the major economic problems of Great Britain?
6. What is the British government economic policy since 1979?
7. What is said in the text about the unemployment in the UK?

V. Translate into English:

Державний сектор у Великобританії було скорочено під час 1980-х- 1990-х через політику приватизації або денаціоналізації корпорацій, що визнавались власністю суспільства.

Також було поліпшення стандартів життя.

Безробіття та зростання інфляції були поступово скорочені, але залишалися високими.

В даний час політика уряду включає до себе контроль та регулювання процентних ставок, поступове скорочення рівня прямого персонального оподаткування; зниження рівнів влади та впливу національних профспілок, підтримку більш широкого володіння власними будинками та акціями компаній у окремих осіб.

Text 2

I. Read and translate the text

ECONOMY OF THE USA

The United States has been the world's leading industrial nation since early in the 20th century. Until the second half of the 19th century, agriculture remained the dominant US economic activity. After the Civil War, great advances were made in the production of basic industrial goods. By World War I, exports of manufactured goods had become more important than the export of raw materials; as manufacturing grew, agriculture became increasingly mechanized and efficient, employing fewer and fewer workers. The most important development in the economy since World War II has been the tremendous growth of service industries, such as government services, trade, and financial activities. Today, service industries are the most important sector of the economy, employing almost three-quarters of the workforce. Manufacturing employs approximately 17 per cent of the labour force and agriculture less than 3 per cent of the workers.

Beginning in the 1930s, the government of the United States played an increasingly active role in the economy. Even though the US economy in the 1990s

was based on free enterprise, the government regulated business in various ways. Some government regulations were drawn up to protect consumers from unsafe products and workers from unsafe working conditions; others were designed to reduce environmental pollution.

The federal budget for fiscal year 1993-1994 included estimated expenditures of \$1.48 trillion, or about one-quarter of the nation's gross national product (GNP). Revenue in 1991-1992 was estimated at \$1.08 trillion. The United States has consistently recorded annual budget deficits of \$100 billion or more since the early 1980s.

In 1993 the United State's annual GNP was more than \$6.4 trillion. With a per-capita GNP of nearly \$24,700, the people of the United States had one of the highest standards of living. The GNP in 1994 was over \$6.7 trillion.

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

Primary economic activities are those directly involving the natural environment, including agriculture, forestry, fishing, and mining, and usually contribute about 4 per cent of the yearly GDP.

Secondary economic activities involve processing or combining materials into new products, and include manufacturing and construction, this sector accounts for approximately 23 per cent of the GDP.

Tertiary economic activities involve the output of services rather than goods. Examples of tertiary activities include wholesale and retail trade, banking, government, and transport. The tertiary is the most important sector by far and accounts for almost 73 per cent of the annual GDP.

II. Answer the questions on the text:

1. When did the US become a world's leading industrial nation?
2. What tendency took place by the end of the Civil War?
3. What is said in the text about the development of the service industry?
4. What is said about the size of the manufacturing sector of the economy?
5. What role does the government play in the modern economy of the USA?
6. What was the US GNP in 1993?
7. What, according to the text, are the three major sectors of American economy?
8. What are the examples of tertiary activities?

UNIT 2

PRODUCTION

Text 1

I. Vocabulary study

1. The italicized words in the sentences below will be found in the article. Study the sentences. Then in the list that follows, match the words with their meanings.

1. Their investments were not *attuned* to their future goals.
2. The workers *conceded* on salary increases in order to retain their retirement benefits.
3. With the closing of several of its branch offices, the economic problems of the company were quite *conspicuous*.
4. If production costs remain *constant* and the market demand increases, the company can count on higher profits.
5. Sociologists tend to be more interested in *contemporary* problems than they are in the past.
6. Since *conventional* approaches were not proving successful, the company was experimenting with a completely new strategy.
7. Parents of college-aged children find their savings *diminishing* because of the high cost of university education today.
8. The introduction of high quality, low cost foreign goods into the local market upset the *equilibrium* of the economy.
9. With recent court decisions guaranteeing their rights, that interest group is *exerting* more political influence.
10. The research division of the company *functions* as a laboratory.
11. Following a long, successful career, she looked forward to her retirement and more time for *leisure*.
12. Though single-owner businesses remained profitable, their influence upon the economic policies of the city was *marginal*.
13. People can live successful lives if they learn how to *maximize* their potential and not let their weaknesses get in the way.
14. Unfavorable reports on the new product *stifled* consumer interest.
15. When interest rates at the banks are low, people have the *tendency* to spend their money rather than to put it into savings.
16. Though he graduated at the top of his class, he never fulfilled his *potential* as a lawyer.

1. attuned	a) borderline
2. concede	b) exercise influence
3. conspicuous	c) possibility, promise (n)
4. constant	d) decrease, lessen
5. contemporary	e) yield, give up
6. conventional	f) operate
7. diminishing	g) increase to greatest amount
8. equilibrium	h) in accord
9. exert	i) inclination, likelihood
10. function	j) ordinary, usual
11. leisure	k) of the same time
12. marginal	l) unchanging, at the same level
13. maximize	m) easily seen
14. stifle	n) equal balance
15. tendency	o) free time
16. potential	p) prevent; suppress

2. Write original sentences using each of the sixteen words.

II. Scan the next article for the answers to the following questions:

1. With which group are Adam Smith's ideas most in agreement: the mercantilists or the physiocrats?
2. What is another term for Smith's *invisible* hand? How does it operate in a nation's economy?

Read the article carefully and complete the exercise that follows.

ADAM SMITH AND THE WEALTH OF NATIONS

- (1) 1776, the year that Americans associate with the signing of the Declaration of independence, also marked the publication in England of one of the most influential books of our time, *The Wealth of Nations*. Written by Adam Smith, it earned the author the title "the father of economics."
- (2) Smith objected to the principal economic beliefs of his day. He differed with the physiocrats who argued that land was the only source of wealth. He also disagreed with the mercantilists who measured the wealth of a nation by its money supply, and **who** called for the government regulation of the economy in order to promote a "favorable balance of trade."
- (3) In Smith's view, a nation's wealth was dependent upon production, not agriculture alone. How much it produced, he believed, depended upon how

well it combined labor and the other factors of production. The more efficient the **combination**, the greater the output, and the greater the nation's wealth.

(4) The heart of Smith's economic philosophy was his belief that the economy would work best if left to function on its own without government regulation. **In those circumstances**, self-interest would lead business firms to produce only those products that consumers wanted, and to produce **them** at the lowest possible cost. They would do this, not as a means of benefitting society, but in an effort to outperform their competitors and gain the greatest profit. But all this self interest would benefit society as a whole by providing **it** with more and better goods and services, at the lowest prices.

(5) To explain why all society benefits when the economy is free of regulation, Smith used the metaphor of the "invisible hand":

"Every individual is continually exerting himself to find the most advantageous employment for whatever capital he can command. It is his own advantage, and not that of society, which he has in mind, ... but he is in **this**, as in many other cases, led by an *invisible hand* to promote an end which was no part of this invention, for the pursuit of his own advantage Necessarily leads him to prefer that employment which is most advantageous to society."

The "invisible hand" was Smith's name for the economic forces that we today would call *supply and demand*, or the *marketplace*. He sharply disagreed with the mercantilists who, in **their** quest for a, "favorable balance of trade," called for regulation of the economy.

(6) Instead, Smith agreed with the physiocrats and their police of "laissez faire," letting individuals and businesses function without interference from government regulation or private monopolies. In that way, the "invisible hand" would be free to guide the economy and maximize production

(7) *The Wealth of Nations* goes on to describe the principal elements of the economic system. In a famous section, Smith turned to the pin industry to demonstrate how the division of labor and the use of machinery increased output.

"One man draws out the wire, another straightens it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head, to make the head requires two or three distinct operations..."

- (8) Although modern technology has improved the methods by which pins are produced, the principles pertaining to the division of labor remain unchanged.
- (9) Similarly, other sections dealing with the factors of production, money and international trade are as meaningful today as when **they** were first written. Smith's *The Wealth of Nations* contains some of the best descriptions of the principles upon which the economic system of the United States is based.

Look back at the text and identify what the following words refer to. The first item is already done for you.

1. it (paragraph 1) *The Wealth of Nations*
2. who (paragraph 2)
3. it (paragraph 3)
4. combination (paragraph 3)
5. In those circumstances (paragraph 4)
6. them (paragraph 4)
7. it (paragraph 4)
8. this (paragraph 5)
9. their (paragraph 5)
10. they (paragraph 9)

Text 2

I. Read and translate the text

FACTORS OF PRODUCTION: CAPITAL AND LABOUR

Factors of production are resources used by firms as inputs for a good or service to be produced. Factors of production are as follows: capital, labour, and natural resources.

In economic theory, the term “capital” refers to goods and money used to produce more goods and money. Classifications of capital vary with the purpose of the classification. The most general distinction is the one made between physical, financial, and human capital.

Physical capital is land, buildings, equipment, raw materials. Bonds, stocks, available bank balances are included in the financial capital. They both make a great contribution to production.

To group capital into fixed capital and circulating capital is common practice. The former refers to means of production such as land, buildings, machinery and various equipment. They are durable, that is, they participate in the production

process over several years. Circulating capital includes both non-renewable goods, such as raw materials and fuel, and the funds required to pay wages and other claims against the enterprise. Non-renewable goods are used up in one production cycle and their value is fully transferred to the final product.

Human capital is knowledge that contributes “know-how” to production. It is increased by research and disseminated through education. Investment in human capital results in new, technically improved, products and production processes which improve economic efficiency. Like physical capital, human capital is important enough to be an indicator of economic development of a nation.

It is common, in economics, to understand labour as an effort needed to satisfy human needs. It is one of the three leading elements of production. Labour has a variety of functions: production of raw materials, manufacturing of final products, transferring things from one place to another, management of production, and services like the ones rendered by physicians and teachers.

One can classify labour into productive and unproductive. The former produces physical objects having utility. The latter is useful but does not produce material wealth. Labour of the musician is an example.

Unlike other factors of production, for example capital, when workers are employed, their efficiency can vary greatly with organization of work and their motivation.

Demand for labour is influenced by the demand for goods produced by workers, the proportion of wages in total production costs, etc. The supply of labour depends upon the size of population, geographic mobility, skills, education level (human capital), etc. Workers supply labour either individually or through trade unions. If demand for and supply of labour are not in equilibrium, there is unemployment. The rate of unemployment is a percentage of the total labour force without a job. It is desirable for an economy to have the lowest possible unemployment rate and to achieve higher employment as neither full use of resources nor maximum level of output can be achieved in an economy having unemployment.

Factors of production are combined together in different proportions in order to produce output. It is assumed in economics that one should choose the combination of factors which minimizes the cost of production and increases profits.

Words and phrases to know

is common practice
claims against
to pose problems

загальновізнано
вимоги, права на щось
створювати проблеми

fixed capital	основні засоби
circulating capital	оборотний капітал
to vary with	варіюватися залежно від
available	наявний, готівка, доступний
availability	наявність
to make a contribution to science	зробити внесок до науки
durable goods	товари тривалого вжитку
production process	виробничий процес
require	потребувати, вимагати
requirement	вимога, необхідність
to meet the requirements	задовольняти вимоги
to use up	витратити, вичерпувати
value	цінність, значення
final product	кінцевий продукт
efficiency of labour	продуктивність праці
efficiency	ефективність, продуктивність
manufacturing	виробництво
full employment	повна зайнятість
unemployment rate	рівень безробіття
production costs	витрати виробництва
trade union	профспілка

II. Decide yourself which of the sentences refer to the text. Correct the false statements.

1. In economics, the term “capital” refers to labour and natural resources used to produce goods.
2. Physical capital is more important for production than financial one.
3. Fixed capital includes such durable means of production as land, buildings, machinery, and equipment.
4. Unproductive labour is less important for society than productive one.
5. Labour efficiency can vary greatly from one enterprise to another depending on management of work and workers’ motivation.
6. The demand for labour depends on the size of population, geographic mobility and human capital.
7. It is possible for an economy to achieve full employment.

III. Complete the sentences using the following words in the appropriate form:

Both ...and, to contribute, to employ, employment, unlike, variety, purpose, machinery, available, various.

1. ... physical capital, human capital does not belong to the firm that has invested in it.
2. Trade union restrictions do not allow ... of youth in some industries and many service sectors.
3. The ... of minimum wages is to protect young people from exploitation.
4. Natural resources research in the USA of the 1930s was based on gathering information from a ... of sources.
5. The European Union's statistics are collected ... at the union level at national levels of member countries.
6. There are ... forms of money.
7. The marginal product of labour shows how much each additional worker increases total output. The marginal product grows as the first few workers are ... because it is hard for the first and second worker to handle all the By the time the third worker is ..., marginal productivity of labour starts falling. When all ... machines are fully used, each new worker has less and less to

IV. Fill in the appropriate prepositions

1. Each individual's expenditure always contributes ... some other individual's income.
2. All parts ... ecological system greatly affect each other in nature and these relationships are ... special interest ... biologists.
3. In some industry specific human capital may be ... high demand and short supply and other human capital may be ... excess supply.
4. Increases ... the quantities demanded typically vary ... different goods as incomes rise.
5. Karl Marx's contribution ... economics may be doubted these days but we still rely ... his fundamental idea that labour is the most important factor ... production. Raw materials are taken ... the earth ... human hands, equipment used ... this process is produced ... labour and earlier manufactured equipment. Even the knowledge ... people – sometimes called ... human capital – comes ... our own efforts to learn, as well as the time our teachers spend ... trying to teach ... us.

6. ... order to know what agriculture's contribution ... the national economy statistics are needed.
7. The demand ... factors ... production depends ... the demand ... the firm's output.
8. ... workers receiving wages, a self-employed man receives profit.
9. The uses of land are ... follows: ... agriculture, ... houses, industrial and office buildings, ... recreation, and ... other purposes.
10. In 1995, the rate ... unemployment ... the developed economies varied ... 3.1 percent ... Japan ... 8.3 percent ... the United Kingdom and 9.1 percent ... Germany.
11. When more labour is invested ... a commodity, the latter becomes more expensive

V. Answer the questions on the text

1. How do you understand the term "factors of production"?
2. What factors of production are discussed in the text?
3. What does the term "capital" refer to? (in economic theory)
4. What is physical capital?
5. What does circulating capital include?
6. Does human capital make a great contribution to production? Prove it.

Text 3

I. Read and translate the text

PRODUCTION COSTS

Production costs are the costs of making factor input into higher value outputs of goods and services. The costs of manufacturing products include costs of raw materials, labour costs, depreciation of plant and equipment, rent, lighting, and heating of factory buildings.

It is important to say that factor inputs can be combined in a variety of ways to produce the same amount of output. One method which is technically the most efficient is the one which uses only small amounts of labour, while another method may employ large quantities of labour and only a little capital. In physical terms, the method which is technically the most efficient is the one that uses the fewest inputs. Economists, however, are more interested in the cost aspect of the input-output relationship, specifically the least costly way of producing a given output.

To achieve the highest efficiency, that is, the optimal relationship between factor inputs and outputs of goods and services, the economist analyzes the

relationship between the cost of factor inputs and the cost of output in a firm. In order to determine the cost of producing a particular output it is necessary to know not only the required quantities of various inputs but also their prices. The factor prices a firm must pay in order to buy units of these factors will depend upon the interaction of the forces of demand and supply in factor markets.

II. Using the text complete the following sentences:

1. The costs of manufactured products include ...
2. The methods of combining factor inputs are as follows ...
3. Economists are interested in achieving the least costly technology of producing output, that is, in ...
4. The highest efficiency of production is ...
5. To know the cost of producing a particular output it is necessary to know ...

III. Make up 8 questions on the text

Text 4

I. Read and translate the text

THE LAW OF DEMAND

Demand is a key concept in both macroeconomics and microeconomics. In the former, consumption is mainly a function of income; whereas in the latter, consumption or demand is primarily, but not exclusively, a function of price. This analysis of demand relates to microeconomic theory.

The theory of demand was mostly implicit in the writings of classical economists before the late nineteenth century. Current theory rests on the foundations laid by Marshall (1890), Edgeworth (1881), and Pareto (1896). Marshall viewed demand in a cardinal context, in which utility could be quantified. Most contemporary economists hold the approach taken by Edgeworth and Pareto, in which demand has only ordinal characteristics and in which indifference or preferences become central to the analysis.

Much economic analysis focuses on the relation between prices and quantities demanded, the other variables being provisionally held constant. At the various prices that could prevail in a market during some period of time, different quantities of a good or service would be bought. Demand, then, is considered as a list of prices and quantities, with one quantity for each possible price. With price on the vertical axis and quantity on the horizontal axis, the demand curve slopes downward from left to right, signifying that smaller quantities are bought at higher prices and larger

quantities are bought at lower prices. The inverse relation between price and quantity is usually called the law of demand. The law rests on two foundations. One is the theory of the consumer, the logic of which shows that the consumer responds to lower prices by buying more. The other foundation is empirical, with innumerable studies of demand in actual markets having demonstrated the existence of downward-sloping demand curves.

Exceptions to the law of demand are the curiosa of theorists, the best-known exception is the Giffen effect – a consumer buys more, not less of a commodity at higher prices when a negative income effect dominates over the substitution effect.

Another is the Veblen effect – some commodities are theoretically wanted solely for their higher prices. The higher these prices are, the more the use of such commodities fulfills the requirements of conspicuous consumption, and thus the stronger the demand for them.

Words to know:

implicit	припустимий
hold the approach	дотримуватися думки
provisionally	тимчасово
demand curve	крива попиту
to slope down	спускатися
to signify	означати, виражати
substitution effect	ефект заміни
consumption	споживання

II. Answer the questions:

1. What is “demand”?
2. What is the current theory of demand based on?
3. What prominent economists contributed to the development of the theory of demand?
4. How is it possible to show the interrelation of price and quantities consumed?
5. What is “Giffen effect”?
6. What is Veblen effect?

III. Find equivalents in Russian and write two sentences with each:

- a) key concept
- b) consumption

- c) empirical foundation
- d) curiosa of theorists
- e) of a commodity at higher prices
- f) strong demand
- g) quantities of goods
- h) ordinal characteristics
- i) conspicuous consumption

IV. Which is not true about the law of demand:

1. Consumption is the key concept of microeconomics.
2. Classical economists contributed a lot to the development of the theory of demand.

V. Explain the difference and write one sentence with each:

- a) sign - signify
- b) list - page
- c) quantity - quality
- d) effect - effective
- e) substitute - retribute
- f) conspicuous – curious

VI. Find antonyms to the following:

- a) negative –
- b) possible –
- c) numerable –
- d) vertical –

Text 5

I. Read and translate the article

LAW OF SUPPLY

Supply is a fundamental concept in both macro- and microeconomic analysis. In macroeconomic theory, aggregate supply is mainly a function of expected sales to consumers, businesses, and governments. In microanalysis supply is mainly a function of prices and costs of production. A more complex view of the supply curve for a commodity is its relation between quantities forthcoming and the possible current prices of that commodity, its expected future prices, the prices of alternative goods and services, the costs of the producer, and time.

Opportunity Costs

Incorporated in the supply curve of goods and services are opportunity costs. Economists differ from accountants and from the Internal Revenue service by including both explicit and implicit costs, or opportunity costs. Implicit costs are mainly business costs for wages, rents, and interest, whereas opportunity costs are the alternative costs of doing something else. A sole proprietor or the owners of businesses should calculate what they forgo in wages, rents, and interest by not working for someone else, or by renting the property they use to others, or by the possibility of converting plant and equipment to alternative investment projects.

The Shape and Position of Supply Curves

In competitive markets the shape, or elasticity of supply, reflects time in the production process, such as the immediate or market period, the short run, and the long run. Elasticity of supply is the relative change in price that induces a relative change in quantity supplied. The supply curve is a line on a diagram where the vertical axis measures price and the horizontal axis is quantity. Usually the coefficient of elasticity is positive, meaning that a rise in price induces an increase in the quantity supplied. In the immediate or market period, a given moment, time is defined as too short to allow for a change in output. The supply curve is vertical, and the coefficient of elasticity is zero.

The short run is defined as a period sufficiently long to permit the producer to increase variable inputs, usually labor and materials, but not long enough to permit changes in plant and equipment. The supply curve in the short run is less inelastic or more elastic than in the immediate period. The long run permits sufficient time for the producer to increase plant and equipment. The longer the time, the greater the elasticity of supply.

Changes in supply are shifts in the position of supply curves. An increase in supply is a rightward movement of a supply curve, with more of the commodity being offered for sale at each possible price. Conversely, a decrease in supply shifts the supply to the left. An increase in supply can occur because sellers expect lower prices in the future, or, as in the agricultural sector, because of bountiful crops. The reverse is true of a decrease in supply. Over periods of time long enough for production processes to change, improvements in technology and changes in input prices and productivities are the main causes of changes in supply.

Words and expressions to know:

aggregate supply
forthcoming

сукупна пропозиція
наступний, очікуваний

opportunity costs	альтернативні витрати
explicit	явний, очевидний
implicit	припустимий
for(e)go	передувати
to convert	перетворювати
sufficiently	достатньо, досить
variable	мінливий, перемінний
rightward movement	рух праворуч
conversely	навпаки
bountiful crops	багатий врожай

I. Answer the questions on the text:

1. What is the difference of the concept of supply in macro- and microeconomics?
2. What are opportunity costs?
3. What are implicit costs?
4. What, according to the text, a sole proprietor or the owners should do?
5. What does the elasticity of supply show?
6. What is the difference between the short-time and long-time supply?
7. Why do changes in the supply affect the position of the supply curve?

II. Which of the following is not true:

- A. Supply is a concept of macroeconomics.
- B. Economists differ from bookkeepers and tax-gatherers because they include also opportunity costs.
- C. The shape of the supply curve provides specialist with the information on elasticity of supply and the reflection of the shareholder.
- D. The supply curve is a line on a diagram where the vertical axis measures price and the horizontal axis is quantity.
- E. Bountiful crop is a cause of increase in supply.
- F. Improvements in technology and changes in input prices and productivities are the main causes of the changes in elastic demand.

III. Find equivalents in Russian / Ukrainian:

- a) fundamental concept
- b) current prices
- c) business costs for wages

- d) sole proprietor
- e) alternative investment projects
- f) coefficient of elasticity
- g) a decrease in supply
- h) improvements in technology

IV. Find antonyms for the following words. Write one sentence with each:

- a) expected
- b) complex
- c) possible
- d) future
- e) competitive

V. Find the synonyms of the following:

- a) accountant –
- b) calculate –
- c) permit –
- d) expect –
- e) complex –
- f) opportunity –
- g) businessman –

VI. Define the following terms in English:

- a) aggregate supply
- b) opportunity costs
- c) sole proprietor
- d) elasticity of supply
- e) coefficient of elasticity

Text 6

I. Read and translate the text.

INFLATION

Inflation is generally defined as a persistent rise in the general price level with no corresponding rise in output, which leads to a corresponding fall in the purchasing power of money.

In this section we shall look briefly at the problems that inflation causes for business and consider whether there are any potential benefits for an enterprise from an inflationary period.

Inflation varies considerably in its extent and severity. Hence, the consequences for the business community differ according to circumstances. Mild inflation of a few per cent each year may pose few difficulties for business.

However, hyperinflation, which entails enormously high rates of inflation, can create almost insurmountable problems for the government, business, consumers and workers. In post-war Hungary, the cost of living was published each day and workers were paid daily so as to avoid the value of their earnings falling.

Businesses would have experienced great difficulties in costing and pricing their production while the incentive for people to save would have been removed.

Economists argue at length about the causes of, and “cures” for, inflation. They would, however, recognize that two general types of inflation exist:

- demand-pull inflation
- cost-push inflation

Demand-pull Inflation

Demand-pull inflation occurs when demand for a nation’s goods and services outstrips that nation’s ability to supply these goods and services. This causes prices to rise generally as a means of limiting demand to the available supply.

An alternative way that we can look at this type of inflation is to say that it occurs when injections exceed withdrawals and the economy is already stretched (i.e. little available labour or factory space) and there is little scope to increase further its level of activity.

Cost-push Inflation

Alternatively, inflation can be of the cost-push variety. This takes place when firms face increasing costs. This could be caused by an increase in wages, the rising costs of imported raw materials and components or companies pushing up prices in order to improve their profit margins.

Vocabulary

- | | |
|---|--|
| 1. a persistent rise | постійне, стабільне зростання |
| 2. with no corresponding rise in output | не супроводжуваний зростом виробництва |
| 3. varies considerably in its extent and severity | залежить від тривалості та складності |
| 4. may pose few difficulties | не завдає особливих проблем |

5. entails enormously high rates of inflation	тягне за собою величезне зростання інфляції
6. insurmountable	незліченні, колосальні
7. at length	і зараз
8. demand-pull inflation	інфляція попиту, що відбулася внаслідок перевищення попиту над постачанням
9. cost-push inflation	інфляція витрат, що відбулася через зростання витрат виробництва
10. to occur	відбуватися, виникати
11. to outstrip	випереджати
12. to stretch	напружувати
13. little available labour	недостача робочої сили
14. there is little scope	кілька можливостей
15. in order to improve their profit margins	щоб збільшити прибуток

II. Give Russian (Ukrainian) equivalents for the following:

1. inflation varies considerably in its extent and severity;
2. mild inflation of a few %;
3. rate of inflation;
4. insurmountable problems;
5. demand-pull (cost-push) inflation;
6. the economy is already stretched.

III. Find the synonyms to the words in italics:

a persistent rise;
 may *pose* few difficulties;
 which *entails enormously* high rates;
at length, inflation *occurs* when;
 little *scope* to increase its level of activity;
 firms *face* increasing costs.

IV. Find in the text English equivalents for the following:

- 1) збільшення (падіння) попиту (купівельна спроможність);
- 2) гіперінфляція;
- 3) потреби випереджають здатності економіки;

- 4) запропонувати товари та послуги;
- 5) рівень прибутку.

V. Answer the questions:

1. What is inflation?
2. Do the consequences for the business community differ according to circumstances? Why?
3. What does hyperinflation entail?
4. What general types of inflation do you know?
5. When does demand-pull inflation occur?
6. When does cost-push inflation take place?

VI. Translate into English.

Слід відрізнати інфляцію попиту від інфляції, що обумовлена зростанням витрат. Суть інфляції попиту іноді пояснюють одною фразою: «Занадто багато грошей полуює на занадто малу кількість товару». Теорія інфляції, що обумовлена зростанням витрат, пояснює зростання цін такими факторами, що спричиняють зростання витрат на одиницю продукції.

Text 7

I. Read and translate the text.

TAXES AND PUBLIC SPENDING

In most economies government revenues come mainly from direct taxes on personal incomes and company profits as well as indirect taxes levied on purchase of goods and services such as value added tax (VAT) and sales tax. Since state provision of retirement pensions is included in government expenditure, pension contributions to state-run social security funds are included in revenue, too. Some small component of government spending is financed through government borrowing.

Government spending comprises spending on goods and services and transfer payments.

Governments mostly pay for public goods, that is, those goods that, even if they are consumed by one person, can still be consumed by other people. Clean air, national defence, health service are examples of public goods. Governments also provide such services as police, fire-fighting and the administration of justice.

A transfer is a payment, usually by the government, for which no corresponding service is provided in return. Examples are social security, retirement pensions, unemployment benefits and, in some countries, food stamps.

In most countries there are campaigns for cutting government spending. The reason for it is that high levels of government spending are believed to exhaust resources that can be used productively in the private sector. Lower incentives to work are also believed to result from social security payments and unemployment benefits.

Whereas spending on goods and services directly exhausts resources that can be used elsewhere, transfer payments do not reduce society's resources. They transfer purchasing power from one group of consumers, those paying taxes, to another group of consumers, those receiving transfer payments and subsidies.

Another reason for reducing government spending is to make room for tax cuts.

Government intervention manifests itself in tax policy which is different in different countries. In the United Kingdom the government takes nearly 40 percent of national income in taxes. Some governments take a larger share, others a smaller share.

The most widely used progressive tax structure is the one in which the average tax rate rises with a person's income level. As a result of progressive tax and transfer system most is taken from the rich and most is given to the poor.

Rising tax rates initially increase tax revenue but eventually result in such large falls in the equilibrium quantity of the taxed commodity or activity that revenue starts to fall again. High tax rates are said to reduce the incentive to work. If half of all we earn goes to the government, we may prefer to work fewer hours a week and spend more time in the garden or watching television.

Cuts in tax rates will usually reduce the deadweight tax burden and reduce the amount of taxes raised but might increase eventual revenue.

If governments wish to reduce the deadweight tax burden and balance spending and revenue, they are supposed to reduce government spending in order to cut taxes.

Vocabulary

administration of justice

здійснення правосуддя

food stamps

продуктові картки

to make room for

створення умов для

reduce the deadweight tax burden

зменшити податкове навантаження

direct tax	прямі податки
levy	збирати податки
value added tax	податок на додаткову вартість
sales tax	податок на продаж
social security fund	фонд соціального страхування
transfer payment	переводний платеж
unemployment benefit	допомога по безробіттю
exhaust	вичерпувати
purchasing power	купівельна спроможність
tax rate	ставка податку
tax revenue	податкові надходження
to tax	оподатковувати
taxed commodity or activity	оподаткована продукція або діяльність
raise	збирати

II. Fill in prepositions where it is necessary:

1. Unemployment benefits are often paid ... a fund financed ... taxes levied ... firms.
2. Since you get the same share ... national defence as everyone else, it will never be ... your interest to pay ... it ... taxes.
3. Labour costs do not only comprise ... wages: labour taxes (social security and contributions ... pension funds) are also included ... them.
4. When the government levies a tax ... a good, the price ... that good will rise.
5. Most ... the goods and services supplied ... state, ... example, national defence and police protection cannot be consumed ... one individual separately ... the whole ... society and the state makes individuals pay ... that ... taxation.
6. Indirect taxes vary ... country and comprise ... the VAT and excise taxes (... petrol, tobacco, alcohol).
7. Generous unemployment benefits paid ... long periods are a good reason ... people to remain unemployed longer.
8. Governments are known to borrow both ... domestic sources and foreign ones such as the IMF.

III. Answer the questions:

1. How is government spending financed?

2. What do governments pay for?
3. What are the three reasons for cutting government spending?
4. Which share of national income comes from taxes?
5. What are the characteristics of the progressive tax structure?
6. What may be the result of very high tax rates?

IV. Find synonyms and antonyms in the list of the following words:

To manufacture, considerable, to buy, advantage, almost, mostly, so that, great, home, expenditure, provided, unemployed, to need, to produce, to supply, to lead to, taxable, as, if, unproductive, efficient, unlike, to purchase, spending, to cut, to levy, initially, taxed, productive, employed, to require, disadvantage, to sell, like, to provide, since, in order to, mainly, nearly, to impose, to reduce, eventually, domestic, to give rise to.

V. Make up sentences:

<ol style="list-style-type: none"> 1. Government spending is 2. Spending and taxing, 3. Whereas a sales tax is raised only when a final good is sold to the consumer, 4. The governments in northern Europe often give out free a great share of gross output privately produced as public goods, 5. What is not paid as corporate taxes or saved by firms 6. Social security payments and unemployment benefits are 7. Every firm in Russia is required to allocate two percent of the amount to be paid out as wages 8. A state retirement pension in most European countries is 	<ol style="list-style-type: none"> a. goes to households as employees, owners, or renters. b. payable to women at the age of 60 and men at the age of 65. c. the VAT is raised at different stages of the production process. d. the sum of government purchases of goods and services and transfer payments. e. as its contribution to the Fund of Obligatory Medical Insurance. f. those comprise medical services, school, child care, public transport, national defence. g. believed to reduce incentives to work since they contribute to income. h. the government plays as essential role in allocating resources in the economy.
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UNIT 3
BUSINESS. FORMS OF BUSINESS

Text 1

I. Read and translate the text.

BUSINESS. FORMS OF BUSINESS.

The word “business” is used in many modern languages. In ancient times it meant trade for things people wanted. Nowadays business is production, distribution and sale of goods or services to get some profit.

Production is, as a matter of fact, making things, producing goods and creating services..

Distribution is moving things from the place of production (works or factory) to the market-place.

As for the sale of goods and services, it is the exchange of a product or service for money.

In any business activity making a profit is the major aim. Profit is defined as the money that remains after paying all the expenses in business.

In most countries there are three forms of business. They are the sole proprietorship, the partnership and the corporation.

The sole proprietorship means to go into business for oneself. Everybody has the right to do it. All you need is ideas about the business, some capital to begin with and knowledge of regulations of this business.

The partnership is an association of two or more people involved in business. In partnership it is important to have a written partnership agreement.

The corporation is the so-called “a legal person”, an institution to make a profit. Those4, who operate a corporation have stock certificates. The individuals who own such stock certificates (or shares) are called stock-holders. As a matter of fact, there are privately own business corporations and governmental ones.

Vocabulary:

a partnership	партнерство
a profit	прибуток
an exchange	обмін
expenses	витрати
regulations	правові положення
an agreement	контракт
a stock certificate (or share)	акція

a stockholder	акціонер
receipts	надходження готівкою
statistical data	статистичні дані
to account for	облічувати

II. Answer the questions:

1. What was the definition of business in ancient times?
2. What is the modern definition of business?
3. What does production in business mean?
4. What do we mean under distribution in business?
5. What does sale of goods and services mean in business?
6. Can you give the definition of profit?
7. How many forms of business can you name?
8. What does the sole proprietorship mean?
9. Can you tell the difference between the sole proprietorship and the partnership?

Text 2

FORMS OF BUSINESS OWNERSHIP

I. Read and translate the text.

Business is a commercial enterprise performing all those functions that govern the production, distribution, and sale of goods and services for the benefit of the buyer and the profit of the seller. Since the beginning of the era of economic progress old ways of running business have been modified, and new forms of business organization have been introduced. This has enabled various branches of industry to adapt to changing conditions and to function more easily, efficiently and profitably, sole proprietorship, partnership, and corporation being the main three forms of business ownership.

A sole proprietorship is a business owned by one person, in which all the profits belong to the owner, the latter being fully responsible for the success and the failure of the business. Unless an activity is specifically prohibited by law, no field of business is closed to an owner. Although advantages for the small business exist in this form, certain drawbacks make it undesirable for larger concerns. In the first place, the single owner is seldom able to invest as much capital as can be obtained by a partnership or a corporation. If single owners are able to invest large amounts of capital, they run great risk of losing it all because they are personally liable for all the debts of their businesses. It is due to unlimited liability that all the personal assets of

the owner, including his home and car, can be sold to settle the debts of the business. Unless the owner has much personal wealth, the business may have difficulty borrowing money in critical times. A sole proprietorship may also have difficulty hiring and keeping good employees, because the business will dissolve when the owner retires or dies.

A partnership is an association of two or more persons who have agreed to combine their financial assets, labour, property, and other resources as well as their abilities and who carry on a business jointly for the purpose of profit. The agreement the partners usually sign to form an association is known as a partnership contract and may include general policies, distribution of profits, responsibilities.

Like the sole proprietorship, the partnership is easy to establish, and its profits are not subjected to federal corporation taxes. Financing is generally easier to obtain because the personal assets of the group are usually larger and the chances of success are higher. The major disadvantage of the partnership is unlimited liability of each partner for the debts of the business, that is, complete financial responsibility for losses. Furthermore, partners who wish to retire may find it difficult to recover their investments without dissolving the partnership and ending the business.

A business corporation is an organization created by law that allows people to associate together for the purpose of making profit. Corporations are also known as joint-stock companies because they are jointly owned by different persons who receive shares of stock in exchange for an investment of money in the company. Shares represent fractions of the company's assets such as cash, equipment, real estate, manufactured goods, etc.

Though the corporation is more difficult and expensive to organize than other business forms, it has a number of advantages. First, investors can limit their personal liability to the amount of money they have invested, thus, if the corporation goes bankrupt, they can lose no more than they have put in. second, money to operate the business is obtained by the sale of stocks to the general public and this enables the corporation to exist independently of its owners. The corporation also finds it easier to borrow money from banks and it is also a successful means for attracting large amounts of capital and investing the latter in plants, modern equipment and expensive research. Salaries large corporations can offer to managers and specialists are high and that allows corporations to hire professional and talented employees.

The great drawback of the corporate form of ownership is double taxation of profits which means that business corporations must pay taxes on their net income, and then the shareholders are to pay taxes on the income they receives as dividends on their stock. Different kinds of reports to be filed to federal and state regulatory

agencies about the corporation activity can also be considered as another disadvantage of this business form. However, in terms of size and influence it is the corporation that has become the dominant business form existing in most countries with free market economy.

Vocabulary

corporate ownership	корпоративна власність
benefit	прибуток
proprietorship	власність
sole proprietorship	одноосібна власність
partnership	участь, партнерство
to prohibit by law	забороняти законом
drawback	недолік, перешкода
liable	зобов'язаний, відповідальний
unlimited liability	необмежена відповідальність
to hire	наймати на роботу
dissolve	ліквідувати, припиняти
	діяльність
retire	вийти на пенсію,
	залишати посаду
recover	покривати, повертати
to recover debts	стягати борги
joint-stock	акціонерний
joint-stock company	акціонерне товариство
file	подавати документи

II. Complete the following sentences using the appropriate forms of the verbs.

To hire, to file, to establish, to recover, to retire, to double, to dissolve, to be liable, to prohibit, to benefit, to limit.

1. The head of the Sales Department ... from the company after 30 years of service.
2. Foreign direct investment in Mexico economy practically ... from \$2.6 billion in 1990 to \$5.4 billion in 1992, most of American investment having been spent in such sectors as retail, food and drink production.
3. As American corporations grew and became more powerful, the Congress adopted the Sherman Anti-trust Act in 1890 which ... any combinations and

conspiracy (тайный или преступный сговор) among companies in ... trade.

4. Although the producer can have an advantage in the production of diverse commodities, he is sure ... economically from specialization in the production of a particular good.
5. The company's manager makes a lot of important decisions concerning ... and firing (увольнять) employees, distributing duties among them, evaluating the company's activities.
6. It has been calculated that the companies can ... its expenses on technological improvements within a year.
7. According to the generally adopted laws, all companies must ... annually reports relating to their profits, assets, liabilities, etc.
8. The Council of Mutual Economic Assistance founded in 1960 united the Soviet Union and the six communist countries of Eastern Europe but it ... in the 1990s.
9. In 1978 the UK government ... a special agency to help worker cooperatives with technical advice.
10. Shareholders ... not personally ... for the failure or debts of the business.

III. Answer the questions:

1. What are the main reasons of developing different forms of business ownership?
2. What is a sole proprietorship?
3. Are there any limitations as to the field of activity of a proprietor?
4. What are the main disadvantages of a sole proprietorship? Why do you think this form of business is very risky?
5. What items are usually included in a partnership contract?
6. What are the similarities and differences between a sole proprietorship and a partnership?
7. What is a business corporation and who are stockholders?
8. What is considered to be the major advantage of the corporation?
9. What does double taxation of profits mean?
10. How can large amounts of money attracted by a corporation be used?

IV. Choose the appropriate definitions to the following words:

Income, revenue, profit, gain, benefit.

1. An increase in amount, increase in wealth.

2. The money gained in a business transaction, especially the difference between the amount earned and the amount spent. It is often calculated as the excess of revenues over costs.
3. The money received from the work done, or from the money invested (as interest), or from the property owned (as rent).
4. Something equals to advantage.
5. The amount a firm earns by selling goods or services in a given period such as a year.

V. Use English equivalents instead of Russian expressions.

1. Being the oldest form of business, (*единоличная форма собственности*) is the main form of (*собственности*) in farming, building, repairing work and (*личных услугах*) such as hairdressing, selling retail estate, etc. (*Владелец*) provides complete control over the business, its loans, capital and policies.
2. The lawyers of the corporation are supposed (*лично ответственны за деятельность*) of the corporation. They may be (*запрещено*) to practice law if they (*не сумеют*) to represent their clients properly.
3. The establishment of a company's subsidiary (*дочерняя компания*) in another country has both (*преимущества*) and (*недостатки*). The latter result from (*двойного налогообложения*) of the company's income in each country, that is, at home and abroad. It is (*желательно*) for the countries developing trade relations to sign (*соглашения, запрещающие двойное налогообложение*) of the same income.
4. (*Неудача*) of advertising campaign resulted in low sales figures of the new product.
5. To run a business properly one should (*нанять на работу*) a professional manager.
6. If the owner of the (*товарищества уходит в отставку*) or serious disagreement between the (*партнерами*) takes place, it usually leads to (*ликвидации компании*).
7. (*Ограниченная ответственность*) of the shareholders is sure to be one of the major benefits of any corporation.

Text 3

I. Discuss these questions.

1. Which of the words below can describe:
 - a) good qualities of an organization?

b) bad qualities of an organization?

bureaucratic	caring	centralized	conservative	decentralized
impersonal	democratic	market-driven	dynamic	professional
hierarchical	progressive			

2. Can you add any others?
3. Which of the words describe your own organization or an organization you know well?

II. Read the article and match the headings below to paragraphs 2, 3, 4, 5 and 6.

- A. People set their own targets
- B. Hard work has to be fun
- C. Loose organizations need tight systems
- D. Great service requires cutting-edge technology
- E. There are no low-skill jobs

DIRTY BUSINESS, BRIGHT IDEAS

1. A headquarters with a difference

Walk into SOL City, headquarters of one of northern Europe's most admired companies, and it feels like you've entered a business playground. Located in a renovated film studio in the heart of Helsinki, the office explodes with colour, creativity and chaos. The walls are bright red, white and yellow; the employees wander the halls talking on yellow portable phones. Liisa Joronen developed SOL Cleaning service 11 years ago, out of a 150-year-old industrial empire owned by her family. SOL's competitive formula has five key ingredients.

2.....

Few people dream about becoming a cleaner. But that doesn't mean cleaners can't find satisfaction in their work. The keys to satisfaction, Joronen believes, are fun and individual freedom. Its cleaners wear red-and-yellow jumpsuits that reinforce the company's upbeat image. SOL's logo, a yellow happy face, is on everything from her blazer to the company's budget reports. Freedom means abolishing all the rules and regulations of conventional corporate life. There are no titles or secretaries at SOL, no individual offices or set hours of work. The company has eliminated all perks and status symbols.

3.....

SOL's training program consists of seven modules, each of which lasts four months

and ends with a rigorous exam. Of course, there are a limited number of ways to polish a table or shampoo a carpet. That's why SOL employees also study time management, budgeting and people skills.

4.....

Lots of companies talk about decentralizing responsibility and authority. At SOL it's a way of life. The real power players of the company are its 135 supervisors, each of whom leads a team of up to 50 cleaners. These supervisors work with their teams to create their own budgets, do their own hiring and negotiate their own deals with customers.

5.....

Liisa Joronen believes in autonomy, but she's also keen on accountability. SOL is fanatical about measuring performance. It does so frequently and visibly, and focuses on customer satisfaction. Every time SOL lands a contract, for example, the salesperson works at the new customer's site alongside the team that will do the cleaning in the future. Together they establish performance benchmarks. Then, every month, the customer rates the team's performance based on those benchmarks. "the more we free our people from rules", Joronen says, "the more we need good measurements."

6.....

Laptops and cell-phones are standard equipment for all supervisors at SOL, freeing them to work where they want, how they want. Inside the offices there's almost no room for paper. So the company stores all critical budget documents and performance reports on its Intranet, along with training schedules, upcoming events and company news.

*By Gina Imperato
From Fast Company*

III. Read paragraph 1 of the article and answer these questions.

1. Where is SOL located?
2. What is unusual about the company?
3. What does SOL do?

IV. Which of these statements are true? Correct the false ones.

1. Everyone has their own office.
2. Liisa Joronen believes cleaners can feel good about their job.
3. At the end of the training course there is an exam.
4. The training course takes 28 months to complete.

5. At SOL giving responsibility to employees is important.
6. SOL thinks measuring performance restricts freedom.
7. Every month Liisa Joronen measures each team's performance.
8. All the information is stored in filing cabinets.

V. Match these phrases from paragraphs 5 of the article to their meaning.

1. keen on accountability
2. fanatical about measuring performance.
3. establish performance benchmarks
4. rates the team's performance
 - a) assesses how the group have done
 - b) extremely interested in judging achievements
 - c) interested in people being responsible for what they do
 - d) set up standards of achievements.

VI. Discuss these questions.

1. Would you like to work in a company like SOL? Explain why or why not.
2. Would Liisa Joronen's ideas work in your own company or organization?

Text 4

I. Read and translate the text.

**A
COMPANY**

Company is made of a number of people united in an industrial or commercial enterprise.

There is difference between a corporation, a sole trader and a partnership. The principle difference is that a sole trader and a partnership are not corporations but limited companies are.

A corporation is a company that is publicly registered and legally separated from its owners. It means that the corporation stays in existence even after the death of any of its owners. As a corporation, a business can buy and sell assets in its own name, make contracts (agreements), defend itself in court or be taken to court by customers, creditors or suppliers.

Each company works out its own policy. It is a selected, planned line of conduct in the light of which decisions are made and coordination of work achieved.

B

DIFFERENT COMPANIES

Limited Liability Company. A joint-stock company, the financial liability of whose members is limited by law.

Private Limited Company. A limited company which must not invite the public to subscribe for its shares or debentures, and does not allow its members to transfer their shares without the agreement of the other shareholders. It must have at least two but usually not more than fifty members.

Public Limited Company. A limited company which can offer its shares and debentures to the public; there is normally no limit to the right of its members to transfer their shares to other persons. There is no limit to the total number of members except that there must be at least seven. Abbr: P.l.c.; plc; PLC. In Britain such a company must include the words “public limited company” or the abbreviation as part of its name. In France the equivalent is Societe (S.A.); in Germany, Aktiengesellschaft (AG); in Holland, Naamlose Vennootschap (N.V.); in Italy, Societa per Azioni (S.p.A.).

Subsidiary Company. A company of which more than half the share-capital is owned by another company, called either a holding company or a parent company. The subsidiaries of the same parent or holding company are said to be affiliates.

Holding Company. In Britain, a company that has been formed for the special purpose of holding all, or more than half, the share-capital of one or more other companies called subsidiary companies. In the USA this is called a pure holding company, while an operating holding company is a company which operates a business, i.e. trading, and also holds more than half the capital of one or more other companies.

Joint-Stock Company. In Britain a form of business organization, called a corporation in the US, which has its capital divided into many small units of stock or into shares of low face value so that they may be bought by small and large investors.

Adapted from Longman Business Dictionary.

C

PERSONNEL (STAFF) OF A COMPANY

Personnel is the body of employees in a service, business or a factory working for a chief authority.

There are different line and staff departments within a company.

The activities of staff departments include credit, marketing, advertising, accounting and personnel. The role of personnel department within a company is important. The successful business is, first of all, competent employees working as an

excellent united team. This is good working relationship not only among employees but also between the employer and employee.

The Personnel Department is responsible for choosing the right people to work in the right departments. This department is responsible for the employee's general welfare and motivation of work-force.

Personnel Department

The department's main responsibilities

President, the Managing Director or the Chief Executive is the head of a company.

As a rule, the company is run by a Board of Directors. The Chairman of the Board has the power of the overall control. Each Director of a Board is in charge of some department.

In cases of illness or in the absence of President or the Chairman of the Board Vice-President or Vice-Chairman performs the functions of President or Chairman.

Each department has a Manager who runs everyday business and who reports to the Director.

D

MANAGING DIRECTOR

Managing director is the person appointed by the Board of Directors to be responsible for the management team that runs a business on a day-to-day basis. The managing director will also be a member of the board, and this will be important in passing policy decisions down to management and providing information from management to the Board. The managing director might have worked his/her way up the company, or might have been appointed from outside the company if the directors wished to bring new blood to the management team. He/she will be an employee of the company possibly also owning shares in the company.

Management techniques. A variety of approaches that have been introduced into decision-making to help improve the quality of the final outcome. Some are based on taking a certain approach to decision-making, e.g. management by objectives or human relations management. Other approaches are based on the use of models and statistical techniques, such as forecasting methods, operations research and ratio analysis. These techniques are used as aids to decision-making and still require managers to weigh up the results in the light of other experience.

The good team, positive working relationship within the company, competent managers, the proper chosen management techniques introducing right decision-making – all these taken together make a successful company.

E

COOPERATIVE

Cooperative. A type of business organization with limited liability for the owners, but where each owner or member only holds one share in the business and therefore only has one vote in controlling the company. The most successful examples of this type of organization have been retail and wholesale cooperatives, based on the idea that it is the customers who are the members of the society and that the profits are distributed in proportion to the value of purchases. The Cooperative retail Society and the Cooperative Wholesale Society are important elements of the retail and distributive sector in the UK. Less successful have been attempts to establish employee cooperatives where the owners are the workforce. Large-scale employee cooperatives have suffered from a lack of capital as a financial base, and from a lack of management skill. Smaller-scale worker cooperatives have been more likely to survive.

(Collins Gem. Business Studies)

II. Read and learn the following words and word combinations.

liability	відповідальність
a limited liability company	компанія з обмеженою відповідальністю
a joint-stock company	акціонерне товариство
a holding company	холдингова компанія, компанія засновник
a subsidiary company	дочірня компанія (підконтрольна)
a Board of Directors	рада директорів
a joint venture	спільне підприємство
Personnel Department	відділ кадрів
Chief Executive	керівник
to run a company	керувати компанією
Chairman of Board of Directors	голова правління ради директорів
to have (be in) overall control	повністю контролювати
to be responsible for	бути відповідальним за
to have full responsibility	нести повну відповідальність
to accept (assume, take) responsibility	взяти на себе відповідальність
to supervise	спостерігати, бути головою
a supervisor	інспектор, керівник
to maintain relations	підтримувати стосунки

an executive	виконавчий
to get a promotion	отримати підвищення
an option	вибір
a competitor	конкурент
competitive	конкурентноспроможний
to ensure	забезпечувати
service certificate	трудова книжка

III. Make up 20 questions on the text.

IV.

V. Retell the text.

Text 5

I. Discuss these questions before you read the article.

1. The article talks about people who are high performers. What does this phrase mean? What sort of people are they?
2. What do you think motivates performers to stay with the same company?

II. Read and translate the article.

MOTIVATING HIGH-CALIBRE STAFF

An organization's capacity to identify, attract and retain high-quality, high-performing people who can develop winning strategies has become decisive in ensuring competitive advantage.

High performers are easier to define than to find. They are people with apparently limitless energy and enthusiasm, qualities that shine through even on their bad days. They are full of ideas and get things done quickly and effectively. They inspire others not just by pep talks but also through the sheer force of their example. Such people can push their organizations to greater and greater heights.

The problem is that people of this quality are very attractive to rival companies and are likely to be headhunted. The financial impact of such people leaving is great and includes the costs of expensive training and lost productivity and inspiration.

However, not all high performers are stolen, some are lost. High performers generally leave because organizations do not know how to keep them. Too many employers are blind or indifferent to the agenda of would be high performers, especially those who are young. Organizations should consider how such people are likely to regard important motivating factors.

Money remains an important motivator but organizations should not imagine that it is the only one that matters. In practice, high performers tend to take for

granted that they will get a good financial package. They seek motivation from other sources.

Empowerment is a particularly important motivating force for new talent. A high performer will seek to feel that he or she “owns” a project in a creative sense. Wise employers offer this opportunity.

The challenge of the job is another essential motivator for high performers. Such people easily become demotivated if they sense that their organization has little or no real sense of where it is going.

A platform for self-development should be provided. High performers are very keen to develop their skills and their curriculum vitae. Offering time for regeneration is another crucial way for organizations to retain high performers. Work needs to be varied and time should be available for creative thinking and mastering new skills. The provision of a coach or mentor signals that the organization has a commitment to fast-tracking an individual’s development.

Individuals do well in an environment where they can depend on good administrative support. They will not want to feel that the success they are winning for the organization is lost because of the inefficiency of others or by weaknesses in support areas.

Above all, high performers – especially if they are young – want to feel that the organization they work for regards them as special. If they find that it is not interested in them as people but only as high-performing commodities, it will hardly be surprising if their loyalty is minimal. On the other hand, if an organization does invest in its people, it is much more likely to win loyalty from them and to create a community of talent and high performance that will worry competitors.

*By Michael Douglas
From the Financial Times*

III. Answer the questions on the text.

1. What qualities of high performers are mentioned in the article?
2. What are the problems of losing high performers?
3. Which motivating factors are mentioned in the article?

IV. Use these words or phrases from the article to answer the questions below.

Pep talk	mentor	CV
Fast-tracking	headhunting	financial package

Which word or phrase:

1. is British English for the American English resume?.....
2. refers to stealing employees from companies?.....
3. do you often find in job advertisements referring to money and benefits?
.....
4. refers to an older, more experienced person who helps you?
5. usually leads to quick promotion?.....
6. means a short chat to motivate staff?.....

V. What are the advantages and disadvantages of:

1. headhunting?
2. having a mentor system?
3. fast-tracking certain employees?
4. frequent pep talks?

UNIT 4

ACCOUNTING

I. Preliminary discussion

1. What is the basic rule for accounting?
2. What particular skills should different kinds of accountants have?

II. Pre-reading exercises

1. Skim the text and give its key idea.

2. Scan the text for the following information.

1. What has the first priority been for those who set accounting rules?
2. What five main areas are the efforts of regulators and standard-setters focused on?
3. When did clamour for reform begin?

III. Reading

1. Read the text and answer the questions.

1. What can the crisis in accounting be used for?
2. Why have companies been compelled to show how they reconcile their pro-forma figures with the numbers produced according to GAAP rules?
3. What is the reason for a fight that the standard-setters may have on their hands?
4. What would make balance sheets larger and debt ratios higher?
5. What will the largest impact of 'fair-value accounting' be?
6. Why will people who are not trained in how to read accounts have to rely more than ever on experts?

Text 1

True and Fair Is not Hard and Fast

'The Economist'

For accounts to reflect reality, they need to be more volatile and less precise. The procession of companies admitting to having lied in their reported

accounts has undermined faith in corporate numbers and put the accounting profession under pressure to change its ways. In the 1990s, accountants clearly failed to keep up with the tricks that were devised to help companies inflate their profits. The first priority for those who set accounting rules has been to try to choke off the most obvious loopholes.

Looking further into the future, however, some see the crisis in accounting as an opportunity to change the shape and content of accounts more fundamentally. The growing use of market values for assets and liabilities (instead of the accidental "historic cost" at which they were obtained) is going to make shareholders' equity and profits swing around far more than in the past. Under such circumstances, profits may come to be stated as a range of figures, each of them arrived at by using different accounting assumptions.

This may sound worryingly uncertain, but it might be better than trying to rely on a brittle illusion of accounting exactitude, which is liable to collapse during times of economic strain. For the moment though, the efforts of regulators and standard-setters are focused on five main areas:

Pro-forma accounts. These are the first sets of results produced by companies in America: they are unaudited and do not follow America's GAAP (Generally Accepted Accounting Principles). In the years of the stockmarket bubble they were shamelessly abused. Companies regularly reported huge profits in their pro-forma earnings statements, only to register even larger losses in their official filings with the Securities and Exchange Commission (SEC). Since the end of March this year, companies have been compelled to show how they reconcile their pro-forma figures with the numbers subsequently produced according to GAAP rules, of which there are hundreds.

Off-balance-sheet vehicles.

These include the "special-purpose entities" made famous by Enron, which gave them the names of suitably fanciful characters in the Star Wars movies. They allowed the Houston oil trader to hide hundreds of millions of dollars of liabilities from investors' eyes.



The Financial Accounting Standards Board (FASB), America's private-sector standard-setter, issued guidance on these vehicles in January, which Ford and General Motors say will have a material impact on their profits this year. But some think that the new rules are weak because they allow exemptions for "qualifying" special-purpose entities.

Stock options. Most significant of all, perhaps, is the attempt to force companies to account for stock options granted to their employees. This week, FASB agreed that the cost of employee stock options should be treated as an expense. The question is, how to value them. The standard-setters may yet have a fight on their hands. In 1994, Congress threatened to take away FASB's standard-setting powers if it did not abandon its attempt to make companies "expense" their stock options. Opposition is gathering once more, although this time recent accounting scandals should lend support to FASB's position.

Pension funds. Another controversial aim is to make companies change the way they account for their employee pension schemes. Britain's new standard on pensions, FRS17, forces them to measure pension assets at market value. In future, if a company's pension fund owes its members more than it owns in assets, the difference will be shown on the balance sheet. Outside Britain, such gaps can be smoothed out over years, with the result that some companies are still recording profits from their pension schemes despite the fact that the schemes themselves are in deficit. Britain's approach will spread; in March, FASB said it would start examining ways to improve accounting for employee pension plans, with the aim of publishing a new standard on pension accounting in America next year.

Revenue recognition. This is the vexed issue of when precisely to include revenue in the accounts — for example, when an order is made, when it is shipped, or when payment is received. Revenue recognition has been the main reason for restatements of accounts by American companies in recent years. Sir David Tweedie, chairman of the International Accounting Standards Board (IASB) in London, and his equivalents around the world want to lay down new rules on when a company can recognize revenue. Again, the effect could be far-reaching: companies could be made to look far smaller if they are prevented from pulling revenue forward from future periods, as many do now.

Future Standards

Standard-setters hope that today's mood of financial conservatism will allow

them to tighten up other areas of accounting too. For example, Sir David wants all leases — contracts in which a company is committed to pay for the use of an asset over a long period of time — to be recorded on companies' balance sheets as debt. The result would be to make balance sheets larger and debt ratios higher.

Yet another goal is to shift the world's body of accounting standards away from rules (the approach favoured in America) towards principles (more influential in Britain). The hard rules embedded in America's GAAP have helped devious financiers to design structures that obey the letter of the law but ignore the spirit.

But Bob Herz, the new chairman of FASB, is not optimistic about his ability to move GAAP towards principles and away from rules. Because companies and auditors demand certainty in America's litigious market place, the most he can do, he says, is to steer somewhere in between the two approaches.

Clamour for reform began in the 1990s. As share prices soared, people pointed to the growing gap between the book value of companies (what appeared in their accounts) and their market capitalization (valued on stock exchanges) as evidence of the irrelevance of accounts. The way to make them more relevant (and to stop executives from fiddling them) is, standard-setters believe, to force companies to value more of their assets and liabilities at market prices, to "mark them to market."

Instead of holding assets and liabilities at historic cost, and depreciating assets by a set amount each year, they maintain that companies should in future be required to mark them to market at the end of each reporting period. Big swings in values will then be passed quickly through the profit-and-loss account or through the shareholders' equity. Inevitably, profits will become far more volatile.

Derivative Issues

Using market value for all assets and liabilities will make some difference to how fixed assets are valued. But by far the largest impact of "fairvalue accounting," as the use of market value is called, will be to bring the volatility of financial markets into companies' results. Fair-value accounting, therefore, will affect banks and insurance companies far more than others, because they have the highest proportion of financial assets.

The slow march to market value is probably unstoppable in the long run, because so many accountants now believe that it is the most intellectually valid way

to value assets. But nobody knows what will be the consequences of the volatility that would inevitably follow. In the worst case, large numbers of investors could be frightened away from equities.

In future, accounts are likely to become more volatile, more complex and more subjective. Overall, standard-setters admit that people who are not trained in how to read them will have to rely more than ever on experts. But to help readers cope with the complexity of fair value, they intend to introduce a new way of showing companies' income — instead of a single column with turnover and so on, the profit-and-loss statement will be presented in the form of a matrix, in three columns. One column will show gains and losses from changes in fair value, another would show old-fashioned costs and revenues, and the last would show the total of the two.

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

1. The fact that companies confessed having lied in their reported accounts led to accounting reform.
2. Accounting exactitude always collapses during times of economic strain.
3. Special-purpose entities allow companies to reveal hundreds of millions of dollars of liabilities.
4. As pension schemes of some companies are in deficit they are recording losses.
5. Profits will become more volatile because of big swings in values.
6. In the long run the march to market value is inevitable.

IV. Vocabulary

1. Learn the vocabulary and make up your own sentences.

volatile (*adj*) — of a quickly changing, undependable nature, especially easily becoming dangerous

keep up with (*phr v*) — to prevent something from falling to a lower level

choke off (*phr v*) — to stop, get rid of, or prevent

market value — how much people would be willing to pay for something, rather than a value calculated as a summary of costs

historic cost — the price paid for an asset when it was bought, rather than what it is worth now

shareholder's equity — the difference between the value of a company's assets and its liabilities other than those to shareholders. In principle, this is what the company would be worth to shareholders if it stopped trading, its assets were sold and its debts paid

swing (*v*) — to change from one level, rate, or position to another so that a situation is the opposite of what it was before

arrive at (*phr v*) — to reach, especially after much effort or thought; come to

pro-forma (*adj*) — pro-forma figures, results, etc. which are not complete or final, but show what is expected to happen

reconcile (*v*) — to make two accounts or statements agree or add up to the same total

off-balance sheet — off-balance sheet items, activities, debts, etc. are ones that a company does not show on its balance sheet, but in notes added to it

stock option — an option to buy shares at a particular price. The pay of a company's top managers often includes stock options in the company they work for

litigious (*adj*) — too willing to take complaints to a court of law

book value — the value of an asset or group of assets in a company's accounts, not necessarily the amount they could be sold for

fiddle (*v*) — to prepare (accounts) dishonestly to one's own advantage

profit-and-loss account — a financial statement showing the financial results of a company's normal activities for a particular period of time, usually the financial year

fair value — the value of a business's assets based on the amount of money that could probably be obtained if they were sold

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

a) fiddling

b) pro-forma

c) market values

d) volatile

e) choke off

f) swing

g) keep up with

h) reconcile

1. In the 1990s, accountants were not able to ... the tricks that were thought out to help companies inflate their profits.
2. Accounts need to be more ... and less precise to reflect reality.
3. Those who set accounting rules thought it was very important to ... the most obvious loopholes.
4. The growing use of... for assets and liabilities is going to make shareholders' equity and profits ... around far more than in the past.
5. Companies used to report huge profits in their... earnings statements.
6. Companies have to show how they ... their pro-forma figures with the numbers produced according to GAAP rules.
7. To value more of their assets and liabilities at market prices will help stop executives from ... their accounts.

3. Give synonyms for the italicized words in each sentence below, or briefly explain their meaning.

1. The procession of companies admitting to having lied in their reported accounts has *undimmed faith* in corporate numbers and put the accounting profession under pressure to change its ways.
2. This may sound worryingly uncertain, but it might be better than trying to rely on a brittle illusion of *accounting exactitude*, which is liable to collapse during times of economic strain.
3. Accounting principles were *shamelessly abused* in the years of the stockmarket bubble.

4. The standard-setters may yet have a fight *on their hands*.
5. This is the *vexed issue* of when precisely to include revenue in the accounts—for example, when an order is made, when it is shipped, or when payment is received.
6. As share prices soared, people pointed to the growing gap between the book value of companies and their market capitalization as evidence of the *irrelevance* of accounts.
7. The way to make them more relevant is, standard-setters believe, to force companies to *mark* more of their assets and liabilities *to market*.

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

5. Translate the following sentences into Ukrainian.

1. These are the first sets of results produced by companies in America: they are unaudited and do not follow America's GAAP (Generally Accepted Accounting Principles).
2. Since the end of March this year, companies have been compelled to show how they reconcile their pro-forma figures with the numbers subsequently produced according to GAAP rules, of which there are hundreds.
3. These include the "special-purpose entities" made famous by Enron, which gave them the names of suitably fanciful characters in the Star Wars movies.
4. Most significant of all, perhaps, is the attempt to force companies to account for stock options granted to their employees.
5. Yet another goal is to shift the world's body of accounting standards away from rules (the approach favoured in America) towards principles (more influential in Britain).
6. The hard rules embedded in America's GAAP have helped devious financiers to design structures that obey the letter of the law but ignore the spirit.
7. As share prices soared, people pointed to the growing gap between the book value of companies (what appeared in their accounts) and their market capitalization (valued on stock exchanges) as evidence of the irrelevance of accounts.

6. Choose a verb from the box to complete the spaces in the article.

- a) called
- b) audited
- c) decided
- d) made
- e) increased
- f) clung
- g) obliged
- h) given
- i) repeated
- j) presented
- k) measured
- l) wild-eyed

Try Revolution, not Evolution

"The Economist"

Closing up some obvious loopholes, bringing in more market valuation and taking away some jargon — these are all important changes. Together, though, they amount to patching up the existing system. It is not surprising that accountants have (1) ... to fix what is there already: they are on the whole a conservative bunch and not (2) ... to experimentation. Some of them, however, would like to see a far more radical rethink of accounts.

Regulators also believe that companies should be (3) ... to give out new sorts of information. There should be new sections in annual reports on companies' intangible assets and on "key performance indicators" – such as employee turnover, customer acquisition cost or inventory turnover. The single most important thing that regulators could do to improve accounts, says Lynn Turner at Colorado State University and a former chief accountant at the SEC, would be to make companies report (4)... key performance indicators.

The company would then have to state in its annual report what percentage of its numbers derive from estimates and what portion are verifiable facts: analysts might choose to apply a discount, reflecting the (5) ... risk, to companies with a high level of estimates. In subsequent years, the company would be (6) ... to go back and check how well its estimates had (7) ... up to reality, much as governments go back

and revise GDP estimates. Over the long run, says Mr. Turner, managers of companies would not be able to get away with (8)... big misses.

Although companies and their auditors pretend that they can work out a single profit figure and a single net-assets number, the truth is that accountants do not know exactly how much money a company has (9) ..., nor exactly how much it is worth at any one moment. Realistically, the best they can hope for is a range — "X corporation made somewhere between \$ 600 m and \$ 800 m" — depending on, for instance, what assumption is (10)... about the likelihood that its customers will pay all the money that they owe.

Throughout the history of accounting, some folk have (11) ... for accounts to be (12) ... in the form of ranges. Mr Holgate, for instance, a partner of the world's largest accounting firm and by no means a (13) ... radical, believes that presenting profits in this way would be much more realistic. For understandable reasons, though, the world has (14) ... to the illusion of certainty and exactness.

V. Speak up

Answer the following questions.

1. Why is the problem of the transfer of the Russian banking sector to international standards so vital?
2. Why has the problem of reporting in accordance with international standards appeared in Russia?
3. What is the difference between Russian national accounting standards and international?

Reading the English newspaper

Text 2

I. Read the article and do the exercises.

Spring Fever

"The Economist"

A new device to embellish the books of Japanese companies.

In the spring, a Japanese politician's fancy usually turns to propping up the stockmarket. In years gone by, Japan's policymakers have suddenly tightened rules on short-selling and dreamed up a public stock-buying entity to shore up prices in time

for March 31st, the end of most companies' financial year. This has boosted the book value of corporate cross-shareholdings — a boon, in particular, for the country's banks and life insurers. Not since 1982, however, has the Nikkei 225 stockmarket index ended March as low as it did this year. Many companies have large, unrealized losses in their equity portfolios.

The ingenuity of the old guard in the Liberal Democratic Party (LDP), which leads Japan's governing coalition, is not yet exhausted. If stockmarkets refuse to rise, these politicians will do the next best thing: revise accounting regulations so that sagging share prices need not be reflected in companies' year-end accounts. Led by Hideyuki Aizawa, head of the LDP's powerful committee on anti-deflation policies, and Taro Aso, the party's policy chief, they are putting the finishing touches to a bill that temporarily suspends mark-to-market accounting for banks, life insurers and

10,000-odd listed companies.

The bill will enable companies to choose whether they want to value their "long-term" equity holdings at acquisition cost, or at market prices. The idea draws on a similar exemption for bonds that life insurers plan to hold to maturity, even though, unlike bonds, equities do not mature. It is not clear how long the freeze will last; estimates range from two to five years.

The LDP, concerned that falling property prices will dent corporate accounts, also wants to delay by two years the introduction of impairment accounting for fixed assets, currently scheduled for 2005. The politicians want market-value accounting to be suspended by May, before companies have to report their earnings for the previous financial year. At their urging, the Accounting Standards Board of Japan, an independent body that supposedly sets accounting standards, has agreed to study these proposals on April 17th. Still, the accounting body is unlikely to adopt the plan in time for May, if at all.

That may not matter: the politicians' efforts are gathering steam, and they are ready to push through a privately sponsored bill within the next month or so, even without the accounting board's support. Still, the bill will probably only help a few companies. Those that revert to valuing shares at purchase prices will immediately look weak. Besides, say analysts, it will be fairly easy to calculate roughly how their books would have looked had they stuck to market-value accounting. A recent survey

of 225 listed companies by the Nihon Keizai Shimbun, a newspaper, found that 83 %would still mark to market.

So why are the politicians so keen? Most likely, they want to help the struggling, mainly mutually owned, life-insurance industry, which is thought to have had unrealized equity losses of ¥ 2 trillion (\$ 16.6 billion) at the end of March. Regulations say that if a life insurer's capital, dented by such losses, falls below a certain level, the firm may not make interest payments on certain types of subordinated debt: in effect, it must default. The negative publicity could then lead to policy cancellations and even the collapse of some insurers. Freezing market-value accounting would wipe unrealized losses from the books.

The LDP's device may yet fail. It is opposed bitterly by some within the party and by regulators. Hirofumi Gomi, head of the supervisory division of the Financial Services Agency, Japan's financial regulator, says that changes in accounting practice should be left to professionals. "Personally, I am against the proposal," he says. "This will lead to a loss of confidence inJapan's financial markets."

2. Answer the questions.

1. Why are the Japanese politicians interested in propping up the stockmarket in the spring?
2. What measures will the LDP's leaders take in case stockmarkets refuse to rise?
3. What opportunities does the bill provide for the Japanese companies?
4. Why does the LDP want to delay the introduction of impairment accounting?
5. Why are the politicians so keen?

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

1. The fact that Japan's policymakers tightened up rules on short-selling has become an advantage for the country's banks.
2. The bill will advance the mark to market accounting.
3. Bonds do not mature unlike equities.
4. The plan will not be adopted till May.
5. Without the accounting board's support politicians are unlikely to push through a privately sponsored bill.

4. Match up the words with definitions and translate them into Ukrainian:

- 1) short selling;
- 2) propping up;
- 3) to embellish;

- 4) boon;
- 5) to sag;
- 6) impairment;
- 7) subordinated debt;
- 8) to suspend.
- a) to make (a statement or story) more interesting by adding untrue details;
- b) to fall in value, amount, or level, especially for a short time;
- c) debt that a borrower in financial difficulty will not repay until after other debts are repaid, or of which it will repay a smaller percentage;
- d) when a trader sells shares immediately after buying them, and then buys them back later, making a profit because the price of the shares has fallen;
- e) to officially stop something from continuing or happening for a short time;
- f) something very helpful or useful;
- g) supporting, keeping from falling or failing;
- h) weakening or making worse.

5. Make up the outline of the article and then render it.

TEXT 3

BUSINESS DOCUMENTS

The analysis of the transactions complete, what is the next step in the accounting process? How does an accountant present the results of the analysis? We now look at the **financial statements**. These business documents report financial information about the entity to persons and organizations outside the business.

The primary financial statements are the (1) **balance sheet** (2) **income statement**, (3) **statement of owner's equity**, and (4) **statement of cash flow**.

The balance sheet lists all the assets, liabilities, and owner's equity *at a point in time*, usually the end of a month or a year. The balance sheet is like a snapshot of the entity. For this reason, it is also called the *statement of financial position*. A balance sheet is made up of two lists, placed side by side. On the left the company lists everything it owns, such as cash and 'fixed assets' called property, plant, equipment, which include everything from buildings and trucks to tools, pencils, and copy machines. This list is labeled *assets*. On the other side, the company lists its *liabilities*, consisting of all the claims to the company's assets, from creditors and

from the company owners. The lists end up being exactly equal – whatever assets are not claimed by the company’s creditors belong to the owners.

MAIN STREET STORE, INC

Balance Sheet

August 31, 20XX

Assets	Liabilities and Owners’ Equity
Current assets:	Current liabilities:
Cash.....34,000	Short-term debt.....20,000
Accounts receivable.....80,000	Accounts payable.....35,000
Merchandise inventory.....170,000	Other accrued liabilities....12,000
Total current assets.....284,000	Total current liabilities.....67,000
Plant and equipment:	Long-term debt.....50,000
Equipment.....40,000	Total liabilities.....117,000
Less: Accumulated Depreciation.....(4000)	Owners’ equity.....203,000
Total assets320,000	Total liabilities and owners’ equity.....320,000

The income statement, or profit and loss statement (P&L) measures the performance of an enterprise. It presents a summary of the *revenues* and *expenses* of an entity for a specific period of time, such as a month or a year. The income statement, also called the statement of operations, is like a moving picture of the entity's operations during the period. The income statement holds perhaps the most important single piece of information about a business—its *net income*, which is revenues minus expenses. If expenses exceed revenues, the result is a *net loss* for the period.

The statement of owner's equity presents a summary of the changes that occurred in the owner's equity of the entity during a specific time period, such as a month or a year. Increases in owner's equity arise from investments by the owner and net income earned during the period. Decreases result from withdrawals by the owner and from a net loss for the period. Net income or net loss comes directly from the income statement. Investments and withdrawals by the owner are capital transactions between the business and its owner, so they do not affect the income statement.

Another tool for understanding a company’s activity is to look at its cash flow.

This measures the actual flow of funds – real money—flowing into and out of a company during a given period of time. A company’s cash flow factors out all of the accounting tricks and looks at what a company really earned, because it excludes accounting tools such as depreciation.

Main Street Store, Inc.

Statement of Cash Flows

For the Year Ended August 31, 20XX

Cash flows operating activities:

Net income.....	18,000
Add(deduct) items not affecting cash:	
Depreciation expense.....	4,000
Increase in accounts receivable.....	80,000
Increase in merchandise inventory.....	(170,000)
Increase in current liabilities.....	67,000
Net cash used by operating activities.....	161,000

Cash flows investing activities:

Cash paid for equipment.....	40,000
------------------------------	--------

Cash flows from financing activities:

Cash received from issue of long-term debt.....	50,000
Cash received from sale of common stock.....	190,000
Payment of cash dividend on common stock.....	5,000
Net cash provided by financing activities.....	235,000
Net increase in cash for the year.....	34,000

Good record keeping by a business is not only wise but is required by law. Legal and financial questions may be raised by various agencies, banks, and employees. The questions may be accurately answered when written records of business proceedings are kept. By recording daily transactions, the owner can learn from mistakes and avoid errors in the future. Even if profits are not distributed to shareholders, any organization needs a P&L to account for its activities to see whether it is being efficiently and honestly run.

1.What are the main business statements?

2.What do they show?

TEXT 4

Read the following two texts and be ready to differentiate between financial and managerial accounting.

FINANCIAL ACCOUNTING

The classification of financial accounting transactions reflects the concern with two major interests in financial accounting. The first is addressed to the analysis of the *profitability* of the business. This is done normally on a yearly basis by comparing the *sale* and the *purchase transactions* and establishing the difference, with either a loss or a profit for the year. A profit will be shown when sale transactions are greater the purchase transactions during the year; a loss will be shown in the reverse case. In financial accounting, the operating cycle is conventionally treated as a period of one year. This suggests that the profit or loss is a short-term analysis of business activities.

The second major interest in financial accounting is directed to the analysis of those transactions having a long-term impact on the firm. These transactions include, on the one hand, *investment transactions* by which the firm acquires assets of potential use for more than one accounting period, and, on the other hand, financial transactions by which the firm obtains funds for use for more than one year.

Financial accounting brings together investment and financial transactions in a statement of the financial status, or structure, of the enterprise which is commonly known as the balance sheet.

TEXT 5

MANAGERIAL ACCOUNTING

Managerial accounting (MA) involves using economic and financial information to plan and control many of the activities of the entity, and to support the management decision-making process. Cost-accounting is a subset of managerial accounting that relates primarily to the determination and accumulation of product, process, or service costs.

Managerial accounting is concerned with providing information to managers –

that is, to those who are inside an organization and who are charged with directing and controlling its operations. We can identify major differences between financial and managerial accounting:

1. MA focuses on providing data for internal uses by the manager.
2. MA places more emphasis on the future.
3. MA is not governed by generally accepted accounting principles.
4. MA emphasizes the segments of an organization, rather than just looking at the organization as a whole.
5. MA is not mandatory.

As with financial accounting, managerial accounting and cost accounting have special terminology or, as many would say, jargon. Most of the terms relate to different types of costs. There are different costs for different purposes. Costs used for valuing inventory are different from the costs that should be considered when analyzing a product modification or potential new product. The cost classifications most frequently encountered are: product cost, period cost, direct cost, indirect cost, variable cost, fixed cost, controllable cost, noncontrollable cost, opportunity cost, etc.

Managerial accounting is in its infancy. Historically, it has played a secondary role to financial accounting, and in many organizations it still is little more than a byproduct of the financial reporting process. However, the events of the last decades have shown the development of managerial accounting, and it is becoming widely recognized as a field of expertise separate from financial accounting.

TEXT 6

THE ACCOUNT

The raw data of accounting are the business transactions. A business may engage in thousands of transactions during a period of time. The data in these transactions must be classified and summarized before becoming useful information. Making the accountant's task somewhat easier is the fact that most business transactions are repetitive in nature and can be classified into groups having common characteristics.

An account is an element in an accounting system that is used to classify and summarize money measurements of business activities of a similar nature. An account is set up whenever it is necessary to provide useful information about a particular business item. The number of accounts in a company's accounting system depends on the information needed by those interested in the business.

Accountants may differ on the *account title* (or name) they give for the same item. The account title should be logical to help the accountant group similar transactions into the same account. Once an account is given a title, that same title must be used throughout the accounting records. Accounts may take on a variety of formats. Some accounts are printed, and entries are written in by hand; others are on magnetic tape, and "invisible" entries are encoded by a computer. Every account format must provide for increases and decreases in the item for which the account was established. Once a business event is recognized as a business transaction, it is analyzed to determine its increase or decrease effect on the assets, liabilities, owner's equity, revenues, or expenses of the business. These increase or decrease effects are then translated into **debits** and **credits**. Then the account balance (the difference between the increases and decreases) can be determined. In each business transaction is the activity that is recorded. The total dollar amount of debits must equal the total dollar amount of credits. The accounting requirement that each transaction must be recorded by an **entry** that has equal debits and credits is called the *double-entry procedure*, or *duality*. This double entry procedure keeps **the accounting equation – Assets = Liabilities+ Owner's equity** -- in balance.

To understand how the increases and decreases in an account are recorded, accountants use the **T-account**, which derives its name from the fact that it looks like the letter T. The title (name) of the item accounted for, such as cash, is written across the top of the T. Increases are recorded on one side of the vertical line of the T, and decreases on the other side, depending on the type of account. A T-account appears as follows:

Title of account	
Debit	Credit

The accountant uses the term debit (or charge) instead of saying "place an entry on the left side of the T-account" and credit for "place an entry on the right side of the Taccount". Thus, for any account, the left side is the debit side, and the right side is the credit side. A synonym for «debit an account» is «charge an account».

1. What is an account?
2. When is an account set up?
3. What does the number of accounts depend on?
4. What must every account format provide for?
5. What is debit?
6. What is credit?

TEXT 7

TYPES OF ACCOUNT

This text gives you more information about different kinds of accounts. Read the text and be ready to speak about each of them. While reading make your own list of business terms.

Assets. Assets are rights to use resources that are expected to result in future economic benefit for the accounting entity.

Cash. The Cash account shows the cash effects of a business's transactions. Cash means money and any medium of exchange that a bank accepts at face value. Cash includes currency, coins, money orders, certificates of deposit, and checks. The Cash account includes these items whether they are kept on hand, in a safe, in a cash register, or in a bank.

Notes Receivable. A business may sell its goods or services in exchange for a promissory note, which is a written pledge that the customer will pay the business a fixed amount of money by a certain date. The Notes Receivable account is a record of the promissory notes that the business expects to collect in cash.

Accounts Receivable. A business may sell its goods or services in exchange for an oral or implied promise for future cash receipt. Such sales are made on credit (on account). The Accounts Receivable account includes these amounts.

Prepaid Expenses. A business often pays certain expenses in advance. Prepaid Expenses are assets because they will be of future benefit to the business. The ledger holds a separate asset account for each prepaid item. Prepaid Rent and Prepaid

Insurance are prepaid expenses that occur often in business. Office Supplies are also accounted for as prepaid expenses.

Land. The Land account is a record of the land that a business owns.

Building. A business' buildings — office, warehouse, garage, and the like — appear in the Building account.

Equipment, Furniture and Fixtures. A business has a separate asset account for each type of equipment—Office Equipment and Store Equipment, for example. The Furniture and Fixtures account shows the cost of this asset.

Liabilities. Recall that a *liability* is a debt. A business generally has fewer liability accounts than asset accounts because a business' liabilities can be summarized under relatively few categories.

Notes Payable. This account is the opposite of the Notes Receivable account. Notes Payable records the amounts that the business must pay because it signed a promissory note to purchase goods or services.

Accounts Payable. This account is the opposite of the Accounts Receivable account. The oral or implied promise to pay off debts arising from credit purchases of goods appears in the Accounts Payable account. Such a purchase is said to be made on account.

Other liability categories and accounts are added as needed. *Taxes Payable*, *Wages Payable*, and *Salary Payable* are accounts that appear in many ledgers. Some other accounts may be as follows:

Owner's Equity. The claim that the owner has on the assets of the business is called owner's equity. In a proprietorship or a partnership, owner's equity is often split into separate accounts for the owner's capital balance and the owner's withdrawals.

Capital. This account shows the owner's claim to the assets of the business. After total liabilities are subtracted from total assets/ the remainder is the owner's capital. The balance of the capital account equals the owner's investments in the business plus its net income and minus net losses and owner withdrawals. In addition to the capital account/ the following accounts also appear in the owner's equity section of the ledger.

Withdrawals. When the owner withdraws cash or other assets from the business for personal use, its assets and its owner's equity both decrease. The amounts taken out of

the business appear in a separate account entitled Withdrawals, or Drawing. If withdrawals were recorded directly in the capital account, the amount of owner withdrawals would be merged with owner investments. To separate these two amounts for decision making, businesses use a separate account for Withdrawals. This account shows a decrease in owner's equity.

Revenues. The increase in owner's equity from delivering goods or services to customers or clients is called revenue. The ledger contains as many revenue accounts as needed. If the business loans money to an outsider, it will also need an Interest Revenue account. If the business rents a building to a tenant, it will need a Rent Revenue account. Increases in revenue accounts are increases in owner's equity.

Expenses. The cost of operating a business is called expense. Expenses have the opposite effect of revenues, so they decrease owner's equity. A business needs a separate account for each category of its expenses, such as Salary Expense, Rent Expense, Advertising Expense, and Utilities Expense. Expense accounts are decreases in owner's equity.

Let's check your list of business terms. Can you find the terms with the following meaning in it?

Капітал, статутний капітал, залишок, чистий дохід, зняття з рахунку, збитки, позика, вартість, витрати, активи, пасиви, готівка, чек, номінальна вартість, депозити, позичка, платіжне доручення, рахунки дебіторів, векселі до отримання, боргове зобов'язання, в кредит, передоплата, рахунки до оплати, бухгалтерська книга.

TEXT 8

Read the text and be ready to characterize each group of accounting information users.

USERS OF ACCOUNTING INFORMATION

Most of the material in this book describes business situations, but the principles of accounting apply to the financial considerations of individuals as well. The following sections discuss the range of people and groups who use accounting information.

Individuals. People use accounting information in day-to-day affairs to manage their bank accounts, to evaluate job prospects, to make investments, and to decide whether to rent or to buy a house.

Businesses. Managers of businesses use accounting information to set goals for their organisations, to evaluate their progress toward those goals, and to take corrective action if necessary. Decisions based on accounting information may include which building and equipment to purchase, how much merchandise inventory to keep on hand, and how much cash to borrow.

Investors and Creditors. Investors provide the money that businesses need to begin operations. To decide whether to help start a new venture, potential investors evaluate what income they can reasonably expect on their investment. This means analysing the financial statements of the new business. Those people who do invest monitor the progress of the business by analysing the company's financial statements and by keeping up with its developments in the business press. Before making a loan, potential lenders determine the borrower's ability to meet scheduled payments. This evaluation includes a projection of future operations, which is based on accounting information.

Government Regulatory Agencies. Most organisations face government regulation. Government regulation agencies base their regulatory activity in part on the accounting information they receive from firms.

Taxing Authorities. Local, state, and federal governments levy taxes on individuals and businesses. The amount of the tax is figured using accounting information. Businesses determine their sales tax based on their accounting records that show how much they have sold. Individuals and businesses compute their income tax based on how much money their records show they have earned.

Non-profit Organisations. Non-profit organisations — such as churches, most hospitals, government agencies, and colleges, which operate for purposes other than to earn a profit—use accounting information in much the same way that profit-oriented businesses do. Both profit and non-profit organisations deal with budgets, payrolls, rent payments, and the like—all from the accounting system.

Other users. Employees and labour unions may make wage demands based on the accounting information that shows their employer's reported income. Consumer groups and the general public are also interested in the amount of income that businesses earn.

TEXT 9

THE ACCOUNTING PROFESSION

Accounting is an old profession. Records of business transactions have been prepared for centuries. However, only during the last half-century accounting has been accepted as a profession with the same importance as the medical or legal profession. Positions in the field of accounting may be divided into several areas. Two general classifications are *public accounting* and *private accounting*. Public accountants are those who serve the general public and collect professional fees for their work, much as doctors and lawyers do. Their work includes auditing, income tax planning and preparation, and management consulting. **Public accountants** are a small fraction (about 10 percent) of all accountants. Those public accountants who have met certain professional requirements are designated as Certified Public Accountants (CPAs).

Private accountants work for a single business, such as a local department store, the McDonald's restaurant chain, or the Eastman Kodak Company. Charitable organizations, educational institutions, and government agencies also employ private accountants. The chief accounting officer usually has the title of controller, treasurer, or chief financial officer. Whatever the title, this person usually carries the status of vicepresident. Some public accountants pool their talents and work together within a single firm. Most public accounting firms are also called *CPA firms* because most of their professional employees are CPAs. CPA firms vary greatly in size. Some are small businesses, and others are medium-sized partnerships. The largest CPA firms are worldwide partnerships with over 2,000 partners. Such huge firms are necessary because some of their clients are so large and their operations are so complex.

In contrast to public accountants who provide accounting services for many clients, management accountants provide accounting services for a single business. In a company with many management accountants, the executive officer in charge of the accounting activity is often called a controller.

1. What are public accountants?
2. What are private accountants?
3. What is CPA?

TEXT 10

Read the text and be ready to comment on the points of the code. What other professions can use the same principles ?

ETHICAL BEHAVIOUR OF ACCOUNTANTS

Several accounting organizations have formulated codes of ethics that govern the behaviour of their members. «Code of Professional Conduct» adopted by the American Institute of Certified Public Accountants reads:

«Membership in the American Institute of Certified Public Accountants is voluntary. By accepting membership, a certified public accountant assumes an obligation of self-discipline above and beyond the requirements of laws and regulations...».

...In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities.

...Members should accept the obligation to act in a way that will serve the public interest, honour the public trust, and demonstrate commitment to professionalism.

...A member should observe the profession's technical and ethical standards, strive continually to improve competence and the quality of services, and discharge professional responsibility to the best of the member's ability.

...To maintain and broaden public confidence, members should perform all professional responsibilities with the highest sense of integrity.

...A member should maintain objectivity and be free of conflicts of interest in discharging professional responsibilities. A member in public practice should be independent in fact and appearance when providing auditing and other attestation services».

Some business firms have also developed codes of ethics for their employees to follow. But there is something more than merely making sure you are not violating a code of ethics. Most of us sense what is right and wrong. An accountant's most valuable asset is his or her reputation.

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