

МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
ВІННИЦЬКИЙ НАЦІОНАЛЬНИЙ АГРАРНИЙ УНІВЕРСИТЕТ

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**АНГЛІЙСЬКА МОВА
ЗА ПРОФЕСІЙНИМ
СПРЯМУВАННЯМ**



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**ENGLISH
FOR SPECIFIC PURPOSES**

НАВЧАЛЬНИЙ ПОСІБНИК З ІНОЗЕМНОЇ МОВИ
для студентів економічних спеціальностей

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Навчальний посібник розроблено для закладів вищої освіти, які здійснюють підготовку студентів зі спеціальності «Економіка», для забезпечення інтенсивного формування комунікативних навичок. Особливу увагу акцентовано на читанні автентичної фахової літератури англійською мовою, на розвитку усного мовлення й аудіювання з професійної тематики.

Видання можна використовувати для аудиторної та самостійної роботи майбутніх економістів, які опановують іноземну мову професійного спрямування.

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Передмова

Науково-технічний прогрес та євроінтеграційні процеси спонукають науковців і методистів до перегляду методологічних підходів викладання іноземної мови в коледжах та університетах. Нині у викладанні іноземної мови для студентів закладів вищої освіти на перше місце виходить принцип професійної спрямованості, згідно з яким сучасний економіст, бухгалтер, податківець, механік, агроном або фермер опановують іноземну мову професійного спрямування задля вільного спілкування та налагодження плідної співпраці з іноземними партнерами та інвесторами. Важливу роль тут відіграє англійська мова як засіб міжнародного спілкування – *lingua franca*.

Навчальний посібник «Англійська мова за професійним спрямуванням» розрахований на студентів економічних спеціальностей, які вже опанували базовий курс англійської мови й засвоїли англійську мову на достатньому рівні («Intermediate» або «Upper-Intermediate»). Його метою є підвищення комунікативної та професійної компетенцій студентів-економістів, що дозволить їм водночас опанувати англійську мову для здійснення ділового спілкування та перебувати в курсі теоретичних розробок провідних зарубіжних фахівців.

Після проходження навчального курсу студенти зможуть вирішувати проблеми, характерні для української економіки, орієнтуватися в обсязі економічної інформації. Тематика навчального посібника «Англійська за професійним спрямуванням» максимально наближена до тематики вивчення спеціальності українською мовою. Особливий акцент зроблено на сучасних тенденціях розвитку економічної мови, покликаних сприяти формуванню в студентів навичок використання сучасних лексико-граматичних конструкцій та термінології. З погляду ефективності навчання навчальний посібник знайомить студентів з принципами самостійного пошуку

автентичного матеріалу, необхідного для вирішення поставлених перед ними економічних завдань англійською мовою.

Розвитку вмінь студентів вести самостійний науковий пошук сприяють набуті під час дискусії та захисту доповідей на різні економічні теми навички читання та аудіювання.

Студенти вивчають лексико-граматичний матеріал у межах економічних тем навчального посібника: економіка як наука, типи економічних систем, ринкова та командна економіки, національна економіка, основні форми організації бізнесу, попит та пропозиція, макроекономічна рівновага на ринках товарів та послуг, фактори виробництва, капітал, праця, природні ресурси і земля, гроші та їхні функції, причини інфляції тощо. Окремі аспекти викладання охоплюють мову економічних текстів (навчальних, публіцистичних, наукових); переклад як вид мовленнєвої діяльності (в усній та письмовій формах); реферування газетних, журнальних текстів.

Посібник розроблено з урахуванням стандартів викладання англійської мови як іноземної мови професійного спрямування та специфіки майбутньої фахової діяльності здобувачів першого (бакалаврського) рівня вищої освіти за спеціальністю «Економіка», залученням автентичних матеріалів з економіки.

Переконані, що різноманітність завдань сприятиме кращому розумінню автентичних англомовних текстів, удосконаленню навичок перекладу їх українською мовою, розширенню, закріпленню іншомовних та економічних знань, розвитку навичок монологічного та діалогічного мовлення, реферування текстів, а проблемні ситуації (case studies), змодельовані за принципом «мозкового штурму», стимулюватимуть творче мислення майбутніх економістів.

THEORETICAL PART

Lesson 1: Economics as a Science

Vocabulary

- to allocate** – асигнувати; розподіляти, розміщати
scarce resources – обмежені ресурси
inputs – витрати
an output – випуск продукції, виробництво
a price – ціна
a purpose – мета
an arrangement – домовленість, угода
distribution – поширення, розповсюдження
consumption – споживання
to demand – вимагати; робити запит
to supply smb. with smth. – постачати щось комусь
government agencies – урядові органи державного управління
the household sector – сектор домашніх господарств
a shareholder – власник акцій, акціонер
gross domestic product – валовий внутрішній продукт
gross national product – валовий національний продукт
economic reasoning – економічний аналіз
an issue – питання, проблема
to make a decision – прийняти рішення
capital goods – засоби виробництва; капітальні товари

Pre-Reading Tasks

Task 1. Study the following verbs focussing specifically on their use in the context. Complete the sentences with the studied verbs. Use them in the appropriate tenses.

to rise, to raise, to arise

The verb *rise* (*rose, risen*) is used without object. It means to move from a lower to a higher position:

Examples:

Jane rose from the armchair.

Electricity rose in price.

Unemployment is rising.

The verb *raise* must have an object and it means to lift something to a higher position or to increase it:

Examples:

Joe raised his eyes from his work.

Government has raised taxes.

To raise money = to collect money

The verb *arise* (*arose, arisen*) means to happen, to occur, to start to exist.

Example:

A new economic crisis has arisen.

1. This supplier ... the price of gas equipment.
2. If any confusions ... I shall tell you.
3. The stock prices ... recently.
4. The management of the corporation made a decision ... the salaries.
5. It is necessary ... money if we want to extend the business.
6. They keep us informed of any changes as they ...
7. This article ... many significant issues.
8. Several new enterprises ... in the city.

9. People who agree are asked ... a hand.

10. Last year profits ... by 25%.

Task 2. Insert prepositions “at, by, for, from, in, of, on, out, to, with” where necessary.

1... the course of normal operations, a business receives money (sales revenue) ... its customers ... exchange ... goods or services.

2. An enterprise must also pay ... money to cover ... the various expenses involved ... doing business.

3. Profit is also the payment that business owners receive ... assuming the considerable risks ... ownership.

4. ... wealth we mean anything ... value, including ... the products produced and sold ... business.

5. According ... economic theory, every society must decide ... the answers ... three questions.

6. The way ... which a society answers ... these questions determines the kind ... economic system, or economy, that society has chosen.

7. In the United States ... America, their particular answers have provided them ... a mixed economy, which is based ... private entrepreneurship or laissez-faire capitalism.

8. Government should leave the economy ... its citizens.

9. Entrepreneurs can produce any product and offer it ... sale ... the price they choose.

10. Buyers and sellers can enter ... a market and leave it ... will.

11. The distribution of goods and services depends ... the current prices of economic resources.

12. If a product is sold ... high price, the demand ... this product decreases [16; p. 13–15].

Task 3. There is a set of words related to economics. In the table it can be shown like this:

econom	y		
	ics		
	ic	al	ly
	ist		

Each word has a different use. Put the right word in the blanks.

Economy, economics, economic, economical, economically, economist

1. In addition, the technological and ... differences between countries also need to be considered.
2. The ... declared that the age of American predominance is over,"
3. Jenny has published papers in the field of ..., in particular on issues concerning financial markets.
4. But if wind energy could be efficiently stored, wind power could compete ... with other types of electricity generation.
5. All these countries are moving from a command ... to more market-based systems.
6. We do all the best to make sure you have the most ... and efficient travel arrangements possible.
7. The globalizing ... represented the interests of developed countries and profit-driven corporations and individuals.
8. Empirical studies indicate that corruption lowers investment and ... growth.
9. University programmes should include courses on competition law and ... at a graduate and postgraduate level.
10. Any foreigner can invest in our
11. As the Nobel Prize-winning ... Joseph Stiglitz has written, free trade was designed by Western countries for the Western countries.
12. I know that you're a self-taught student in ..., having read scores or possibly even hundreds of books on the subject.

Task 4. Complete the sentences for each situation using the correct form of the verbs in present simple.

Achieve, force, hire, imply, investigate, leave, occur, reflect, require, waste

1. Competent economists know how an economy is organized, how it behaves and how it successfully ... its basic objectives.

2. Huge gaps between the rich and the poor ... most people impoverished while a privileged few live luxuriously.

3. Macroeconomics ... how scarce resources are allocated within the economy as a whole or within an entire industry.

4. Scarcity ... because human wants exceed the production possible with our limited time and resources.

5. Scarcity ... that every decision involves opportunity costs.

6. If a town ... an extra police officer instead of repaving several streets, the opportunity cost of hiring the officer is not repaving the streets.

7. Thus scarcity ... us to choose and this idea is reflected in the definition of economics.

8. Besides each economic system ... the country's history, traditions, aspirations and politics. What works for one culture might not work as well for another, and vice versa.

9. An inefficient economy ... resources and fails to provide the highest possible standard of living for consumers.

10. Maximum freedom ... people to have the widest possible range of choices available.

Economics is the study of how the society allocates scarce resources and goods. Resources are inputs which the society uses to produce output, called goods. Resources include inputs such as land, labour and capital. Such products as food, clothing, housing and services provided by barbers, doctors and police officers belong to goods. These resources and goods are considered scarce

because of the society's tendency to demand more resources and goods than are available.

While most resources and goods are scarce, some are not – for example, the air that we breathe. A resource or good that is not scarce, even when its price is zero, is called a free resource or good. However, economics is mainly concerned with scarce resources and goods.

The presence of scarcity motivates the study of how society allocates goods and resources. The market system is a means by which society allocates scarce resources and goods. The term “market” refers to any arrangement which allows people to trade with one another.

The market system refers to the collection of all markets and the relationships among these markets. The subject of economics is the study of the market system. Economists divide the market system into two main branches or theories: microeconomics and macroeconomics.

The prefix “micro” means small, indicating that microeconomics deals with the research of the market system on a small scale. Microeconomics looks at the individual markets which make up the market system and is concerned with the choices made by small economic units such as individual consumers, individual firms and individual government agencies. So, microeconomics studies the economic behaviour of individual firms.

The prefix “macro” means large, indicating that macroeconomics deals with the study of the market system on a large scale. Macroeconomics considers the aggregate performance of all markets in the market system and is concerned with the choices made by the large subsectors of the economy – the household sector, which includes all consumers; the business sector, which embraces all firms; and the government sector, which comprises all government agencies [28].

Macroeconomics investigates how scarce resources are allocated within the economy as a whole or within an entire industry. Scarcity occurs because human wants exceed the production possible with our limited time and resources.

Thus, economics is concerned with production, distribution and

consumption of goods and services. Understanding how various economies work is the basic purpose of studying economics. Economists seek to know how an economy is organized, how it behaves and how successfully it achieves its basic objectives [30, p. 9–10].

Economics studies how wealth is created and distributed. By wealth is meant anything of value, including the products produced and sold by business. “How wealth is distributed” simply means “who gets what”.

According to economic theory, every society must answer three questions:

1. What goods and services and how much of each will be produced?
2. How will these goods and services be produced? (That is, who will produce them and which resources will be used to do so?)
3. For whom will these goods and services be produced? (This is the question “Who gets what?”)

The way in which a society answers these questions determines the kind of economic system, or economy, that society has chosen [16, p. 10].

Economists have also developed the terminology to answer these questions and describe economic issues. This terminology is important because if we are going to talk about the state of the economy, we need the terminology to do it.

Shareholder, GDP, GNP, capital, supply and demand, costs, benefits, exchange rate are just a few of the terms the meaning of which any educated person in modern society needs to know. Two terms to be introduced immediately are the economy and economics. The economy is the institutional structure through which individuals in a society coordinate their diverse wants or desires. Economics is the study of the economy. That is, economics is the study of how human beings in a society coordinate their wants and desires.

An economic institution is a physical or mental structure that significantly impacts on economic decisions. Corporations, governments and cultural norms are all economic institutions. Many economic institutions have political, social and religious dimensions. For example, our job often influences our social positions. In addition, many social institutions, such as family, perform economic

functions. If any institution significantly affects economic decisions, it can be considered as an economic institution.

Even cultural norms can affect economies. A cultural norm is a standard people use when they determine whether a particular behaviour or activity is acceptable.

Studying economic reasoning means learning how to think as an economist. People trained in economics think in a certain way. They analyse everything critically. Having put their emotions aside, they compare the costs and the benefits of every issue and make decisions [30, p. 24–25].

After-Reading Tasks

Task 5. Match the terms with their definitions.

circular flow

consumer surplus

externality

incentive

opportunity cost

producer surplus

scarce

social science

1. An impact, positive or negative, on any party not involved in a given economic transaction or act.

2. A model of market economy that shows the flow of dollars between households and firms.

3. A branch of science that studies the society and human behavior in it, including anthropology, communication studies, criminology, economics, geography, history, political science, psychology, social studies, and sociology.

4. Insufficient to meet demand.

5. The value of the best alternative forgone, in a situation in which a choice needs to be made between several mutually exclusive alternatives given limited resources.

6. Something that motivates an individual to perform an action.

7. The difference between the maximum price a

consumer is willing to pay and the actual price they do pay.

8. The amount that producers benefit by selling at a market price that is higher than the lowest price at which they would be willing to sell.

Task 6. Look through the given words and find their synonyms.

Abundant, achieves, alternatives, an economy, as a whole, branches, commonly, derives, distribution, giving up, implies, investigates, objectives, occurs, satisfy.

Attract, available in a large quantity, comes, complete, fields, gets, goals, happens, losing, meet, convince, options, studies, suggests, tempt, the action of sharing, usually, wealth and resources in a country

Task 7. Fill in the blanks with appropriate words from the above task.

1. It is important to know how ... is organized, how it behaves and ... its basic 2. Economics is concerned with production, ... and consumption of goods and services. 3. There are two ... of economics: macroeconomics and microeconomics. 4. "Macro" ... from the Greek word for "large". 5. Macroeconomics ... how scarce resources are allocated within the economy ... or within an entire industry. 6. Scarcity ... because human wants exceed the production possible with our limited time and resources.

7. Scarcity ... that every decision involves opportunity costs. 8. Opportunity costs exist in all situations where available resources are not ... enough to ... all our desires. 9. We can select only a few of all available 10. For example, a man goes into "Micro Center" with \$1000. 11. Many different laptops ... him, especially "Dell XPS 13 9310 (XPS0219X)", which costs \$2418, but he finally narrows his choice to Asus X571LI-BQ119 and Lenovo Legion 5 15ARH05, each costing \$10. 12. If he decides to purchase the Asus laptop, the opportunity cost is the Lenovo Legion.

13. Opportunity cost is the cost of ... the next best alternative. Thus, scarcity forces us to choose, and this idea is reflected in the definition of economics as the study of how people, collectively or individually allocate their limited resources trying to satisfy their unlimited wants. 14. ... agreed-upon goals of macro policy include high employment, price stability and economic growth.

Task 8. Transform the statements building present unreal conditional and future unreal conditional sentences (type II), past unreal conditional sentences (type III) as in the example.

Example: If effective demand is sufficient, there will be a high level of economic activity. – If effective demand were sufficient, there would be a high level of economic activity (*type II*). If effective demand had been sufficient, there would have been a high level of economic activity (*type III*).

1. If too much money is available, its value will decrease and it will result in inflation.

2. If the company doesn't earn a reasonable profit, the share price will fall and it will be difficult to attract additional capital.

3. Many companies will lose their stable position in the market if recession continues.

4. The company will achieve a higher sales level if the retail price is decreased.

5. If the output decreases, the company's costs per unit of the goods produced will go up.

6. If current liabilities exceed the company's assets, the company will be forced to sell off its assets for the debts.

7. If the company issues new stocks, it will be possible to replace the obsolete equipment.

8. If governments reduce restrictions and tariffs, it will promote the expansion of world trade.

9. If the wage paid in a certain industry rises, workers will be attracted from other industries.

10. If prices are above the equilibrium price, there will be excess supply.

Task 9. Make up questions to the statements.

1. Economics is a social science that assesses the relationship between the consumption and production of goods and services in an environment of finite resources.

2. A focus of the subject is how economic agents behave or interact both individually (microeconomics) and in aggregate (macroeconomics).

3. Economics studies human activities and constructions in environments with scarce resources, and uses the scientific method and empirical evidence to build its base of knowledge.

4. The evaluation of human interactions as it relates to preferences, decision making, and constraints is a significant foundation of economic theory.

5. The complexity of the dynamics of human motivation and systems has led to the establishment of assumptions that form the basis of the theory of consumer and firm behavior, both of which are used to model circular flow interactions within the economy.

6. Economics allows individual agents to balance expectations and the understanding of the ebb and flow of the economy through the boom and bust of the business cycles creates the potential for emotional balance by reminding agents to limit desperation in downturns and exuberance in expansions.

7. By developing an understanding of the foundations of economics, individuals can become better decision makers with respect to their own lives and maintain a balance with respect to an externality that has the potential to supplement or deter their plans.

8. Since economic theories are a basis of decision making and regulatory policy, being knowledgeable about economics foundations

allows an individual to be an active and aware participant rather than a passive economic agent.

9. Microeconomics examines the behavior individual consumers and firms within the market, including assessment of the role of preferences and constraints while macroeconomics analyzes the entire economy and the issues affecting it.

10. Macroeconomics' primary focus areas are unemployment, inflation, economic growth, and monetary and fiscal policy [16].

Task 10. Answer the questions.

1. How can you define economics?
2. When does scarcity occur?
3. What is the difference between microeconomics and macroeconomics?
4. Which of questions are economists trying to answer?
5. How many subsectors of the economy can you enumerate from the standpoint of macroeconomics?
6. Why is it important to learn economic terminology?
7. What is an economic institution?
8. How can cultural norms affect economies?
9. What is meant by 'economic reasoning'?
10. What are the definitions of a cultural norm and opportunity cost?

Lesson 2: Market and Command Economies

Vocabulary

economics – економіка, економічна наука

economic – економічний; рентабельний

economical – економний

economize – заощаджувати;

economy – господарство, економіка

a command economy – командна економіка

a free market economy – вільна ринкова економіка

a mixed economy – змішана економіка

to produce – виробляти

a demand – попит

to be in high / low demand – користуватись високим / низьким попитом

goods – товари

services – послуги

to allocate – асигнувати; розподіляти

Pre-Reading Tasks

Task 1. Determine the tense form of the verb. Translate the sentences into Ukrainian.

1. We translated this article at the previous class.
2. Are you preparing the report?
3. What were they doing when you returned? – They were improving the scheme.
4. Has she completed the presentation? – No, she hasn't.
5. I suppose, he will send us the research project in a week,
6. We participated in the international conference “Urgent Issues of Accounting and Taxation” at the university in 2020.

7. This article has already been published.
8. One more book will be written by Ulrich next year.
9. This book was translated into Ukrainian two months ago.
10. The fax is being repaired now.

Task 2. Translate into Ukrainian the word combinations, where the noun is used as an adjective.

Lecture hall, reference year, university laboratories, command economy, market economy, government intervention, land resources, government restrictions.

Task 3. Identify the definition of the suffixes for customizing the meanings of words. Distinguish the words by their parts of speech

Economist, production, productivity, highly, mechanism, worker, limitless, manager, consumption, entirely, restriction, government, technical, decision, priceless, extensive, mainly, population.

Task 4. Look through the sentences. Find the construction “to be + of + noun” and pay attention to its translation.

1. This book on bookkeeping is of great interest to me.
2. Independent work at the library is of great value to a curious student.
3. This integrated accounting software package may be of use for managing your finances.
4. Foreign language knowledge may be of great importance to you.

Economics is a science that analyzes what, how and for whom the society produces. The central economic problem is to reconcile the conflict between people's unlimited demands with society's ability to produce goods and services.

In industrial Western countries markets are to allocate resources. The market is the process by which production and consumption are

coordinated through prices.

In a command economy, a central planning office makes decisions on what, how, and for whom to produce. Economy cannot rely entirely on command, but there was extensive planning in many countries.

A free market economy has no government intervention. Resources are allocated entirely through markets.

Modern economies in the West are mixed and rely mainly on the market but with a large dose of government intervention. The optimal level of government intervention remains a problem which is of interest to economists.

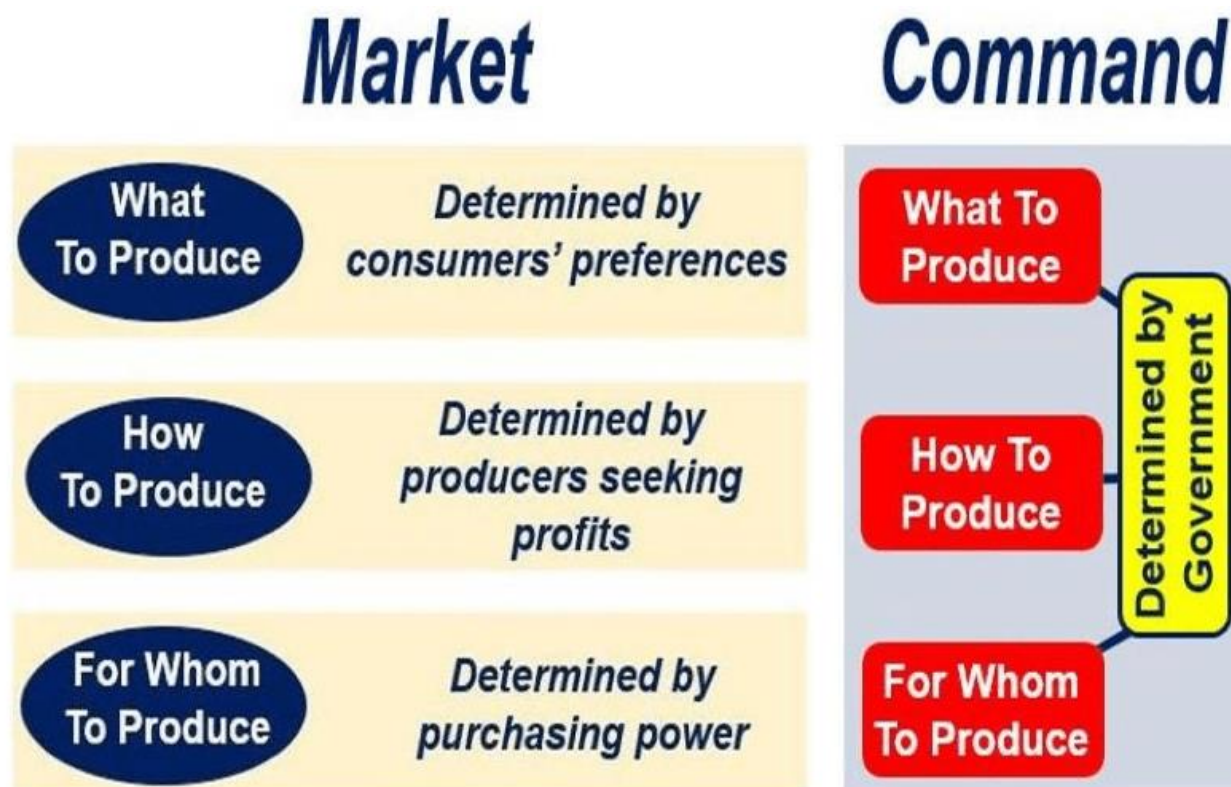


Fig. 1. Market vs. Command Economies

The degree of government restrictions differs greatly between countries that have command economies and countries that have free market economies. In the former, resources are allocated by central government planning. In the latter, there is not any government regulation of the consumption, production, and exchange of goods. Between the two main types lies the mixed economy where market and government are both of importance.

After-Reading Tasks

Task 5. Fill in the chart.

Decision, recommend, regulation, consumer, produce, allocation, decide, consume, allocate, production, recommendation, consumption, regulate, producer.

Actions	People

Task 6. Practice reading the numerals.

38; 189; 211; 375; 23633; 1879; 40100; 71213; 1058700; 43641764; 74233931.

Task 7. Say in English.

У 90-ті роки; впродовж 40 років; у 30-ті роки двадцять першого століття; в 90-ті роки дев'ятнадцятого століття.

Task 8. Find adverbial modifiers in the sentences and translate them into Ukrainian.

1. After 1979, for 40 years Eastern European countries have been developing economies in which market mechanisms play only one of the key roles.

2. The government plays an important role in allocating resources in the economy.

3. Goods are produced on farms or in factories. The people who buy them consume goods of the both groups.

4. A government planning office decides what will be produced, how it will be produced, and for whom it will be produced.

5. Resource allocation decisions are being made every day in every city, mostly through the mechanisms of markets and prices.

6. When there was a bumper coffee crop in Brazil, much coffee was bought by the Brazilian government from farmers and then burnt.

7. Grain markets have greatly changed over the last 25 years in the United States and Europe. Both have high levels of government intervention in their agriculture.

8. Economists have studied the ideas of Adam Smith, the famous Scottish philosopher and economist, for over two hundred years.

Task 9. Make up questions to the statements.

1. Prices are to regulate production and consumption in a market economy.

2. The problem with government regulation of markets is to control how government restrictions work in real life.

3. The aim of that book is to form a theory of the role of government in economic life.

4. The market is to decide how much to produce.

5. A building society is a financial organization whose purpose is to help people buy houses or flats.

6. When the authors of the textbook discussed examples, their intention was to prepare students for future economic analyses.

7. Governments are to regulate or plan production and consumption. The former is typical of mixed economies; the latter is typical of command economies.

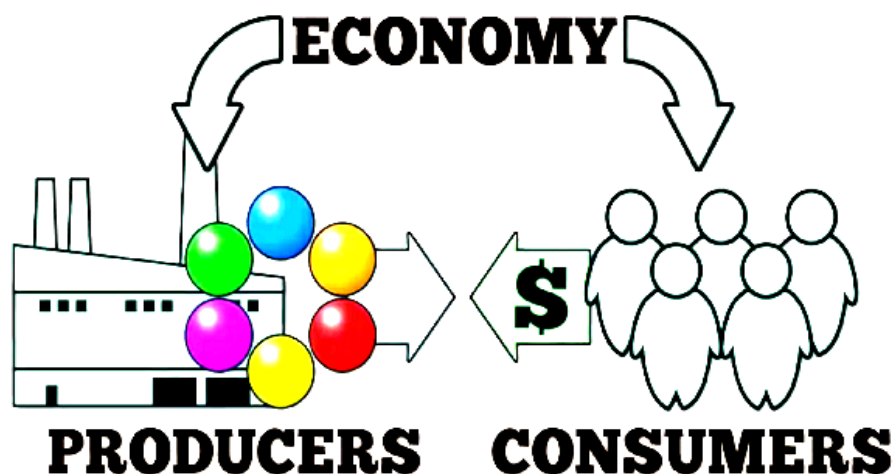


Fig. 2. Interaction of Producers and Consumers in the Economy

Task 10. Answer the questions.

1. How can you define economics?
2. What is the central economic problem of the society?
3. In what way does a free market economy differ from a command economy?
4. Which function does the market perform in an industrial country?
5. How are decisions made in a command economy?
6. To which type do most economies in the West belong?
7. Where do the governments make large interventions?
8. What economy do you consider more important?
9. To which type does the economy of present-day Ukraine belong?
10. Is the level of government regulations growing or falling in the economy of Ukraine now?

Lesson 3: Forms of Business Ownership

Vocabulary

ownership – власність

corporate ownership – акціонерна власність

a benefit – прибуток, вигода

to benefit from something – знаходити вигоду в чомусь

an advantage – перевага

proprietorship – право власності

sole proprietorship – приватна власність

partnership – партнерство

failure – невдача, провал, банкрутство

to fail – зазнавати невдачі; не вдаватися; не виправдати очікувань

activity – діяльність

to prohibit by law – забороняти на законодавчому рівні

a drawback – перешкода

undesirable – небажаний

to hire – наймати на роботу

a subsidiary company – дочірня, підконтрольна компанія

Pre-Reading Tasks

Task 1. Determine the intensifying constructions. Translate the sentences into Ukrainian.

1. It is due to the double-entry bookkeeping that the full information of any transaction can be easily obtained.

2. It is the organization of labour at this enterprise that requires improvement first.

3. It is an accountant who is responsible for preparing all financial statements at the end of a fiscal year.

4. It is the statistical analysis which is of great importance for proper planning.

5. It was the directors of the corporation who adopted the general plan the plant reconstruction.

6. It is due to independent auditing that reliable information about financial position of the company has been published.

7. It was the government's tight policy which allowed to reduce high rates of inflation.

8. It is the use of money as a medium of exchange that distinguishes money from other assets.

Task 2. Translate the statements into Ukrainian paying attention to the use of the infinitive.

1. Accounting records are known to provide managers, creditors, banks and stockholders with very important data.

2. It is advisable to evaluate the current position of the company by preparing a trial balance.

3. The value of the share has been found to depend greatly on the success of the company's activity.

4. Interest on borrowed capital is certainly to be paid out to the bank whether the business is profitable or not.

5. Bonds are issued to borrow the needed money.

6. To result in a company's profit the cash inflow should be higher than the outflow.

7. One of the aims of the market research is to find out the requirements of the customers.

8. There are seven steps to be followed in accounting cycle, the systematic recording of the data being the first step.

9. Unreasonably high prices and poor selling methods are likely to reduce the success of this new product at the market.

10. To solve the pricing problem properly the manager should regard the interests of both the company and its customers.

11. Capital investments in the production must be large enough to obtain the equity which stockholders will get in the form of dividends.

12. Businessmen are reported to consider trade union regulations to be an obstacle to job creation.

Task 3. Read the following words and phrases, find their synonyms.

Advantage; disadvantage; in order to have profit; to employ somebody; to be fully responsible for something; to forbid somebody something; to get dividends; to take chances; somebody's property; a consumer; to carry out functions; to operate a business; to end the business; to let somebody do something; to be pensioned off; to spread profits; full financial liability; to get back investments; a corporate performance; to set up a partnership; to own something together; to pay debts; produced commodities; to restrict liability; to involve large amounts of capital; the main business form; to pay taxes twice; something unwanted; to provide reports.

Task 4. Underline compound syntactic structures in the sentences.

1. It is the government that can give tax benefits to the companies in order to support domestic industry.

2. It is necessary that the double recording of any transaction should be done to avoid possible errors.

3. It is important for countries to develop the trade based on the principle of comparative advantage as it brings benefits to both nations.

4. It was the EEC established in 1957 that accounted for 2/5 of the world trade.

5. It is at the age of 65 that people in many European countries can retire.

6. It was technological advances and specialization that influenced the development of corporations and enabled them to accumulate large amounts of capital.

7. It is sometimes desirable to limit exports of foreign goods into the country to protect domestic producers and to encourage their activities.

8. It is easy to set up a proprietorship, as one has only to purchase a license.

9. It was due to the issuing of additional shares that the public company could finance this project.

10. It is undesirable that the rate of unemployment should be over four percent.

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.

After-Reading Tasks

Task 5. Fill in the blanks with appropriate English equivalents of the given Ukrainian words and phrases.

1. Being the oldest form of business, (*приватна форма власності*) is the main form of (*власності*) in farming, building, repairing work and (*побутові та інформаційно-консультативні послуги*) such as hairdressing, selling retail estate and many others. (*Власник*) provides complete control over the business, its loans, capital and policies.

2. The lawyers of the corporation are supposed (*нести відповідальність за діяльність*) of the corporation. They may be (*заборонено*) to practice law if they (*не зможуть*) to represent their clients properly.

3. The establishment of a (*дочірня компанія*) in another country has both (*переваги*) and (*недоліки*). The latter results from ... (*подвійного оподаткування*) of the company's income in each country, at home and abroad. It is (*бажано*) for the countries developing trade relations to sign (*угоди, що забороняють подвійне обкладання митом*) of the same income.

4. (*Невдача*) of advertising campaign resulted in low sales figures of the new product.

5. To run a business properly one should (*наймати на роботу*) a professional manager.

6. If the owner of the corporation (*йде у відставку*) or serious disagreement between the (*партнерами*) takes place, it usually leads to (*ліквідація компанії*).

7. (*Обмежена відповідальність*) of the shareholders is sure to be one of the major benefits of any corporation.

Task 6. Match the terms with their definitions.

benefit
gain
income
profit
revenue

1. An increase in amount, increase in wealth.
2. The money gained in a business transaction, especially the difference between the amounts 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.

Task 7. Give Ukrainian equivalents of the topical words and phrases.

To make a profit; total income / gain; annual income / revenue; commercial profit; average income; pretax profit; net gain; expected gain; dividend income; a rise in profits; marginal gain; consumer income; a fall of profits; export income; trade benefits; advertising profit; budget revenue; interest income; balance profit; financial benefit; national income; surplus revenue; nontaxable income; mutual benefit; per capita income; tax revenue; capital gain; additional benefits; rent income; retained income; economic.

Task 8. Find demonstrative pronouns in the sentences and translate them into Ukrainian.

1. That company is said to have been established as a sole proprietorship
2. The fact that the stockholders must also pay taxes on the income is considered as a drawback of the corporate form of ownership.
3. The shares of corporation are sold to those who are interested in investing and risking their money in the enterprise.

4. One should know that each partner is liable for the debts of the business.

5. The agreement to form a business association is known as a partnership contract that includes the items about distribution of profits, responsibility for losses and debts, etc.

6. Salaries paid to the managers in large corporations are higher than those in partnerships.

7. It is the sole proprietorship that allows the owner to obtain all the profits and to control the business personally.

8. The credit that can be obtained by a sole proprietor is much smaller than that obtained by a big corporation.

9. It is important that large corporations invest money in research.

10. Company management decisions include those related to organization and operation of the company's business.

11. The owner's liability in the sole proprietorship form of business is greater than that in other forms of ownership.

Task 9. Make up questions to the statements.

1. We know that management includes such components as planning, organizing, directing, controlling and coordinating.

2. The reports the auditor prepares annually should be available to the company's shareholders.

3. The retail price is known to be determined by the law of supply and demand.

4. Higher rates of interest are typically charged for the loans individuals get to buy a car, a house, etc.

5. Each group of consumers looks for different qualities in the products they buy.

6. The purpose of the market analysis is to anticipate the share of the particular market the product can expect to receive.

7. The bank has to keep enough cash to provide for those clients who don't want to pay cheques or use credit cards.

Task 10. Answer the questions.

1. Why should we develop different forms of business ownership?

2. What is a sole proprietorship?

3. Are there any limitations of a proprietor's activity?

4. What are the main disadvantages of a sole proprietorship? Why do you consider this form of business very risky?

5. How many items are usually included in a partnership contract?

6. Can you enumerate the similarities and differences between a sole proprietorship and a partnership? Speak in detail.

7. Who are stockholders? How can you characterize a business corporation?

8. What is considered as the major advantage of the corporation?

9. Where is double taxation of profits supposed to take place?

10. How can large amounts of money attracted by a corporation be used?

Lesson 4: Demand and Supply

Vocabulary

- a quantity** – кількість, розмір
- a buyer** – покупець
- a supply** – пропозиція
- a seller** – продавець
- an equilibrium** – рівновага
- an equilibrium price** – врівноважена ціна
- a producer** – виробник
- a consumer** – споживач
- to consume** – споживати
- a shortage** – дефіцит нестача
- to raise** – збільшувати
- a surplus** – залишок, надлишок, перевищення
- to reduce** – зменшувати; скорочувати
- reduction** – зниження; зменшення, скорочення
- an income** – дохід, надходження; прибуток
- an increase** – приріст; збільшення
- to substitute** – замінити; підмінити
- a decrease** – зменшення, зниження, спад
- each price** – будь-яка ціна
- other things equal** – за інших рівних умов
- to assume** – припускати, допускати

Pre-Reading Tasks

Task 1. Look through the sentences and identify the adverbs paying attention to their translation.

1. In East-European countries consumers couldn't get goods, and naturally factories couldn't buy inputs at prices held low by governments.

2. Nowadays governments are intervening in economies controlling the supply of money, limiting monopolies and helping private industries.

3. An improvement in technology will quickly increase the supply of goods, improving the quantity supplied at each possible price.

4. Governments regulate economic activities imposing some restrictions once a year.

5. The governments can influence for whom goods are produced, often taking the income away from some people and giving it to others.

6. The high price for a good is the market mechanism certainly telling suppliers it is now time to increase production.

7. The developing countries hope that the industrial countries will raise imports from the less developed countries slightly imposing tariffs on imports from other industrial countries.

8. Income is money of all kinds coming in regularly to a person, a family or an organization.

9. Active money is usually money going from man to man and used by people in buying and selling goods and services.

Task 2. Give the comparative and the superlative degree of the following adjectives and adverbs.

1. Large, old, few, new, high, poor, low.

2. Good, bad, little, many.

3. Important, reliable, effective, difficult, limited, developed, popular.

4. Effectively, soon, successfully, quickly, often, slowly, much, well.

Task 3. Identify the definition of the suffixes for customizing the meanings of words. Distinguish the words by their parts of speech.

Information, development, situation, growth, productive, productivity, investment, important, agriculture, importance, health, agricultural, industrial, wealth, worker, active, activity.

Task 4. . Look through the sentences. Pay attention to the translation of the words “some” and “same”.

1. At some price, which we call the “equilibrium price”, the demanded quantity of a good equals the supplied quantity.

2. All markets have the same economic function: they form prices equalling the quantities of goods that people wish to buy or to sell.

3. There has been some rise of income in the past two decades in developing countries.

4. A less developed country is the same as a country of the Third World.

5. An association is an organization formed by the people having the same interests and held together by a system of management.

6. For the next twenty years, the supply of energy will be limited in some sectors of the US economy.

7. A consumer group is a small group of people living in the same place who study the prices and the quality of consumer goods sold in shops, and makes the information known to the public.

8. An improvement in technology is something that makes it possible for firms to produce more goods with the same quantity of inputs as before.

Demand is the quantity of a good that buyers wish to buy at each price. Other things equal, at low prices the demanded quantity is higher.

Supply is the quantity of a good that sellers wish to sell at each price. Other things equal, when prices are high, the supplied quantity is high as well.

The market is in equilibrium when the price regulates the quantity supplied by producers and the quantity demanded by consumers. There is excess demand (shortage) raising the price, when prices are not as high as the equilibrium price. At prices above the equilibrium price, there is excess

supply (surplus) reducing the price. There are some factors influencing demand for a good, such as the prices of other goods, consumer incomes and some others. An increase in the price of a substitute good (or a decrease in the price of a complement good) will at the same time raise the demanded quantity.

As consumer income is increased, demand for a normal good will also increase but demand for an inferior good will decrease. A normal good is a good for which demand increases when incomes rise. An inferior good is a good for which demand falls when incomes rise.

As to supply, some factors are assumed as constant. Among them are technology, the input price, as well as degree of government regulation. An improvement in technology is as important for increasing the supplied quantity of a good as a reduction in input prices.

Government regulates demand and supply, imposing ceiling prices (maximum prices) and floor prices (minimum prices) and adding its own demand to the demand of the private sector.

After-Reading Tasks

Task 5. Fill in the chart.

Buy, buyer, consume, consumer, consumption, demand, fall, improve, improvement, increase, influence, intervene, intervention, invest, investment, organization, organize, reduce, reduction, sell, seller, stabilization, stabilize.

Nouns	Verbs

Task 6. Practice reading the decimal fractions.

3.71; 83.12; 17.4; 20.5; 11.33; 23.14; 11.6; 14.8; 18.24; 7.10; 67.01; 18.45; 39.16.

Task 7. Say in English.

Зменшився з 107% в 2018 р. до 57% в 2019 р.; збільшився з 40 тисяч тон в 2018 р. до 42 тисяч тон в 2019 р.

Task 8. Find adjectives in the sentences and translate them into Ukrainian.

1. If the price is higher than the equilibrium one, it will be falling until the equilibrium price is reached and there are no more surpluses left.

2. Governments buy and produce many goods and services, such as defense, education, parks, and roads for firms and individuals.

3. Firms producing computers act as buyers in the markets for the services of computer programmers.

4. Governments, through their control of the quantity of money in the economy, can influence business activity.

5. With a reduction in input prices, firms will supply more of a good at each price.

6. Inflation is a rise in the level of prices as demand is higher than supply because of an increase in the supply of money.

7. When there is a harvest failure, the producers' supply will decrease.

8. Supply restrictions imposed by cartels are as characteristic of industrialized economies as of developing economies.

9. Private sector in a mixed economy is that part of the economy that is controlled by private firms, not by government or corporations.

10. Excess supply is a situation in which, at a certain price, the quantity of a good demanded by buyers is less than the quantity supplied by producers.

Task 9. Make up questions to the statements.

1. If prices rise very quickly, the situation is known as hyperinflation.

2. As to price ceilings, without government regulation and organization they may lead to “black market” as well as other social and economic problems.

3. Complementary goods are those goods which you cannot use one without the other, such as cars and petrol. As the price for petrol rises, the demand for cars reduces.

4. Only when demand equals supply, people can buy or sell as much as they want.

5. Harvest failures are the most important reason for changes in agricultural product supply, but there are other reasons as well.

6. Attempts to organize supply restrictions in coffee and cocoa have not been as effective as OPEC regulation of quantities of oil sold to other countries.

7. As the supply increases with an improvement in technology, firms want to produce more at the same price level as before.

8. Every firm wants to sell as many goods as possible.

Task 10. Answer the questions.

1. What is the definition of “demand”?

2. When is the demanded quantity higher?

3. How can you define the notion of “supply”?

4. In what way are the prices of supplied and demanded quantities regulated by the market?

5. Which factors influence demand? How do they work?

6. Which factors influence supply?

7. How can governments regulate the demand and supply?

8. How can prices for other goods influence the demand for a good?

Supply examples.

9. Which of inferior goods can you enumerate?

10. What may be the result of imposing ceiling prices?

Lesson 5: Factors of Production

Vocabulary

- as follows** – виглядатиме так; як наступний
- a physical capital** – фізичний капітал
- a financial capital** – фінансовий капітал
- a human capital** – людський капітал
- a fixed capital** – основний капітал
- a circulating capital** – оборотний капітал
- labour** – праця
- labour force** – робоча сила
- natural resources** – природні ресурси
- for this purpose** – з цією метою
- equipment** – обладнання
- raw materials** – сировина
- available** – наявний, доступний
- to make a contribution to science** – зробити вклад в науку
- a means of production** – засіб виробництва
- machinery** – машини; верстати
- durable goods** – товари довгострокового користування
- to provide** – забезпечувати
- an incentive** – стимул
- a disincentive** – гальмо, придушення стимулу
- essential** – обов'язковий, необхідний; основний
- to meet the demand** – задовольняти попит
- housing land** – земля під будівництво
- to lease** – здавати в оренду брати під оренду

Pre-Reading Tasks

Task 1. Look through the sentences and determine the function of the infinitive in the sentence, pay attention to the construction “for + noun + infinitive”.

1. The free market is one way for society to solve the economic problems as to what, how and for whom to produce.

2. Economically advanced countries' aid to the Third World is not generally strong enough for the latter to achieve economic independence.

3. For goods to be in competitive demand, they have to be substitute goods.

4. There are several ways for countries to use their resources more effectively.

5. For research and development to be carried out, the governments in less developed countries have to invest enough resources in their own research institutes.

6. For higher profit to be obtained, firms have to increase efficiency of labour.

7. The unemployment is growing too rapidly for labour markets to be in equilibrium.

8. For the economic statistics to be improved, they have to take in consideration the requirements of potential users.

9. For economic development of a nation to be indicated, the physical and human capitals should be analysed.

10. Much water is required for refrigeration to build atomic power stations.

Task 2. Translate the statements into Ukrainian paying attention to the use of the infinitive.

1. With an increase in the price of one factor of production, to produce a given output the firm starts using a technology economizing on the factor whose price has risen.

2. To calculate profit-maximizing output and the corresponding

quantities of the factors demanded, we have to calculate the total cost for all output levels.

3. The price of the good became high enough for society to stop choosing it for everyday use.

4. As a rule, resources in industrialized countries are used effectively enough to make a good base for economic growth.

5. To control an economy is the same as to intervene in it.

6. The imports tariffs were not raised high enough to decrease imports.

7. Statistics depends too much on limited information resources to avoid compromises.

8. In order to consume, we need income.

9. In order to earn income, we have to work.

10. To use food stamps was common practice in many countries in wartime.

11. The economic growth is too slow now to expect a rapid increase in demand and supply.

12. In developing countries, labour efficiency is too low in agriculture to hope for an increase in food supply in the near future.

Task 3. Identify the definition of the prefixes for customizing the meanings of words. Distinguish the words by their parts of speech.

Disagree, disagreeable, disfigure, dishonest, dishonourable, disintegrate, disloyal, displeasure, distasteful, distrust, distrustful, efficiency, efficient, efficiently, employ, employed, employment, illegal, illegible, illiterate, illogical, immature, impatient, imperfect, impossible, imprecise, inaccessible, inaccurate, inadequate, incapable, incomplete, incredible, inefficiency, inefficient, inefficiently, irrational, irregular, irrelevant, irreparable, irresponsible, irreversible, misinform, misinterpret, mislead, misplace, misspell, mistake, misunderstand, unable, unaware, uncertain, unclear, unemployed, unemployment, unfriend, unfriendly, unhelpful, uninformed, unknown, unpleasant, unpredictable, unscheduled.

Task 4. Look through the sentences. Pay attention to the translation of “one” as a personal pronoun (both subject and object).

1. One thing in which workers are different is the human capital.
2. Many people who do not get a new job after quitting the old one often leave the labour force to return to school, to work in a family garden, or for other purposes.
3. Everyone can find himself in one of three situations: employed, or unemployed, or out of the labour force.
4. One can be more economical buying large quantities of good rather than small quantities.
5. A worker in the United Kingdom earns more than the one in Ukraine.
6. One should know that present-day economists, unlike economists of the 20th century, include land in the capital.
7. One has to replace inputs used up in one production cycle.
8. If, with a change of price, the supply increases by less than one per cent, it is called inelastic.
9. One defines efficiency as the relationship between factor inputs and output of goods and services.
10. One achieves higher health standards by increasing the number of workers and equipment, that is, by reducing labour and capital used for other purposes.

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 capitals.

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

To group capital into fixed capital and circulating capital is common practice¹. The former refers to means of production such as land, buildings, various machinery and 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. In Ukraine 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 a nation’s economic development.

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.

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.

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.

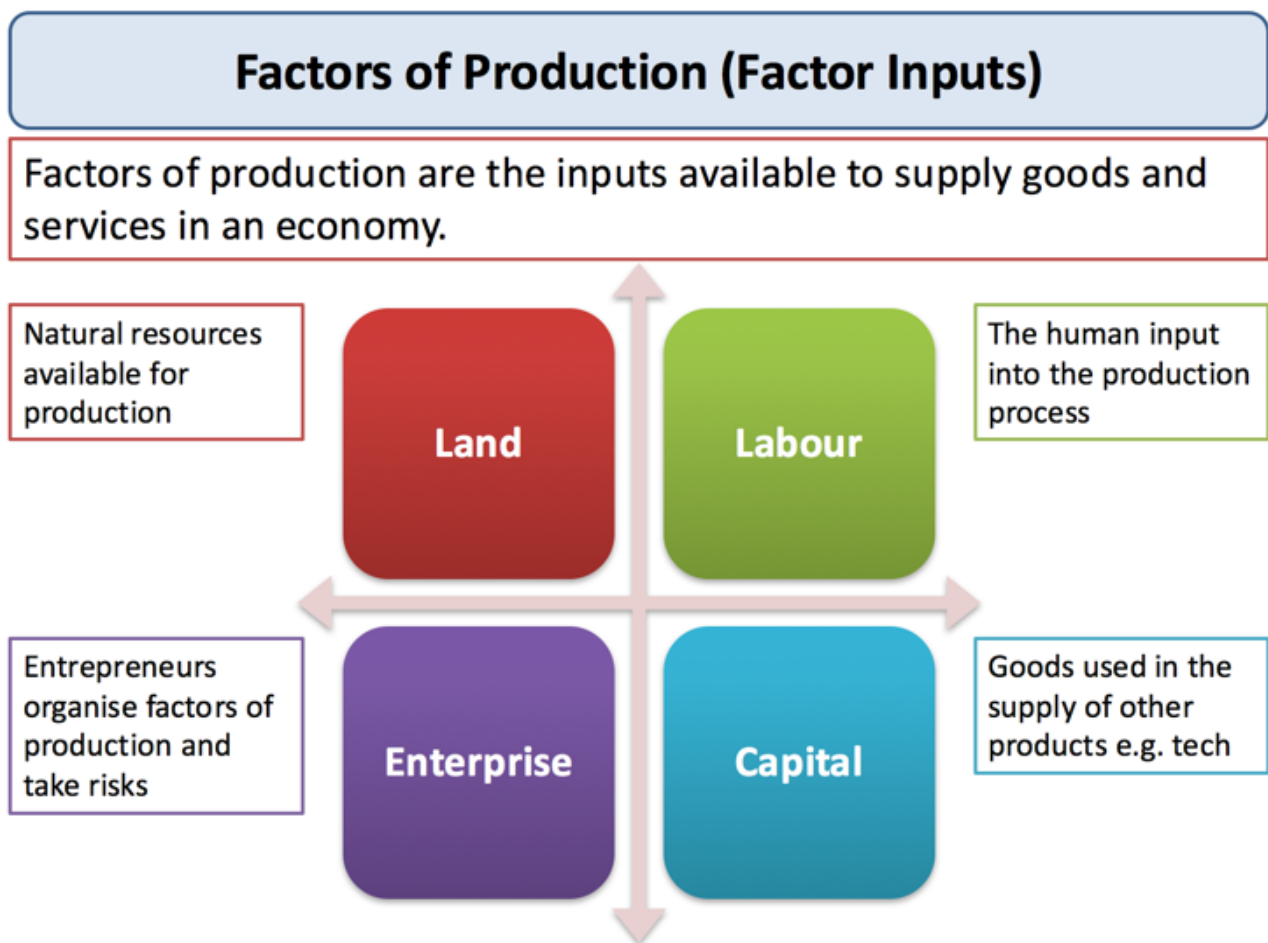


Fig. 3. Factors of Production

Economists consider natural resources to be the third factor of production. They are a contribution to productive activity made by land (for example, a factory site or farm location), raw materials such as iron ore, timber, oil, water for crops and power production, forests and animals.

Some natural resources, wheat, for example, are renewable; others such as iron ore are non-renewable and will sooner or later be used up.

Economists know reduced supplies of non-renewable resources to result in their higher price, which provides an incentive to look for natural or synthetic substitutes for them. The supply of land, an essential natural resource, is limited and it cannot be easily increased to meet an increase in demand except in certain cases.

Another essential characteristic of land is that it is durable in the production process, although it may be depleted by use.

In some respects, land is close to physical capital, though the former is supplied by nature and the latter is produced by man. But applying labour to kill weeds or fertilizer to improve the soil, farmers can improve the soil quality. Price of or income from land, as well as from other natural resources, is called rent. Land itself has no cost of production, so rent depends on the degree of scarcity and on the demand for it.

The purposes for which land is used are due to its characteristics. Land can be used for housing or offices, for mining, or for building roads. Besides, it contributes to the production of crops, providing an environment that supplies water, air, and nutrients for plant growth.

Land as a unique agricultural resource poses management problems for the farmer. In the first place, the farmer has to make a choice between buying and leasing it. The advantages and disadvantages depend on the farmer's financial position, on the availability of land for lease and purchase and some other factors.

Because purchasing land usually requires a larger capital, farmers with hunted capital lease land and use their capital for machinery and other resources.

Economists consider a satisfactory lease to be the one that is profitable both for the landowner and the tenant. A fair lease compensates both parties in proportion to their contributions to the farm business.

Other management problems may arise due to differences in land profitability in various farming branches and other industries. Economists

know different crops and classes of animals to vary in profitability. The farmer has to study thoroughly the conditions on his farm to make a correct choice between alternative uses.

Although the total supply of land is limited, its allocation between industries is not. If a government wants to stimulate, for example, either housing or forestation, it offers a subsidy raising the rent received by owners of housing land or forests. This may create incentives for farmers to transfer land from farming to other industries.

After-Reading Tasks

Task 5. Insert prepositions where necessary.

1. Each individual's expenditure always contributes ... some other individual's income.

2. When more labour is invested ... a commodity, the latter becomes more expensive.

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. ... economics maybe 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 is, economic 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 2015 the rate ... unemployment ... the developed economies varied ... 3.1 percent ... Japan ... 8.3 percent ... the United Kingdom and 9.1 percent ... Germany.

Task 6. Make up ten sentences from the tables.

A		
Economists		expect
We	(don't)	believe

B	C
1. the price of land	a. to be a disincentive for potential investors
2. the price of ore	b. to purchase it. to be high enough to scare off all potential tenants
3. rising prices for mineral resources	c. to change due to a change in its condition
4. a low wage level area	d. to rise as its supply reduces
5. farmers	e. to apply fertilizers on this poor soil
6. the rent in the area	f. to look for capital-intensive technologies to be a strong enough incentive for people to look for their substitutes
7. the present-day condition in mining	
8. cost of production in mining	
9. profitability of housing	
10. the farmer	

Task 7. Find object clauses in the sentences and translate them into Ukrainian.

1. When market conditions change, economists expect the price for land to vary.

2. Too high cost of imported cotton has made a lot of textile enterprises close down in Ukraine.

3. Economists believe the availability of labour to be an essential requirement for economic activity.

4. Private-sector producers consider profitability to be the most essential condition of their business.

5. In a supermarket, the seller chooses the goods and the prices making buyers decide how much they want to make a purchase in this particular place.

6. Economists say demand for non-essential goods to be particularly inelastic.

7. A decrease in prices for energy could let farmers improve technology rapidly.

8. High oil prices make consumers purchase substitute commodities.

Task 8. Transform the sentences using the construction of object clauses as in the example.

Example: It is known to every economist that an increase in the price of a factor will reduce demand for it. – Every economist knows an increase in the price of a factor to reduce demand for it.

1. The rate of unemployment in tourist areas is higher than in highly industrialized ones. Economists know this.

2. It is well known to economists that the motives for nationalization are political as well as economic.

3. As prices for fuel and electricity have risen, we expect an increase in all prices.

4. The degree of profitability in private enterprises is higher than in the public sector. Some economists think so.

5. Many experts think that the growing use of fertilizers and other chemicals presents a danger for the environment.

6. Experts expected that the Iran-Iraq war would cause a sharp rise of oil prices in 2009–2010.

Task 9. Make up questions to the statements.

1. Trade union organizations vary with the country and their activities vary from general protection to specific members' advantages for some

jobs.

2. Unlike machinery or raw materials, workers can think, machines can neither quit their jobs nor decide how much they would like to work for their owners.

3. Minimum wages may paradoxically result in youth unemployment because firms do not want to employ young workers receiving them.

4. In terms of percentage of employment, the movement away from agriculture into industry and from industry into services is clearly seen now.

5. The European Union's economic policies have to be reformed to meet the changing requirements (economic, technical, and political) of the new millennium.

6. To analyse the labour market, an economist should first explain how people allocate their time to production.

7. The problem is that demands are practically limitless and the resources (natural resources, labour and capital) available at one time to produce goods and services are limited in supply.

8. In production of goods and services firms use the following factors: workers' time, talents and knowledge; equipment; land; buildings.

Task 10. Answer the questions.

1. How many factors of production can be distinguished?

2. What the term "capital" mean?

3. Why do the classifications of capital vary?

4. What are the differences between physical, financial and human capitals?

5. How is "labour" usually understood in economics?

6. When is labour productive and unproductive?

7. What influences the demand for labour?

8. Why should one choose the combination of factors?

9. When do farmers buy land and when do they lease it?

10. How can a farmer raise the soil quality?

Lesson 6: Assets and Liabilities

Vocabulary

assets – активи

assets and liabilities – актив и пасив

capital assets – основний фонд

terms – умови

credit terms – умови акредитиву

lending terms – умови видачі кредиту

accounting – бухгалтерський облік

an accounting cycle – обліковий цикл

an item – стаття (у бюджеті); вид товару, виріб (окреме найменування в асортименті)

an account – рахунок (у банку)

accounts – звітність, книги обліку

accounts receivable – рахунки для отримання

accounts payable – рахунки для сплати

a capital account – рахунок капіталу

an income account – рахунок для зарахування власних надходжень

a current account – поточний рахунок

current assets – оборотні фонди

current liabilities – поточні зобов'язання

long-term liabilities – довготривалі зобов'язання

tangible assets – матеріальні активи

Pre-Reading Tasks

Task 1. Translate the statements into Ukrainian paying attention to the use of the gerund.

1. The output can be increased by raising labour productivity.
2. The company manager spoke about the possibility of decreasing the production cost.
3. The discussing of this complex project will take much time.
4. Management is the process of achieving desirable results with 14 sources available.
5. Such technological advances as improvements in the production cycle, storing, packaging, transporting allow producers to supply more high-quality goods.
6. In a command economy, the central planning requires large capital investments.
7. Management concerns the making of business decisions in order In maximize profit.
8. The best alternative for the producing of commodities can be chosen when the relationship between demand and supply has been studied
9. A group of scientists has informed the government about this production process influencing the environmental conditions.
10. Sufficient and reliable information helps managers in finding new potentialities for making their enterprises more profitable.
11. The OPEC is an international organization established for the purpose of regulating quantities of oil sold.

Task 2. Identify the definitions of the prefixes and suffixes for customizing the meanings of words. Distinguish the words by their parts of speech.

Creditor, efficiency, equal, equation, fundamental, importance, impossible, improper, inadequate, incorrect, individual, inefficiently, Investment, invisible, losses, periodic, physically, potential, properly, separate, separately, systematic, uneconomical, unimportant, unlimited, yearly.

Task 3. Translate into Ukrainian the set expressions, where the above given words are used.

In terms of money; money owed to creditors; to provide a future service; to be clear of debt; money owned by customers; to receive high investment Interests; current tangible assets; to convert into cash; to obtain within one year; investments in stock; to prepare a proper balance sheet; long-term assets; short-term loans; to pay in cash; supplies of goods; concurrent liabilities to operate profitably; various items; high taxes; a company accountant; to sell personal real estate for the debts; the company's equity; an accounting system; employees' salaries; to calculate the net worth.

Task 4. Fill in the chart.

Accounts payable; accounts receivable; company buildings; computers; copyrights; equipment; goodwill; harvesters; investments in bonds; long-term loans; money in cash; office furniture; patents; real estate; salaries; short-term investments in stocks; short-term loans; stocks-in-trade; taxes on property; trademarks; wages.

Current tangible assets	Current intangible assets	Long-term tangible assets

Difference between assets and liabilities reveals itself in the following: assets give you future financial benefit, and on the other hand, liabilities will give you a future obligation. The proportion of assets to liabilities should always be higher. The difference between assets and liabilities is your equity in the company. We classify these assets and liabilities into different parts. This classification of assets and liabilities helps in arranging assets and liabilities in a proper manner in the balance sheet.

Assets are classified into such categories: fixed assets, current assets, liquid assets, wasting assets, intangible assets, fictitious assets.

Fixed assets are those assets which are not to be sold by the firm and to be used for a long period of time, such types of assets are also known as long-term assets. For example, land and building, plant and machinery, vehicles, equipment, patents, trademarks etc., are examples of fixed assets.

Currents assets are those assets which can be converted into cash easily from the market, generally within a year. For example, cash in hand, cash at bank, trade receivables, inventory, etc.

Liquid assets are those which are already in the form of cash or can easily be convertible into cash and have a negligible effect on the price available in the market. For example, marketable securities, government bonds, certificates of deposits etc.

Wasting assets are the assets that have a useful life and as we use it depreciate with the time and after some time or years, it becomes useless. For example, natural resources such as gas, timber, coal. The value of these assets goes down as we take out the contents. And when we take out these completely, it will become useless.

Intangible assets are the assets which cannot be seen or touched. These are not necessarily useless. For example goodwill, patents, copyrights, etc.

The assets which are valueless but are shown in the financial statements or the expenses which are treated as assets are known as *fictitious assets*. For example, preliminary expenses which incur at the time of establishment of the company.

We can classify the liabilities into four categories: long-term, fixed, current and contingent liabilities. *Long-term liabilities* are those which exists for one or more than one year, for example, a long-term loan from the bank. Liabilities which are paid at the time of termination of the business are known as *fixed liabilities*, for example, proprietor's capital.

Current liabilities or short-term liabilities are those which are to be settled within a year (trade payables, creditors, outstanding expenses). As for *contingent liabilities*, they are liabilities which are not actual liabilities but these can become the actual liability and it depends on the happening of certain events.

After-Reading Tasks

Task 5. Fill in the blanks with appropriate English equivalents of the given Ukrainian words and phrases.

1. Some members of the Parliament insist on (*встановлення контролю за кредитно-грошовою політикою центрального банку*) – Some members of the Parliament insist on *imposing control over the central bank's monetary policy*.

2. The stockholders suspect the company of (*мати борги*).

3. The employee thanked the manager for (*підвищення зарплати*).

4. The partners are still insisting on (*керуючий робить доповідь на загальних зборах акціонерів*).

5. The employees were told of (*президент компанії прибуде завтра*).

6. Taking into account the company's high reputation among businessmen, the creditors have agreed to (*вона оплатить борг через місяць*).

7. It is known that the author's copyright prevents publishers from (*публікація книги*) without (*отримання дозволу*).

8. In the 1970s the Rover Group, the major UK car producer, approved of (*обмеження імпорту машин в Великобританію*), as it could lead to job losses in the country's car industry.

9. Both nations participating in trading automobiles can benefit from (*застосування принципу порівняльної переваги*).

10. Being limited by resources, the company should concentrate on *(виконання найважливіших завдань)*.

11. Many countries of the former Soviet Union think of *(приєднання до Європейського союзу)*.

12. A common agricultural policy of the EU members is to protect domestic producers against *(імпорт дешевої сільськогосподарської продукції)* from non-member countries.

13. When a country entirely relies on *(отримання іноземної фінансової допомоги)*, it can lose its independence.

14. The chief accountant objected to *(пан Сміт буде готувати балансовий звіт)*.

Task 6. Match the terms with their definitions.

a bond

a copyright

a loan

a patent

a stock (a share)

a trademark

goodwill

stock-in-trade

1. A document showing a fixed unit of a company's share capital that provides a profit (dividend) related to the total profits of the company. Owners of this document also have voting rights.

2. An exclusive legal right, for a certain number of years, to print, publish, record, perform, sell an original text, work of art or design or part of it

3. This term means such items as knowledge, contracts or reputation that can have a financial effect on a business and are measured in financial terms.

4. A document from a government or a company that states that money borrowed from an investor will be repaid.

5. A name or symbol that is used on the products of a particular company.

6. The goods or services that a business has for sale at a given time.

7. An official document that gives the holder the sole right to make, use or sell an invention and prevents others from copying it, usually for a fixed period.

8. Something lent, usually money, on condition it will be paid back after the definite period with interest.

Task 7. Find gerunds in the sentences and translate them into Ukrainian.

1. Proper organization of a company's accounting system plays an important role in maintaining the fundamental accounting equation in balance.

2. Taking into account the high rate of inflation in the country, potential investors are interested in putting their money in more dynamically developing companies.

3. The increase of the company's net worth can be achieved either by raising the total profit or by reducing the losses by means of rationalizing production planning.

4. At the general meeting of the bank directors, everybody spoke of the company having the highest goodwill in the computer industry.

5. The converting of current tangible assets into cash is known to be done within one year according to accounting principles.

6. Recognizing the importance of goodwill as a company intangible asset, businessmen know that its value can change over time.

7. Registering copyright according to the existing laws guarantees the author the exclusive privilege to distribute, reproduce, perform or display his creative work.

8. Studying the relationships between assets, liabilities and equity is one of the methods for better understanding main accounting principles in business.

9. This company is said to specialize in producing small-size farm machines and it is successfully competing with other leading producers in the world market.

10. The designing of the original trademark can be helpful in promoting products, thus increasing the company's net worth.

Task 8. Open the brackets using the gerund instead of the infinitive as in the example.

Example: The manager insisted (*the accountant; to hand in the balance sheet*) in due time. – The manager insisted *on the accountant handing in the balance sheet* in due time.

1. The tenant asked if the landowner objected (*he; to build an extension to the barn*).

2. The fiscal police suspected (*the company; not to declare all its profits*).

3. The Minister thanked citizens and firms (*to allocate means*) for coping with the earthquake aftermath.

4. The company must compensate stockholders (*not to pay dividends in time*), as these troubles were due (*to run the company improperly*).

5. The mayor ordered (*to raise tax rates on non-residents' property*).

6. The customers were told (*the company; to open a new modern department store*) in their district.

7. By 1994 more than 100 nations agreed (*to ratify the General Agreement on Tariffs and Trade*) removing many trade restrictions.

8. Economists argue that minimum wage prevents (*businessmen; to employ young workers with little human capital*).

9. Both British car buyers and producers of foreign cars have benefited (*to increase the UK imports of cheaper foreign cars*).

10. The rate of inflation in some LDCs involved (*to export natural resources*) such as gas or oil often greatly depends on price changes in the world market.

11. Nowadays many nations and governments are interested (*to develop international division of labour*) through specialization.

12. Employees and workers in European countries sometimes protest (*companies; to close enterprises and to decrease wages*), (*governments; to increase taxes*) by organizing demonstrations or strikes.

Task 9. Open the brackets using the verb in the right form. Make up questions to the statements.

1. A nation (*to have*) its own set of assets and liabilities, a national balance sheet (*to be*) not simply the sum of the balance sheets of individuals and firms. 2. A nation's assets also (*to consist*) of national capital. 3. Such public buildings as public libraries, royal palaces and government offices (*to know, to belong*) to the national capital. 4. Publicly (*to own*) parts of the transportation infrastructure or certain natural assets, such as raw material deposits or natural forests to (*in consider, to be*) national capital as well. 5. These items (*may not, to include*) in the balance sheet of any other entity. 6. Economists also (*to argue*) that since the most important asset of a nation (*to be*) its labour force, it (*should, to include*) in the balance sheet in some way. 7. Both obligations and liabilities between firms and individuals in the same country (*to cancel out*) each other, as one person's liability to pay (*to be*) another person's asset. 8. It is known that practically every nation (*to own*) either physical or financial assets abroad, foreigners (*to own*) physical or financial capital within a nation. 9. The accounting of a nation's wealth, therefore, (*should, to take*) into account net liabilities to the citizens, firms and governments of other countries.

Task 10. Answer the questions.

1. What does the term "asset" mean?
2. How can the company's assets be classified?
3. Which of the assets are not sold and are used by firms for a long period of time?
4. What is the difference between current assets and liquid assets?
5. When do assets become useless?
6. Why can't intangible assets be seen or touched?
7. Which assets are known as fictitious ones?
8. Into what categories can we classify liabilities?
9. What liabilities do most companies usually have?
10. Why current liabilities are considered as short-term liabilities?

Lesson 7: Bookkeeping as a Part of the Accounting Cycle

Vocabulary

bookkeeping – бухгалтерія, бухгалтерський облік

double-entry bookkeeping – система бухгалтерського обліку з подвійним записом

a bookkeeper – бухгалтер

record-keeping – ведення обліку

preliminary – передчасний

a statement – звіт, відомість

financial statements – фінансова документація

a monthly statement – щомісячний бюлетень

a journal – бухгалтерський журнал

a general journal – головний журнал обліку

a ledger – головна книга; grosбух

a general ledger – загальна бухгалтерська книга

to balance the ledgers – збалансувати бухгалтерську книгу

to post the journal into the ledger – переносити журнальні записи

в головну книгу

to draw up a balance – підводити баланс

a trial balance – пробний баланс

a balance – баланс; сальдо; залишок

to bring accounts to a balance – скласти зведений баланс

a favourable balance – позитивне сальдо

an adverse balance – негативне сальдо

a cash balance – залишок готівки в касі

the balance of an account – залишок на рахунку

balances with foreign banks – залишки на рахунках в закордонних банках

the balance in hand – невитрачений залишком готівки

the balance of payments – платіжний баланс

the balance of payment deficit – дефіцит платіжного балансу

the balance of trade – торговельний баланс

Pre-Reading Tasks

Task 1. Translate the statements into Ukrainian paying attention to the use of the conjunction “until”.

1. The balance sheet cannot be completed until the depreciation of the capital assets is calculated.

2. The production cost of the good is expected to be maintained at the same level until the price for raw materials is changed by the suppliers.

3. The bank won't make a loan to any company until its experts study thoroughly the company's balance sheet.

4. Until the partners of the company come to an agreement on interest rates, they cannot run their business properly.

5. A new product is unlikely to be sold successfully until a wide advertising campaign is organized professionally.

6. According to Adam Smith, a great increase in productivity can't be achieved until the principle of specialization is introduced in the production process.

7. The demand for high-quality goods remains low until the consumers' incomes rise.

8. Until a country's imports exceed its exports, there is a deficit in the trade balance.

9. No one left the room until the talk ended.

10. Maxwell was the chief accountant until he retired in 2020.

Task 2. Look through the sentences and determine the function of the infinitive in the sentence.

1. In making investment decision a financial manager is sure to use a wide variety of information provided by all departments of the company.

2. For the equipment to be replaced by the new one, the accountant should calculate both physical and moral depreciation.

3. In financing business activities a company is likely to rely to a great extent on short-term financing.

4. The manager expects the circulating capital to be transferred from money into goods within the current month.

5. These methods have been found to be useful in improving labour efficiency on a farm.

6. They seem to run their business successfully due to the proper system of accounting.

7. At the beginning of the 20th century people thought agriculture to depend only upon nature.

8. Taxes that governments levy on individuals' incomes, company profits, the sale of goods are argued to be used for public needs.

9. The bankers believe the amount of money to be obtained from selling the company's tangible assets to be sufficient to settle its debts.

10. For the inflation to be anticipated and restricted, the government should follow recommendations of experienced economists.

Task 3. Identify where “which” is used to introduce a relative clause and when it refers to a whole sentence.

1. The relative cost of using capital and labour in rich and poor countries affects the manner in which goods and services are produced.

2. In the 2000s the Finnish government offered a subsidy to landowners for a forestation, which was a disincentive for them to go on using land for farming.

3. The land used formerly for mining is being transferred to farming and a forestation, which is to improve the environment.

4. Profits are maximized at the output level at which marginal cost is equal to marginal revenue.

5. Unemployment benefits provide disincentives to looking for a new job, which increases unemployment.

6. Trade unions let workers participate in many types of political activities, which is essential for protecting their interests.

7. About 60 percent of the world's population live in poor countries, the two largest of which are India and Indonesia.

8. Investors try to buy the reserves now before their supplies have been used up, which will send up prices.

Task 4. Complete the sentences for each situation using the gerund.

1. (*To keep*) records accurately is very important both for a company and tax authorities.

2. After (*to post*) the data the bookkeeper began (to calculate) debit and credit balances.

3. Double-entry bookkeeping speeds up (*to check*) accounts by (to show) whether they are in balance.

4. The bookkeeper informed the Financial Manager of the first three steps of the accounting cycle (*to complete*) by his department.

5. The bookkeeper remembered (*to record*) the data concerning this transaction on the computer.

6. The company's manager insists on (*to keep*) detail recording of daily sales by all salesmen.

7. The director was against the idea of a preliminary meeting (*to hold*) before the main conference.

8. In (*to decide*) how much labour to employ, the firm looks for the highest possible profit.

9. The new inexperienced bookkeeper was suspected of (*not to detect*) the error while (*to check*) the company's debits and credits.

10. The accountant is interested in the trial balance (*to draw up*) by the bookkeeper as soon as possible.

For efficient management of any company, a person requires accurate and extensive data concerning payments and receipts, liabilities and assets,

depreciation of assets and other information about company status. This information can be obtained from different records, additional funds. Time should also be invested in bookkeeping and accounting system. On the whole, bookkeeping and accounting can be defined as identifying, measuring, recording economic data about business. Bookkeeping is considered as the preliminary phase and part of accounting.

The job of a bookkeeper reveals itself in ensuring the record-keeping aspect of accounting and for providing the information to which accounting principles are applied in the preparation of financial statements. Bookkeeping makes available basic accounting data by systematic recording day-to-day financial information. Such financial information covers income from the sale of products and services, expenses of business operations (the cost of sold goods or services) and overhead expenses (salaries, wages, a rent).

Accounting principles regulate financial events and transactions which are recorded in the bookkeeper's books. The main function of accounting is analysis and interpretation of these records. The numerous financial statements introduced by accountants provide managers with sources for future financial planning and control. They impact the government and investors – other interested parties – equipping them with relevant information about the enterprise.

Full cycle accounting can be broken down into several steps. Depending on how you do your accounting, you may be able to modify or skip some of the steps. Many steps in the accounting cycle are meant for accrual accounting. The double-entry accounting system allows you to cross reference entries for accuracy. If you use accrual accounting, you can follow all the steps in the accounting cycle.

If you use a single-entry accounting system (cash-basis), you can still use the accounting cycle. You will begin the accounting period on a certain date, record entries, and close your books at the end of the period. You do not need to follow the steps that require you to check entries for debits and credits.

There are usually eight steps in accounting cycle processes. However, you can add or subtract certain steps when necessary. Use the steps that help you stay organized and maintain accurate records. The following accounting cycle steps can help you keep financial records.

1. Identify transactions

First, separate your business transactions from all of the transactions you made. You only want to include transactions related to your company in your financial records. For example, you won't record your grocery bill as a business expense in your books.

Use source documents to identify business transactions, such as receipts and invoices. Save these kinds of financial documents to support your records. As you identify business transactions, decide which account they fall under.

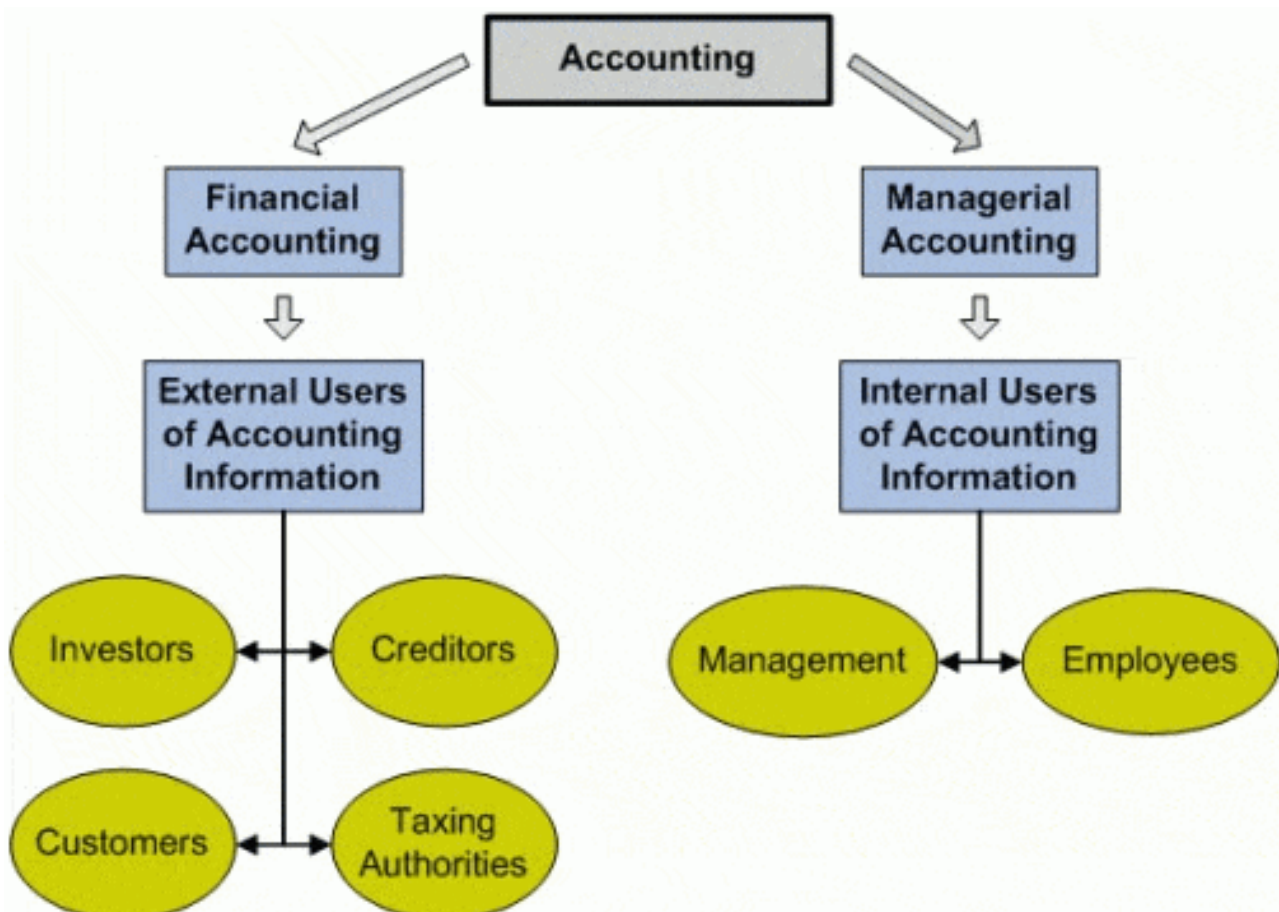


Fig. 4. Subjects of the Accounting Process

2. Record transactions in your journal

The journal is where you initially record business transactions. It is a running list of financial activities, like a checkbook. Track transactions in your

journal chronologically as they happen.

Record two entries for each transaction if you use double-entry bookkeeping, Enter a debit for one account and a credit for another. The debit and credit should be equal.

3. Post entries to the general ledger

The general ledger is also known as the book of final entry. General ledger entries are changes made to each account in your books. Using your journal, organize transactions into different accounts. For example, if a customer paid for a product with cash, enter the transaction under the cash account in your books.

4. Unadjusted trial balance

For your books to be accurate, the debit and credit entries must be equal. Use an unadjusted trial balance to test if your debits and credits match.

Make a note of each account balance. Add all the debit balances together and all the credit balances together. If the two totals are not the same, you might have an error in your books. Or, you might need to make adjusting entries.

5. Adjusting entries

At the end of an accounting period, you might have incurred expenses but not paid for them yet. And, you might have earned income but not collected it yet. Use adjusting entries to recognize transactions that have occurred but not been recorded.

For example, you earned interest on a bank account balance. You have not recorded the interest in your books, but it appears on your bank statement. Use an adjusted entry to recognize the interest in your books.

6. Adjusted trial balance

Do an adjusted trial balance after making adjusting entries and before creating financial statements. This step tests to see if the debits and credits match after making adjusting entries.

7. Create financial statements

Once your accounts are up-to-date, create statements. The following are common financial statements for small business: *Income statements* compare

your profits and losses for the period. *Balance sheets* determine progress by detailing assets, liabilities, and equity. *Cash flow statements* show money coming into and out of the business. Use your financial statements to measure performance, make improvements, and set goals. You can also use statements to talk with lenders and negotiate terms with vendors.

8. Close your books

The final step in the accounting cycle is to close your accounting books. Closing your books wraps up financial activities for the period. Do tasks like updating accounts payable, reconciling accounts, reviewing your petty cash fund, and counting inventory.

When you close your books, you should get your accounting set up for the next period. Decide which processes are moving your business forward. Create a calendar for completing future tasks. File any financial documents from the last period and get rid of old documents that are no longer useful.

This accounting cycle can help you keep your books organized. Use this flow chart of the accounting cycle as a reference for completing your books.

Record keeping is based on a double-entry system. This means that each transaction is recorded on the basis of its dual influence on the enterprise's financial position. The bookkeeping record of each transaction has to be made in a journal. An accountant should consider interrelated aspects of the transaction, and entries have to be made in different accounts to keep receipts (incomes) and payments (outs) balanced [18].

A typical account has two sides: on the left side we place the items called debits, while the items on the right side are known as credits.

Consequently, in double-entry bookkeeping, as we see, the same transaction is not entered twice, it only denotes that the same amount of money is debited to one account and credited to another account, each record having its own influence on the whole financial structure of the enterprise. Some accounts are decreased with credits and increased with debits, while other accounts are decreased with debits and increased with credits.



Fig. 5. Accounting Cycle

In the second step the amounts from the different journals are monthly transferred to the enterprise's general ledger. This procedure is called posting. Posting data to the ledgers is followed by listing the balances of all accounts and calculating whether the sum of all the debit balances agrees with the sum of all credit balances. After this procedure, as a rule at the end of the fiscal year, drawing up of a trial balance takes place. The record-keeping accuracy can be checked by making a trial balance. If the trial balance is prepared in a proper way, the bookkeeping portion of the accounting cycle will be successfully completed.

The double-entry system of bookkeeping helps each business to determine the value of every owned item at any time, how much of this value belongs to creditors, the total profit and how much belongs to the business clear of debt. Therefore, the primary advantage of the double-entry system is that its data are complete enough to be used for making right business decisions. Another benefit is that faults are easily detected, as the system is based on equations which always must be in balance.

After-Reading Tasks

Task 5. Look through the text “Bookkeeping as a Part of the Accounting Cycle” one more time, find the nouns which correspond to the following verbs and adjectives.

To record, to prepare, to pay, to receive, profitable, to disagree, to decide, to determine, to equal, to inform, to invest, to manage, to balance, to interpret, valuable, to analyse, to post, accurate.

Task 6. Build the word-combinations using the following nouns and adjectives from the text “Bookkeeping as a Part of the Accounting Cycle”.

Example: periodic – *periodic accounting*

Stocks of loans and deposits by institutional sector are determined using data from their *periodic accounting* scheme.

Accurate, additional, basic, current, double, extensive, financial, general, periodic, preliminary, proper, separate, systematic, trial, typical, useful, valuable, various.

Task 7. Fill in the blanks with appropriate words from the topical vocabulary.

1. Every company needs some way of keeping systematic ... about all transactions that have taken place, all this information being necessary to prepare further financial...

2.... the most commonly used books are known to be called ... and....

3. The system is based on the equations that should be always kept in ...:

payments must equal ..., and credits must balance....

4. The ... cycle is considered to be completed when it has been drawn up.

5. The laboratories are doing some ... experiments before starting work on this project.

6. ... and responsibilities are sure to be the main qualities of any bookkeeper.

7. Economists expect new computer programmes to be very helpful in detecting possible ... in the accounting system.

8. In accounting and banking a ... is calculated as the difference between the total amount of money coming into (known as ...) and money going out of (known as ...) an account.

9. The balance sheet is known to ... the assets the firm owns and the liabilities for which it is responsible at a given period of time.

Task 8. Complete the statements with the prepositions “of” (9), “on” (2), “in” (7), “by” (1) and “below” (2), where necessary.

The simplest set ... double entry books consists ... a journal and a ledger. When a transaction occurs, it is not entered directly ... the account, but it is first recorded ... a book ... original entries known as a journal.

Several kinds ... journals are used ... a bookkeeper, the general journal being the most common type. To list some recurring transactions special journals such as sales, purchases, cash-receipts and cash disbursements journals are widely used ... bookkeeping. Transactions that cannot be registered ... a special journal and all entries that cannot affect ... cash are recorded ... a general journal.

In a general journal the title ... the account to be debited is placed ... the top line, with its amount shown ... the debit column. The title ... the account Hint is to be credited is shown ... it, with its amount placed ... the credit column. ...this may be a written explanation ... the transaction. The total... the debits column should always equal the total ... the credits column ... each general journal page.

Task 9. Put the verbs in the right form and translate the extract.

At the end of the month or more frequently all journal entries (*to post*) into the book of accounts (*to know*) as a general ledger (*to consist*) of separate entries for each account. The page for each account (*to show*) its debits and its credits, so that the balance of each account (*can, to determine*). As each journal entry is (*to record*) on the (*to plan*) side of its account, a mark (*to place*) in the post column of the journal in order (*to show*) that it already (*to record*) in the ledger. The date used in the ledger (*to be*) the date on which the entry first (*to record*) in the journal. The post column in the account (*to use, to show*) which page this entry (*to post*) to in the ledger.

A subsidiary ledger is a group of similar accounts whose (*to combine*) balances equal the balance in a specific general ledger account. The general ledger's account that (*to summarize*) a subsidiary ledger's account balances is called a control account or master account. For example, an accounts receivable subsidiary ledger (customers' subsidiary ledger) includes a separate account for each customer who (*to make*) credit purchases. The (*to combine*) balance of every account in this subsidiary ledger equals the balance of accounts receivable in the general ledger. Posting a debit or credit to a subsidiary ledger account and also to a general ledger control account (*not to violate*) the rule that total debit and credit entries must balance because subsidiary ledger accounts (*not to be*) part of the general ledger; they are supplemental accounts that provide the detail to support the balance in a control account.

Task 10. Answer the questions.

1. What kind of information is of great importance for proper company management?
2. How can you define the notions of accounting and bookkeeping?
3. Who ensures the record-keeping aspect of accounting and provides the data for the preparation of financial statements?
4. In which way does bookkeeping provide the accounting data?
5. What is the primary function of accounting?

6. How many steps are there in the accounting cycle?
7. What are the steps of the accounting cycle?
8. What data are recorded in the company's general ledger?
9. When is the bookkeeping cycle considered to be completed?
10. What are the advantages of the double-entry system?

Lesson 8: Money and Its Functions

Vocabulary

an invention – винахід

the payment – платіж, плата

flexible – гнучкий

a store of value – міра вартості

a medium of exchange – засіб обігу

a tender – платіжний ресурс

a debt – борг, заборгованість

a grocery store – бакалійна крамниця

a note – банкнота, кредитний білет

a double coincidence – збіг обставин

to engage – брати участь

perishable – швидкопсувний

commodity money – товарні гроші

malleability – піддатливість

the jewellery – коштовності; ювелірні вироби

commodity-backed currencies – забезпечені золотовалютним резервом гроші

fiat money – незабезпечені золотовалютним резервом гроші

Pre-Reading Tasks

Task 1. Look through the sentences. Find modal verbs and pay attention to their translation.

You might not think of money very often, but money facilitates transactions in amazing ways. Can you imagine a situation called barter – conducting an economic transaction without money? For barter to work properly, you need find someone with the good or service you want; in turn, that person has to trade for what you can offer. It must be a difficult task. The situation in which two persons will barter with each other is known as the double coincidence of wants. Imagine an accountant who needs her car fixed. Under a barter system she should find someone who needs some tax advice in exchange for car repairs. She might find it difficult, and time consuming, to make such a transaction. Such searches for barter partners are inefficient and wasteful.

So, how can money solve the double coincidence of wants problem? In an economy based on money, the accountant must provide her accounting services to whoever is willing and able to pay money for them. Then she may use the money she earned to pay for car repair services from a mechanic, who is more than willing to accept cash for car repairs. Both parties to the transaction are willing to exchange goods or services for money. In the end, everyone involved must be satisfied. Using money allows a more efficient outcome because it cuts down on search costs, and it allows workers to specialize in what they do best.

Task 2. Put the extracts into a chronological order. In case you're not familiar, this is the timeline of history we'll be using: BC stands for "Before Christ", AD stands for "Anno Domini".

1. Dawn of civilization

2. 9000 BC

3. 2279 BC – *The Ancient Babylonians defined the first guidelines for "money" and established a form of measurement called the "shekel". It was based on a specified amount of weight for different items and was applied across a variety of goods ranging from barley to gold.*

4. 1300 BC

5. 1100 BC

6. 687 BC

7. 300 BC

8. 700–1100 AD

9. 1290 AD

10 1661 AD

11. April 2, 1792

12. March 3, 1933

13. August 15, 1971

14. 1946

15. 1950 AD – *The Diners Club released its first card and was used in more than 20 restaurants in New-York to pay for bills without the need for cash.*

1990 AD

1998 AD:

2008 AD

2012 AD – *Another cryptocurrency known as Ripple was created. It aims to enable secure, instant and nearly free global financial transactions of any size with no chargebacks. It supports tokens representing fiat currency, cryptocurrency, commodities, or any other unit of value such as frequent flyer miles or mobile minutes.*

An entity known as Satoshi Nakamoto posted a paper titled “Bitcoin: A Peer to Peer Electronic Cash System”. The first bitcoins were mined by computers performing complex mathematical equations and were recorded in a public distributed ledger called the blockchain.

Ancient Babylonians defined the first guidelines for “money” and established “shekel” as a form of measurement. It was based on a specified amount of weight for different items and was applied across a variety of goods ranging from barley to gold.

Another cryptocurrency known as Ripple was created. It aims to enable secure, instant and nearly free global financial transactions of any size with no chargebacks. It supports tokens representing fiat currency, cryptocurrency, commodities, or any other unit of value such as frequent flier miles or mobile minutes.

Chip technology was introduced. This allowed for large amounts of information to be stored and for verification processes to occur at the points of sales. Master card also developed a system to allow for chip cards to be operated globally.

Early Chinese civilizations are credited for the first use of standardized currency in the shape of miniature, bronze casts of replica knives and spades. These casts eventually evolved into round shaped coins, with holes in the middle that allowed them to be strung together.

European explorer, Marco Polo, was amazed by Chinese paper currency and discussed it extensively in his book, “The Travels of Marco Polo”. Some historians credit him for introducing the idea of paper money to Europeans.

Gold standard ended officially when President Richard Nixon announced that the U.S would no longer convert dollars to gold at a fixed value, that’s how the gold standard ended. Nowadays, fiat money is no longer dependent on gold but rather on governmental policy.

Humans started to grow crops and cattle. This gave birth to “bartering”, where people exchanged livestock and grain for other items which were deemed essential or useful at the time.

In Africa, South Asia, Australia and Oceania Cowry people used sea shells as money. They were made up of either whole shells or were artificially shaped in pieces which were then worn as ornaments.

Obsidian, a glass-like volcanic rock, was one of the earliest forms of money. It was valuable because it could be fashioned into highly quality, versatile tools.

Other civilizations started developing their own unique coins. The first official currency ever, was minted out of gold and featured a roaring lion's head. It was issued by King Alyattes of Lydia, now part of modern day Turkey.

Paper notes appeared during the Tang Dynasty but their widespread use only became prevalent much later. Their emergence is attributed to a copper shortage as well as the drawbacks presented by the heavy weights of coins in large commercial transactions.

PayPal was founded in California and it allowed its members to leverage the medium of the internet to make payments and transfer money. It is credited with helping the proliferation of web-based businesses and its success led it to be acquired by EBay for \$1.5 billion in 2002.

President Franklin D. Roosevelt closed down banks. He banned temporarily the ability to redeem dollars for gold and prohibited gold exporting. Furthermore, he ordered all Americans to turn in their gold in exchange for U.S dollars. Thanks to these bold manoeuvres, the gold reserves of Fort-Knox were built and the United States held the largest gold supply in the world.

The Coinage act was adopted, the official monetary system was defined and the US dollar came to life as the official currency.

The Diners Club released its first card and was used in more than 20 restaurants in New-York to pay for bills without the need for cash.

The first bank card was introduced by John Biggins, a banker in Brooklyn. When a customer used it for a purchase, the bill was forwarded

to Biggins' bank. The bank reimbursed the merchant and then obtained payment from the customer.

The first European banknotes were printed in Sweden by Stockholm's Banco. They were redeemable against their stated amount of silver coins, held by the bank. Initially, all went well, but the bank soon started issuing more notes than it could afford to honour and in 1668, the bank collapsed.

The Roman Empire established its own currency, known as Denarius. These coins were mostly minted out of silver and depicted important symbolic images about the Roman Republic [10; 24].

Task 3. Write the Ukrainian equivalents of the following English expressions.

To facilitate transactions, to conduct an economic transaction, the double coincidence of wants, inefficient and wasteful, the official monetary system, to come to life, the official currency, to redeem dollars for gold, to make payments, the blockchain, cryptocurrency, chargebacks, store of value, a unit of account, a medium of exchange, legal tender, energy efficient, beauty and malleability, commodity money, fiat money.

Task 4. Complete the sentences for each situation using the correct form of the verbs in the present simple, present continuous, present perfect, past simple.

Over the past 10 000 years the history of money ... from barter and gift economies into digital currencies, cryptocurrencies (*to evolve*). Understanding money is one of the most essential things to do to be successful in any aspect of life as history ... a tendency to repeat itself (*to show*).

Money ... a long way, from barter economies to blockchain powered currencies running over the Internet, it is quite impressive (*to come*). People ... constantly means to improve systems (*to look for*). To make transacting easier was the reason why humans chose to evolve from commodity money into

miniature replicas, coins and then banknotes. Every time when a new technology comes by, the previous one can go down.

In 2008 Alias Satoshi Nakamoto, a mysterious developer ... Bitcoin (*to create*). Bitcoin ... with no investors, no marketing and no official employees to become the world's largest digital currency (*to grow*). In terms of the history of money, Bitcoin ... relevant because it presents the following changes (*to be*):

1. Fiat money ... by governments, Bitcoin ... and the power ... the whole network, not one person that can make decisions (*to back, to decentralise, to lie*).

2. Bitcoin ... anonymity to people who ... on the network (*to give, to transact*).

3. The blockchain system ... a way to perpetually store records that cannot be altered and are always publicly accessible (*to become*).

Thanks to these characteristics, bitcoin ... the world by surprise and proposed an interesting leap forward in technology (*to take*).

Since its launch in 2009, Bitcoin ... the world by storm (*to take*). In 2010, one bitcoin ... worth \$0.003, and in December 2017, Bitcoin ... its all time high of almost \$20,000 a bitcoin, an increase of 6 000 000x (*to be, to hit*). Today the price of a Bitcoin ... at around \$ 39 662 a bitcoin (*to hover*). It ... that Bitcoin ... on the order of 25M holders worldwide – a small figure by global scales, but one that ... to grow (*to estimate, to have, to continue*) [11].

Money is one of the greatest inventions along with the alphabet and wheel. Its role in our life is still very important. Some people believe that money can make white out of black and a hero out of a coward. 001, p. 53.

Money is something that people regularly use when selling or purchasing goods and services. Economists define money as any good that is widely accepted as a final payment for goods and services. Thus, money must be widely accepted by both sellers and buyers. This concept of money is deliberately flexible, because money has taken a broad variety of forms in different cultures. Money has taken different forms through the

ages; examples include cowry shells in Africa, large stone wheels on the Pacific island of Yap, and strings of beads called wampum used by Native Americans and early American settlers.

No matter what forms money has, in common all these forms share three functions of money: a store of value, a unit of account, a medium of exchange.

Money is *a store of value*. If Nick works today and earns 12 dollars, he can hold on to the money before he spends it because it will hold its value until tomorrow, next week or even next year. In fact, holding money is a more effective way of storing value than holding other items of value such as potatoes, which might rot. Although it is an efficient store of value, money is not a perfect store of value. Inflation slowly erodes the purchasing power of money over time.

Money is *a unit of account*. We can think of money as a yardstick – the device we use to measure value in economic transactions. If we are shopping for a new laptop, the price could be quoted in terms of shoes, t-shirts, keyboards or potatoes. So, for example, our new laptop might cost us 150 to 200 bags of potatoes at today’s prices, but we would find it most helpful if the price were set in terms of money because it is a common measure of value across the economy.

Money is *a medium of exchange*. This means that money is widely accepted as a method of payment. When we go to the grocery store, we are confident that the cashier will accept our payment of money. U.S. paper money carries this statement: Federal Reserve Notes are legal tender, with the words “this note is legal tender for all debts, public and private” printed on each note. This means that the U.S. government protects an American’s right to pay with U.S. dollars [27].

An economy without money engages in the barter system. Barter is trading one good or service for another. The barter system is highly inefficient for trying to organise the trades in a modern advanced

economy. In such economy without money, an exchange between two persons would involve a double coincidence of wants, a situation in which two consumers each want some goods or services that the other person can provide. For example, if a lawyer wants a pair of shoes, this lawyer must find someone who has a pair of shoes in the correct size and who is willing to exchange the shoes for some hours of legal services. In a modern economy such trade is very difficult to arrange with an extensive division of labour which involves thousands of different jobs and goods.

Another challenge with the barter system is that it does not allow us to easily find future contracts for the purchase of many goods and services. If the goods are perishable, it will be difficult to exchange them for other goods in the future. An example may be a farmer willing to purchase a tractor in six months using fresh raspberries. The barter system may work adequately in small economies, but still it will keep these economies from growth [22].

Money has taken a wide variety of forms in different cultures. Gold, silver, cowrie shells, cigarettes, and even cocoa beans have been used as money. Although these items are used as commodity money, they also have a value from the use as something other than money. For example, gold has been used throughout the ages as money although today it is not used as money but rather is valued for its other attributes. Gold is a good conductor of electricity and is used in the electronics and aerospace industry. Gold is also used in the manufacturing of energy efficient reflective glass for skyscrapers and is used in the medical industry as well. Of course, gold also has value because of its beauty and malleability in the creation of jewellery.

As commodity money, gold has historically served its purpose as a medium of exchange, a store of value, and as a unit of account. Commodity-backed currencies are dollar bills or other currencies with values backed up by gold or other commodity held at a bank. During much

of its history, the money supply in the United States was backed by gold and silver. Interestingly, antique dollars dated 1957 have “Silver Certificate” printed over the portrait of George Washington. This meant that the holder could take the bill to the appropriate bank and exchange it for a dollar’s worth of silver.

As economies grew and became more global in nature, the use of commodity monies became more cumbersome. Countries moved towards the use of fiat money. Fiat money has no intrinsic value, but is declared by a government to be the legal tender of a country. The United States’ paper money carries the statement: “this note is legal tender for all debts, public and private”. In other words, by government decree, if you owe a debt, then legally speaking, you can pay that debt with the U.S. currency, even though it is not backed by a commodity. The only backing of our money is universal faith and trust that the currency has value, and nothing more.

Thus, there are two types of money: commodity money, which is an item used as money, but which also has a value from its use as something other than money; and fiat money, which has no intrinsic value, but is declared by a government to be the legal tender of a country.

Nowadays there are over 150 currencies used worldwide. 70% of the monetary value in the world is denoted in the U.S. dollar, Euro, U.K. pound, Japanese Yen and Chinese Yuan [22].

After-Reading Tasks

Task 5. Match the terms with their definitions.

<i>barter</i>	1. A situation in which two people each want some good or service that the other person can provide.
<i>commodity money</i>	2. An item that is used as money, but which also has value from its use as something other than

*commodity-
backed
currencies*

*double
coincidence of
wants*

fiat money

*medium of
exchange*

money

store of value

money.

3. Dollar bills or other currencies with values backed up by gold or another commodity.

4. Has no intrinsic value, but is declared by a government to be the legal tender of a country.

5. Something that serves as a way of preserving economic value that can be spent or consumed in the future.

6. Trading one good or service for another, without using money.

7. Whatever that is widely accepted as a method of payment.

8. Whatever that serves society in four functions: as a medium of exchange, a store of value, a unit of account, and a standard of deferred payment.

Task 6. Look through the given words and find their antonyms.

Allow, Before Christ, broad, build, close down, complex, constantly, costs, cut down, different, difficult, drawbacks, earn, employees, facilitate, find, give birth, high, inefficient, intrinsic, known, protect, satisfied, temporary, valuable, wasteful.

Advantages, Anno Domini, attack, cheap, constructive, destroy, easy, effective, employers, expand, extrinsic, forbid, incomes, lose, low, narrow, never, open, permanent, similar, simple, spend, stay in place, unfamiliar, unhappy, worsen.

Task 7. Fill in the blanks with appropriate words.

Available, barter, beads, commodity, currency, eliminate, equal, exchange, hold, purchase, raises, receive, use, weavers, weaves

1. Money is anything used by a society to ... goods, services and resources. 2. People ... money for their products or resources; then they

either ... that money or use it to purchase other products or resources, when and how they see fit.

3. Before money was in general ..., people traded goods and services for other goods and services. 4. This exchange of goods and services without the use of money is called ... system. 5. For instance, one family ... herbs and vegetables on a plot while another ... cloth. 6. To obtain food, the ... trades cloth for vegetables, provided that the farming family is in need of cloth.

7. The trouble with barter is that the two parties in an ... must need each other's product at the same time, and their products must be roughly ... in value. 8. It works well if few products, primarily the necessities of life, are 9. But even very primitive societies developed some sort of money to ... the inconvenience of trading by barter.

10. Over the years, different groups of people have used all sorts of objects as money – stones, seashells, whale's teeth, crosses, ... , tobacco and salt, furs, copper, silver and gold. 11. Such items are known as ... money. 12. Nowadays the most commonly used objects are paper bills and metal coins, which together are called

Task 8. Make up questions to the statements.

“The Economist” periodical introduced the Big Mac index invented by Pam Woodall in 1986. The index is also known as Burger economics. It is published every spring by “The Economist”. This index serves as a light-hearted guide for determining whether the currencies are at the “correct” level. In the long run on the basis of the theory of purchasing-power parity, exchange rates move towards the rate that will equalise the prices of an identical basket of goods and services (in our case, included in a burger) in other countries.

Burger economics has never been considered as a precise gauge of currency misalignment, merely an instrument to make exchange-rate theory more digestible.

However, the Big Mac index has become a global standard and the subject of dozens of academic studies, reflected in numerous economic textbooks.

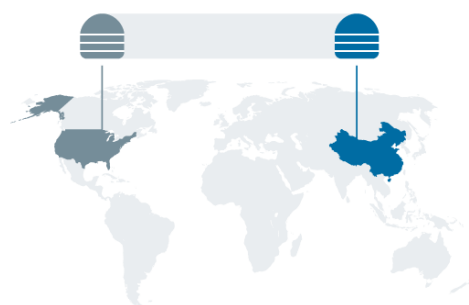
How the Big Mac index works:



1. Purchasing-power parity implies that exchange rates are determined by the value of goods that currencies can buy.

2. Differences in local prices can suggest what the exchange rate should be.

3. Using burger economics, we can estimate how much one currency is under- or over-valued relative to another



The GDP-adjusted index addresses the criticism that economists would expect average burger prices to be cheaper in poor countries than in rich ones because labour costs are lower. PPP signals where exchange rates should be heading in the long run, as a country like China gets richer, but it says little about today's equilibrium rate. The relationship between prices and GDP per person may be a better guide to the current fair value of a currency [44].



Fig. 6. Actual Exchange Rate

Task 9. Compare the Big Mac Index in different countries to determine exchange rates between countries based on the converted price of a Big Mac in each one. Say whether the currency is over- or undervalued. Use the comparative / superlative degree of the adjectives.

Example:

In Ukraine a Big Mac is cheaper than in the USA. Thus, in my opinion hryvnia is undervalued.

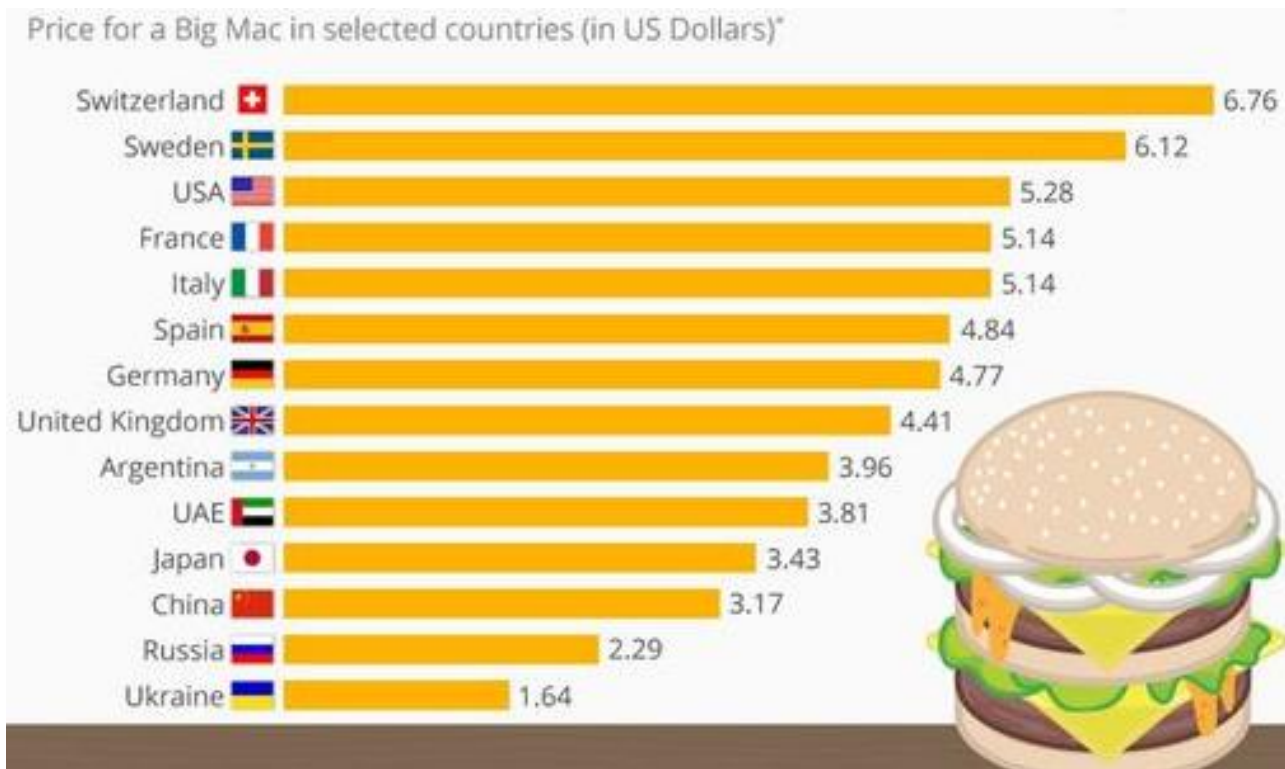


Fig. 7. Burgernomics: Price of a Big Mac in Global Comparison

Task 10. Answer the questions.

1. Why is money considered as one of the greatest inventions of humanity?
2. When do people use money?
3. How can you define the notion “money”?
4. Which of forms can money take the form?
5. What are four functions served by money?
6. How does the existence of money simplify the process of purchasing and selling?
7. Who protects an American’s right to pay with U.S. dollars?
8. What is the double-coincidence of wants?
9. When was “Silver Certificate” printed?
10. What is the difference between commodity money and fiat money?



PRACTICAL PART



Lesson 1:

Types of Economic Systems

Task 1. Look through the sentences. Find the synonyms of the following words and phrases: *as a rule, banks, critics, elements, explosion, industries, level of control, major, nation, point, practice, think of.*

In modern societies capitalism and socialism are two main economic systems. In fact, no one society is purely capitalist or socialist, so it is helpful to consider capitalism and socialism as lying on opposite ends of a continuum. Societies' economies mix components of both capitalism and socialism but do so in varying degrees, so that some societies lean toward the capitalist end of the continuum, while other societies lean toward the socialist end. For example, the United States is a capitalist country, but the government still regulates many industries to varying degrees. The businesses usually would prefer less regulation, while their opponents usually prefer more regulation. The degree of such regulation was the topic of controversy after the failure financial institutions in 2008 and 2009 and after the British Petroleum oil spill in 2010.

Task 2. Read the description of three major economic systems and guess them: capitalist, socialist and mixed economies.

This economic system has characteristics of both the command and market economic systems. For this purpose, this economic system is also called a dual economic system. However, there is no sincere method to determine this system. Sometimes, the word represents a market system beneath the strict administrative control in certain sections of the economy.

In a this economic system the products manufactured are divided among people not according to what people want but on the basis of the ability to buy products and services – purchasing power. This means an individual needs to have the money to buy the goods and services. The low-cost housing for the underprivileged is much required but will not include as demand in the market because the needy do not have the buying power to back the demand. Therefore, the commodity will not be manufactured and provided as per market forces.

This economy system acknowledges the three inquiries in a different way. The government determines what products are to be manufactured in accordance with the people's requirements. It is believed that the government understands what is appropriate for the citizens. Therefore, the passions of individual buyers are not given much attention. The government concludes how products are to be created and how the product should be disposed of. In principle, sharing in this economic system is assumed to be based on what an individual needs and not what they can buy. The system does not have a separate estate because everything is controlled by the government [37].

Task 3. Fill in the gaps with the correct form of the verbs.

Affect, analyse, consider, coordinate, determine, develop, influence, introduce, mean, put aside.

1. Economists ... the terminology to describe economic issues.
2. Two terms ... to you immediately are the economy and economics.
3. Economics is the study of how human beings in a society ... their wants.
4. Your job often ... your social standing.
5. If any institution significantly affects economic decisions, it can ... as an economic institution.
6. A cultural norm is a standard people use when they ... whether a particular activity or behaviour is acceptable.

7... their emotions ... they compare the costs and the benefits of every issue.

8. Learning economic reasoning means learning how to think as an economist.

9. Even cultural norms can ... economies.

10. People trained in economics think in a certain way. They ... everything critically.

Task 4. Choose the correct answer.

1. Capitalism is an *economic / economical* system in which land, tools, technology are privately owned.

2. The most important goal of capitalism is *to pursue / the pursuit* of personal profit.

3. Under capitalism people compete with each other for the greatest *profits / benefits*.

4. Businesses try to attract more *demand / supply* for their products in many ways, including lowering prices, creating better products, and advertising how wonderful their products are.

5. In capitalist theory competition helps *ensure / insure* the best products at the lowest prices, again benefiting society as a whole.

6. Competition also helps guarantee that no *single / sole* party controls an entire market.

7. According to Adam Smith, the competition which characterizes capitalism should be left to operate on its own, free of government *prevention / intervention* or control.

8. Capitalism is often *referred / referring* to as “laissez-faire” capitalism, which derives from French and means “leave alone”, including the free-enterprise system and the free market.

9. In Adam Smith’s view, the role of government should be limited to ensuring internal order, furnishing education and public works and providing *defence / protect* against foreign enemies.

10. Private *ownership / entrepreneurship* of capital enables firms to gain monopoly power in product and labour markets, so firms with monopoly power can exploit their position to charge higher prices.

Task 5. Open the brackets using the right form of the verb.

1. The hallmarks of capitalism (*to be*) economic freedom, private ownership of the means of production, the pursuit of profit, competition for profit, and the lack of government intervention in this competition.

2. Economists (*to recognize*) land, labour and capital as the three factors of production.

3. Land (*to include*) the land and the natural resources in and on it.

4. Capital (*to comprise*) equipment, tools, machinery, buildings and financial resources which are used in an organization's operations.

5. Economic freedom (*to extend*) to all the owners of land and capital, workers, individuals.

6. Owners of land and capital (*to have*) the freedom to rent, sell or invest their resources and the right to use their resources to produce any product and offer it for sale at the price they choose.

7. Workers (*to accept*) or (*to reject*) any job they are offered.

8. An individual (*to purchase*) any service or good that is offered for sale by producers.

9. Sellers (*to enter*) a market to earn wages, profit or rent; buyers (*to enter*) a market to purchase products and resources.

10. Economic freedom (*to ensure*) the existence of competitive markets, because sellers and buyers can enter markets as they choose.

Task 6. Fill in the blanks with appropriate English equivalents of the given Ukrainian words and phrases.

1. If governments own the (*засоби виробництва*) and set prices, it invariably leads to a powerful state and creates a large bureaucracy which may extend into other areas of life.

2. Firms in a capitalist based society face incentives to be efficient and produce (*товари та послуги*) which are in demand.

3. Capitalism has a dynamic where (*підприємці та фірми*) are seeking to create and develop profitable products.

4. Therefore, they will not be stagnant but invest in new products which may be popular with (*споживачі*).

5. When consumers buy specific products, their actions tell resource owners to produce more of these products and more of the (*засоби виробництва*) with which the products are manufactured.

6. When consumers refuse to buy a product at its going (*ціна*), they are voting against the product, telling producers to either (*зменшити ціну*) or ease off on production.

7. (*Конкуренція на різноманітних ринках*) determines which resources will be used.

8. When a particular resource can be used (*для виробництва двох або більше різних продуктів*), then producers must also compete with each other in the market for that resource.

9. In a market economy goods (*розподіляють між*) those who have the money to purchase them.

10. This money is earned by individuals as (*заробітна плата, орендна плата, прибуток і відсотки*) – payment for the use of economic resources.

Task 7. Make up five questions to the text.

Socialism and communism contrast sharply with the capitalism of Adam Smith. These economic systems are sometimes called planned economies because the answers to the three basic economic questions are determined, at least to some degree, through centralized government planning.

In a socialist economy the strategic industries are controlled and owned by the government. Such industries commonly include public utilities, transportation, communications and the enterprises producing important raw materials such as steel. In Germany and France the major banks are

nationalised and transferred to government control. Banking is considered extremely significant to a nation's economy.

Land and raw materials may be the property of the state in a socialist economy too. Depending on the country, private ownership of real estate (such as land and buildings) and smaller or less vital businesses is permitted to varying degrees. People may choose their own occupations, but many are employed by state-owned industries.

What to produce and how to produce it for government-owned industries are determined in accordance with national goals, which are based on projected needs and the availability of resources. The distribution of goods and services is also controlled by the government to the extent that it controls wages and rents. The professed aims of socialist countries reveal themselves in the elimination of poverty, the equitable distribution of income and the distribution of social services such as smooth economic growth, medical care to all who need them, and elimination of the waste that apparently accompanies capitalist competition. Britain, Germany, France, India and Sweden are democratic countries whose mixed economies include a very visible degree of socialism.

Karl Marx was the father of communism. In his writings he advocated a classless society whose citizens together owned all economic resources. He believed that such a society would come about as the result of a class struggle between the owners of capital and the workers they had exploited. All workers would then contribute to this communist society according to their ability and would receive benefits according to their need [40].

Task 8. Translate into Ukrainian without using a dictionary.

During the time of the Soviet Union, communist nations could be found in Eastern Europe, Asia and Africa. Some of these countries, like the People's Republic of China, were and still are global players in their own right. Other communist countries, like East Germany, were essentially satellites of the USSR which played an important role during the Cold War but they no longer exist.

Communism is a political and economic system. As for politics, communist parties have absolute power over governance, and elections are single-party affairs. In economics the party controls the economic system, and private ownership is illegal, although this facet of communist rule has changed in some countries like China.

By contrast, socialist countries are generally democratic with multi-party political systems. A socialist party does not have to be in power for socialist principles – such as a strong social safety net and government ownership of key industries and infrastructure – to be a part of a nation’s domestic agenda. Unlike communism, private ownership is encouraged in most socialist nations [42].

Communist economies were in the former USSR, China, Cuba and former Yugoslavia. Today all these countries, except North Korea have market economies. In North Korea almost all economic resources are owned by the government. The basic economic questions are answered through centralized state planning, the government sets prices and wages. In this planning, the needs of the state usually outweigh the needs of the citizens. Employees have little choice of occupations, but special skills and talents seem to be rewarded with privileges. Various groups of professionals (bureaucrats, university professors, athletes) fare much better than factory workers [16, p. 16–17].

Task 9. Complete the statements.

1. Economics is a social science that studies how...
2. Land, labour and capital are...
3. Microeconomics deals with the research of...
4. The prefix “macro” derives from...
5. The household sector, the business sector and the government sector belong to...
6. The basic purpose of studying economics is...
7. Every society must answer three questions...

8. Among generally used economic terms I can mention...
9. Scarcity implies that every decision...
10. Knowledge about economics foundations allows an individual to be...
11. The government makes all decisions about production and consumption...
12. In his writings Karl Marx advocated a classless society whose citizens together owned all economic resources, while Adam Smith... [16, p. 68].

Task 10. Translate into English. You may use a dictionary.

1. Економіка – одна з найважливіших галузей життєдіяльності людини і суспільства. 2. Щодня ми споживаємо матеріальні блага, тому повинні знати, якими є форми та порядки привласнення життєвих благ, форми господарювання, як найбільш доцільно розподіляти працю, за яких умов вона дає найкращі результати й найбільшу винагороду. 3. Економіка як наука про господарську діяльність бере свій початок у XVII столітті. 4. Термін «економіка» застосовують у двох значеннях: економіка – це сфера господарської діяльності, де створюються потрібні для людей блага, яка включає у себе виробництво життєвих благ, обмін ними, їх розподіл і споживання; економіка – це наука, що вивчає виробництво, обмін, розподіл і споживання життєвих благ у народному господарстві як країни загалом, так і конкретних галузях, підприємствах тощо.

5. Благо трактують як все те, що задовольняє потреби людей, відповідає їхнім прагненням і цілям. 6. Блага класифікують на природні (корисні копалини, земля, ліси) й економічні (створені людиною продукти). 7. Економічні блага здійснюють кругообіг: виробництво – обмін – розподіл – споживання. 8. Безперервний процес відтворення життєвих благ являє собою суспільне виробництво.

9. Економічна система є сукупністю видів економічної діяльності, спрямованих на виробництво, розподіл, обмін, споживання товарів та

послуг людьми, регулювання діяльності відповідно до цілей соціуму. 10. За співвідношення державного і ринкового регулювання виокремлюють три типи економічних систем: вільний ринок, змішана економіка, централізовано-планова (командна) економіка [5, с. 24–25].

Task 11. Put the adjectives in the correct context: *Australian, capitalist, Cold, communist, feudal, financial, global, great, predictable, private, Soviet, static, traditional.*

1. In many ... economies, community interests take precedence over the individual. 2. Standards of living are ..., individuals may be expected to combine their efforts and share equally in the proceeds of their labour. 3. They don't enjoy much ... or occupational mobility. 4. But economic behaviours and relationships are 5. In some traditional economies, some sort of ... property is respected, but it is restrained by a strong set of obligations that individuals owe to their community.

6. Nowadays we can find traditional economic systems at work among ... aborigines and some isolated tribes in the Amazon. 7. In the past, they could be found everywhere – in the ... agrarian villages of medieval Europe.

8. Half of the twentieth century went down as a ... battle between defenders of free markets (democratic ... nations, led by the United States) and believers in command economies (the ... bloc, led by the Soviet Union). 9. The ... irony was that the ... War finally ended not on a battlefield, but because the Soviet economy finally self-destructed by the late 1980s. 10. For most of the world, the ... collapse proved that command economies were simply inferior to the market-dominated mixed economies of the capitalist world [37].

Task 12. Match the first half of these sentences on the left with the second half on the right.

A	B
<p>1. We all face limitations...</p> <p>2. Societies have developed different broad economic...</p> <p>3. Economists generally recognize four basic types of economic systems:</p> <p>4. Economists don't completely agree on the question of which</p> <p>5. A traditional economic system is</p> <p>6. The work that people do, the goods and services they provide,</p> <p>7. Traditional economic systems are not very dynamic – things</p> <p>8. The government controls the economy</p> <p>9. In market economies economic decisions are</p> <p>10. Today like most advanced nations</p>	<p>a. ...approaches to manage their resources.</p> <p>b. ...so we all have to make choices.</p> <p>c. ...don't change very much.</p> <p>d. ...how they use and exchange resources – all tend to follow long-established patterns.</p> <p>e. ...in a command economic system or planned economy.</p> <p>f. ...made by individuals.</p> <p>g. ...shaped by tradition.</p> <p>h. ...system best addresses the challenge of scarcity.</p> <p>i. ...the USA is a mixed economy.</p> <p>j. ...traditional, command, market, and mixed [46].</p>

Lesson 2:

National Economy

Task 1. Look through the sentences. Find the construction “to be + of + noun” and pay attention to its translation.

1. Economists’ recommendations may be of a high value to governments.

2. The study of economics is of great use even to those students who have no wish to become professional economists.

3. Basic problems of economics are of great importance to every economist, while specific problems of farm economics are mostly of interest to economists who study agriculture.

4. Since economists cannot make experiments, collecting and using information from a large number of past years is of practical importance for analyzing and solving problems of today.

5. Professional marketing services are of great value to producers and sellers.

6. Economic statistics are of interest to economic policy decision-makers.

Task 2. Change the following into the passive voice.

Example: In a command economy the government makes all decisions about production and consumption.

In a command economy all decisions about production and consumption are made by the government.

1. The government made all resources allocation decisions in Ukraine.

2. Prices regulate consumption and production in a market economy.

3. Economy does not rely entirely only on planning.

4. The economists are monitoring the prices and levels of consumption of different goods and services.

5. Economics analyzes the society's production and consumption levels.

6. The company has made a decision to start producing new machines.

7. If we allocate enough resources to agriculture, we will achieve a high level of production.

Task 3. Fill in the gaps with appropriate prepositions where necessary.

1. ____ a command economy that relies ____ central planning, government's economic role is ____ prime importance.

2. ____ a free-market economy, economic decisions are made ... firms and individuals and resources are allocated ____ markets.

3. Economic statistics is the statistics about levels ____ production and consumption ____ an economy, exports and imports, inflation and other information. It is usually collected ____ government.

4. Last year the municipal council made a decision to allocate more money ____ the construction ____ the bridge ____ the airport.

5. ____ such high prices ____ food the government cannot hope to keep its consumption ____ a sufficient level.

6. When people are poor, social services are ____ higher demand.

7. The European Union's statistics are collected ____ the union level and ____ national levels of member countries.

8. The demand ____ bread has been going down ____ Western Europe ____ several years.

9. Some direct methods ____ price regulation are sometimes used ____ governments, but they usually rely ____ indirect regulation.

10. Prices ____ farm products have been an example ____ government regulation ____ prices ____ the USA ____ a long time.

11. Individuals' ____ demand ____ goods and services not only determine what and how much is produced ____ an economy, but also how many workers are allocated ____ every industry.

Task 4. Choose the correct answer.

1. A *command economy* / a *free market economy* is a society where the government makes all decisions about production and consumption.

2. *Economics* / *economy* studies how markets and prices allow society to solve the problems of what, how, and for whom to produce.

3. Every economist sees *the restriction* / *the importance* of the question of what, how, and for whom to produce.

4. Nations have different *consumption* / *levels* of farm production.

5. When *the price* / *the importance* of some goods grows, people will try to use less of them but producers will want to produce more of them.

6. In *mixed* / *both* countries, Canada and the USA, structural changes in the agricultural sector of economy have become of interest to economists and public in the 21st century.

7. After years of competition between command and market economies, *the former* / *the latter* gave way in many countries of the world to *the former* / *the latter*.

Task 5. Practise saying the words with a groupmate. Mark the stress on each word.

economy

economics

economist

economic

to economize

economical

Task 6. Replace the words with “economic” or “economical”.

1. A practical woman.

2. Problems of economics.

3. A crisis in the field of economy.

4. To be careful in the spending of money.

5. Reforms in the field of economy.

6. A law regulating the sphere of economics.

7. A plan of the industrial development of the country.

8. A small car that doesn't use too much fuel.

9. Geography that studies the location of industries, markets, transports.

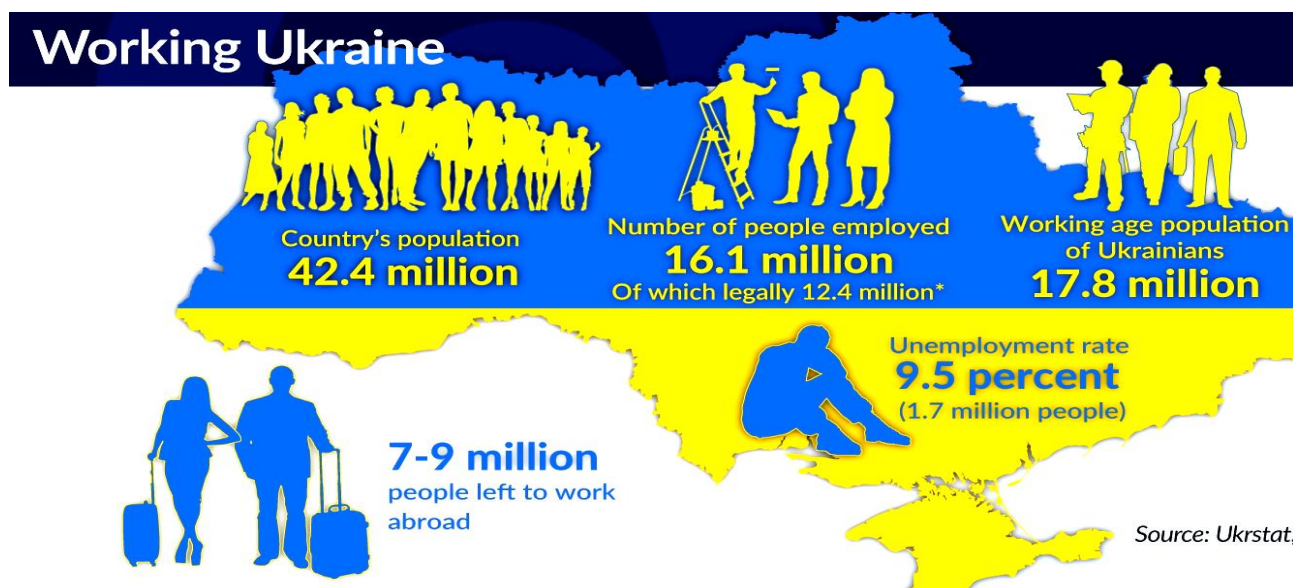


Fig. 8. Employment Rate

Task 7. Complete the sentences: *economy, economics, to economize, economist, economic, economical.*

1. An early definition of ... was “an inquiry in the nature and causes of the wealth of nations”.

2. The national ... is the system of the management and use of resources of a country.

3. You can ... if you compare the prices of goods before buying them.

4. J. M. Keynes was a famous ...

5. Inflation may cause a bad ... state in a country.

6. If you've got a large family, it's more ... to travel by car than by train.

Task 8. Translate into Ukrainian without using a dictionary.

1. Economics is a science that analyzes what, how and for whom the society produces.

2. The central economic problem for the society is how to reconcile the conflict between people's unlimited demand for goods, services and the resources which can be allocated for the production of these goods and

services.

3. The market is the process by which individuals' make decisions about consumption of goods, firms' decide what and how to produce, the workers' conclude about how much and for whom to work.

4. When resources are limited, they are allocated through the political process. In a country like Sweden with a strong government the level of production of social services may be higher than the level of production of goods for individual consumption.

5. The world economy produces \$US 127 trillion of output per year at international prices, for an average output per person of \$16 770 that is distributed highly unequally across and within countries.

6. In many countries there was a large dose of central regulation and planning.

7. Even the countries with free market economy still have high levels of government activity in the production of public goods and services and the regulation of markets.

8. All-round planning is not an easy task, and there is not any command economy that relies entirely on planning for all resources allocation decisions.

Task 9. Translate into English. You may use a dictionary.

1. Виявлення перспективних напрямів та нових тенденцій подальшого розвитку процесу міжнародної спеціалізації уможлиблює прогнозування майбутньої економічної картини світу.

2. Національна економіка є сукупністю всіх суб'єктів, які поєднані у єдиний організм різнобічними економічними зв'язками.

3. Національну економіку можна охарактеризувати такими якостями: єдиною грошовою одиницею, загальним економічним середовищем, загальними грошово-кредитною й фінансовою системами, тісними економічними зв'язками між господарюючими суб'єктами країни.

4. Загальним результатом функціонування національної економіки є політична та соціальна стабільність, приріст національного багатства й обсягів товарів і послуг, які потребує суспільство для ефективного використання обмежених ресурсів.

5. Залежно від способів координації економічної діяльності та форм власності виокремлюють ринкову, командну, змішану економіки.

6. Ринкова економіка базується на приватній власності й ціновому механізмі розв'язання економічних проблем організації.

7. Командна економіка ґрунтується на державній формі власності та передбачає прямий контроль суб'єктів економіки державними органами щодо виробництва, розподілу, споживання продукції.

8. У змішаних економіках ринкові механізми й держава гармонійно регулюють економічні процеси.

9. Чесна конкуренція, прозорі правила гри, панування ринкових цін, першорядна роль приватної власності, існування ефективного ринку, обмежена роль держави є фундаментальними принципами ринкової економічної системи.

10. Серед негативних наслідків ринкової економіки виокремлюють податливість на безробіття й економічні кризи, розвиток монополізму, соціальну несправедливість, руйнування екологічної рівноваги, завдання шкоди довкіллю.

Task 10. Put the verb in the correct form. Make up four types of questions about the text.

In economies there (*to be*) numerous forms of government regulations and restrictions. For instance, Norway and Turkey both (*to limit*) profits of firms, the first (*to control*) prices and wages too; in Canada the tin mines (*to nationalize*); in Britain 8 basic industries also (*to nationalize*); in the USA the government (*to own*) lots of firms and industries.

The level of economy regulation (*to differ*). In some countries it (*to grow*) in recent years, in others more freedom (*to grant*) to firms and individuals. However, the general tendency (*to be*) to keep government regulation at quite a high level.

Task 11. Fill in the gaps with the following words: *both, government, restrictions, the former, the latter, economics, through, to produce, services (2), goods (2), regulations, mixed economy*

1. Every group of people must solve three main problems: what _____ and _____ to produce, how _____ them and for whom to produce them.

2. _____ is placed among the social sciences.

3. Markets in which there is no _____ intervention are called free markets.

4. Society allocates resources into production _____ the price system.

5. There are neither government _____, nor _____ in a free market economy.

6. _____ is an economy in which the government and private sector cooperate in solving economic problems.

7. Government regulations and restrictions must _____ work in the interests of society.

8. People produce _____ and _____ are produced in factories or on farms, _____ at schools, hospitals, shops, banks.

Task 12. Read the text without using the dictionary. Think of a title for the text. Explain the meaning of underlined words. Answer the question.

In a free market individuals produce goods and services without any government regulations and restrictions. The command economy gives little individual economic freedom as the government makes all the

necessary decisions. Among these two types of economic systems there is the mixed economy.

In a mixed economy the private sector and government collaborate in meeting economic challenges. The government *controls* production through orders and taxation for goods and services for the *administration*, *police force*, *army* and other needs.

In a mixed economy the government is usually a producer of goods. An example may be the United Kingdom where there such industries as coal and railways are *nationalized*.

What is the role of governments in mixed economies?

Lesson 3:

Major Business Organization Forms

Task 1. Look through the sentences and pay attention to the use of “it” in different meanings.

1. It is the corporation that is the most common form of business in the USA.
2. It is possible for large corporations to pay high dividends on the shares.
3. One of the partners wishes to retire. It will lead to dissolving the partnership contract.
4. It is the double taxation of profits that is considered to be one of the disadvantages of the corporation.
5. It is not so easy to run a large company if it is a sole proprietorship.
6. It is the hired manager who should control the work of a company every day.

Task 2. Match the business organization forms with the descriptions.

Business organization forms: company, a holding/parent company, a joint-stock company, a public corporation.

Descriptions:

1. A collective term which is used to describe a group of firms which operate in the same area of production.
2. A leading company established to hold all or more than a half of the bonds or stocks of other companies, which it usually controls.
3. An association of persons which is formed for the purpose of carrying on trade or running business and has a separate identity from the persons who combine to form it.
4. A company controlled by another company which owns all or a part of its shares.
5. A basic production unit which operates the business and varies in from a one-person business to a multinational organization.
6. An organization owned by the state and set up to provide a national service or to run a nationalized industry.
7. A company that agrees to provide money to compensate the loss damage of property in the case of fire, accident, etc.
8. A business formed by a group of people using money provided them all.
9. A business society owned and run by its members who work together and share the profits.

Task 3. Fill in the gaps with appropriate pronouns (this, that, these, those).

It is due to the transnational corporations (TNC) ... American private capital is exported abroad, especially to ... countries which are called the Third World countries. The direct private investments in ... countries increased by 150 percent between 1970 and 1983. Although in the 1990s the USA limited its new investments into the economy of ... countries ... didn't prevent American corporations from obtaining high profits. In ... way the USA receives through the TNC additional means for its economic development, as well as for new profitable investments. It is known ... the transnational make the ... investments in ... branches which they consider

the most profitable ones. But their policies don't often agree with the development programmes in ... country. In accordance with ... policies the TNC have decided what, how and for whom goods are to be produced. But still ... policy is undesirable as it threatens the economic plans of many states because the interests of the TNC often come into conflict with ... of the national economic development.

Task 4. Define the meanings of the notions “wages”, “salary”, “pay”, “fee”.

1. This general term means money given to an employee by an employer in return for work.

2. An amount paid for a professional service or advice (of a doctor, lawyer, etc.).

3. A regular fixed payment for work or services, especially when clerical or professional, which is paid at longer intervals, often monthly.

4. Money paid to an employee, especially for manual or physical labour done at relatively short intervals, often hourly, daily and weekly.

Task 5. Choose the correct answer.

1. For packing products the worker earns a weekly *wages / salary / pay / fee* of \$50.

2. The company offers excellent rates of *wages / salary / pay / fee*.

3. How much is the *wages / salary / pay / fee* for your advice, Doctor Smith?

4. *Wages / salary / pay / fee* at this plant are paid on Fridays.

5. All company employees receive an annual *wages / salary / pay / fee* rise of six percent.

6. The starting *wages / salary / pay / fee* for an engineer at this company is \$15,000 per year.

7. The *wages / salary / pay / fee* for these services will be about 30 percent of the total cost.

8. A manager's *wages / salary / pay / fee* depends on how well the business operates.

Task 6. Open the brackets using the verb in the right form.

1. Our economists (*to choose*) another level of output for the next year as the situation at the market already (*to change*).

2. The demand for a commodity (*to affect*) by a change in price and this relationship (*to call*) elasticity of demand.

3. Some African countries already (*to buy*) large quantities of food from the European countries and the USA as they (*to lose*) most of their crops because of the drought.

4. The present director of the company (*to know*) the way how to run a business efficiently as he (*to teach*) the theory of economics at London School of Business.

5. Recently the increase in consumers' income (*to follow*) by the increased demand for normal goods.

6. This American company (*to sell*) its computers very successfully at the market now by maintaining low prices.

7. The balance sheet (*to show*) to the company's manager last Monday and he (*can*) make proper managerial decisions just in time.

8. New economical methods of transporting fruit and vegetables (*to develop*) in the future and they (*to help*) to deliver fresh products to the consumers more quickly

Task 7. Complete the sentences conjugating 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 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 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.

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.

Task 8. Translate into Ukrainian without using a dictionary.

1. The majority of corporations in the USA are small and they make up approximately 25 percent of all business companies, however, this figure understates the real economic significance of the corporate business organization.

2. Modern technological developments largely account for the appearance of corporate giants in such sectors of the economy as manufacturing, transportation and utilities, mining, banking and insurance, and retail trade.

3. In view of the growing importance of corporations, society is faced with three major problems. First, the growth in corporate size has brought about an increasing separation of control from ownership.

4. In large companies a stockholder no longer performs effective control; actual control belongs to management, which tends to be self-selecting and responsible.

5. Second, the size of many corporations gives them economic power that permits to ignore the discipline of the competitive market, because it is large corporations that have real control over the prices charged for the goods they produce.

6. Finally, the society cannot be sure that the corporate performance serves for the public interest. Public interest requires organization and operation of business to be subject to governmental regulation, and many laws have been enacted for the purpose of ensuring a competitive pluralism in production and trade.

7. Government regulation, particularly in the USA, attempts to prevent the formation of monopolies that totally control a particular branch of industry such as steel, petroleum or automobile production.

8. Governments also regulate public utilities and transportation, guarantee loans to homeowners, subsidize shipping, build highways and airports, and administer price-support programmes for farmers.

Task 9. Translate into English. You may use a dictionary.

1. Реєстрація юридичної особи для здійснення підприємницької діяльності є, фактично, створенням підприємства. 2. Відповідно до статті 1 Закону України «Про підприємства в Україні» підприємство, як окрема юридична особа, має самостійний баланс, рахунки в банках, печатку зі своїм найменуванням, знак для надання послуг і виробництва товарів. 3. Стаття 2 передбачає діяльність в Україні господарських товариств і приватних, колективних, комунальних, державного підприємств. 4. Серед господарських товариств

виокремлюють акціонерні товариства, товариства з обмеженою відповідальністю, товариства з додатковою відповідальністю, повні товариства, командитні товариства.

5. Акціонерне товариство – це товариство, яке має статутний фонд, поділений на певну кількість акцій рівної номінальної вартості, і несе відповідальність за зобов'язаннями тільки майном товариства.

6. Акціонерні товариства можуть бути відкритими або закритими.

7. Відкриті акціонерні товариства можуть розповсюджувати свої акції через відкриту підписку та купівлю-продаж на біржах, тоді як акції закритого акціонерного товариства не можна купувати і продавати на біржі чи розповсюджувати через підписку, їх розподіляють між собою засновники.

8. У товаристві з обмеженою відповідальністю учасники розподіляють відповідальність у межах їхніх вкладів, а статутний фонд поділений на частки, розмір яких детермінований установчими документами.

9. Учасники товариства з додатковою відповідальністю несуть відповідальність за його борги своїми внесками до статутного фонду, й додатково належним їм майном.

10. Учасники повного й командитного товариств ведуть колективну підприємницьку діяльність, мають солідарну відповідальність за зобов'язаннями товариства, закладаючи своє майно для погашення боргів.

Task 10. Fill in the gaps with the following words:

According, affect, assistance, benefit, choice, common, cons, debts, existence, liability, main, mitigating, shareholders, taxed, verbal.

Business organization is the single-most significant ... you need to make concerning your company. What form your business adopts will affect a multitude of aspects. Aligning your purpose to your business type

is an essential stage, so understanding the pros and ... of each type is vital.

The forms will ... how your company is taxed, your legal ..., costs of formation, operational costs.

There are four ... types of business organization: sole proprietorship, partnership, corporation and Limited Liability Company. The most ... form of business ownership, sole proprietorship is a firm owned and run by a person for his/her own The business' ... is entirely dependent on the owner's decisions.

Partnerships fall into two categories: general and limited. In general partnerships, owners invest their property, money and labour to the firm and are 100% liable for business General partnerships do not require a written agreement – partnerships can be ... or even implied between the two business owners.

As for limited partnership, it requires a formal agreement. The partners have to file a certificate of partnership with the state too. Limited partnerships allow partners to limit their own liability for business debts ... to their portion of investment.

The corporation's profits are ... as the "personal income". Any income distributed to the ... as dividends and the personal income of the owners are taxed.

An LLC like a limited partnership provides owners with limited liability, holding some income advantages of a partnership. Basically, the advantages of partnerships and corporations are combined in an LLC, ... some of the disadvantages of each.

If you need assistance with any aspect of your firm's business organization needs, reach out to our law firm for the legal ... you need.

Task 11. Classify the statements under headings below. Compare your answers groupmate.

Profits are subject to the owner
Equity is limited to the personal resources
No distinction between business and personal income
Owner is 100% liable for business debts
Owners have entire flexibility in running the business
Ownership of proprietorship is difficult to transfer
There is little regulation for proprietorships
Few requirements for starting; only a business license is needed

Each partner is 100% responsible for losses and debts
Each partner shares the total profits
Inexpensive to establish a business partnership, informal or formal
It ends when any partner decides to finish it
Selling the business is hard – requires finding new partner
Shared resources provides more capital for the business
Easy design of a proprietorship

Can be transferred to new owners easily
Corporate operations are costly
Establishing this organisation is costly
Limits liability of the owner to debts or losses
Personal assets cannot be seized to pay for business debts
Profits and losses belong to the corporation
Start a corporate business requires complex paperwork
With some exceptions, corporate income is taxed twice

Agreements must be comprehensive and complex
Beginning has high costs due to legal and filing fees

Limits liability to the company owners for debts or losses

Ownership is limited by certain state laws

The profits are shared by the owners without double-taxation

	Advantages	Disadvantages
Sole proprietorship		
Partnership		
Corporation		
LLC		

Task 12. Guess the business organization forms. Compare their common and different peculiarities.

1. One is personally liable for the debts of others.
2. Having bought a share in a business, one risks to lose only some money invested in it.
3. Highly qualified specialists can be hired for running the everyday business.
4. It is rather a cheap form of business ownership, the purchase of license being the first step for starting it.
5. Annual reports about the business activity are easily available interested parties.
6. One possesses much freedom in making managerial decisions completely controls the business, capital and obtains the profits.
7. One is in close contact with employees.
8. Income is subject to double taxation.
9. One should take all the risks and full responsibility for all results from the decisions made.
10. Personal assets can be sold for the business debts.
11. It is easy to transfer ownership as the share can be sold to anyone for any price.
12. Management is not always at a professional level.
13. The stability of the business greatly depends on individual behavior and abilities.
14. The total bank credit for the business expansion is limited.
15. Much more resources can be accumulated for running the business, banks extending larger credits.
16. It is difficult to determine one's share in the business and to recover money if the business dissolves.
17. The business continues to be operated successfully even if the owner retires.
18. Information concerning the business isn't available to the general public.

Lesson 4:

Equilibrium in Markets for Goods and Services

Task 1. Look through the sentences. Pay attention to the functions of adverbial phrases.

1. Exports are goods and services sold to other countries.
2. In free market economies, changes in price are never results of regulations imposed by governments.
3. Imposing some restrictions on food prices, governments make it possible for all the people to buy enough food.
4. The 3.8 billion people of the world in the early 2010s had about 20 percent more to eat than the 2.7 billion living 20 years earlier.
5. Knowing that their resources are limited, people make a decision how to allocate them in the best possible way.
6. The government can regulate monopolies controlling the prices or supplying the products itself.

Task 2. Rewrite the sentences, replacing the underlined parts by adverbial phrases.

Example 1: Resources are a serious factor that limits production. – Resources are a serious factor **limiting production**.

1. Firms that produce computers act as buyers in the markets for the services of computer programmers.
2. A nation's income is the sum of incomes of all citizens who live in the country.
3. There are several forces that define a consumer's demand,
4. Governments, families and individuals that consume goods are called consumers in economics.

Example 2: Consumers typically purchase a less quantity of the good that is sold at a higher price. – Consumers usually purchase a less quantity of the good **sold at a higher price**.

1. Supply restrictions that are imposed by cartels are as characteristic of industrialized economies as of developing economies.

2. Excess supply is a situation in which the quantity of a good that is demanded by buyers is less than the quantity that is supplied by producers.

3. Society increasing the quantity of one good that is produced at one time typically reduces the quantity of another good that is produced at the same time.

4. Some of the inputs that an individual uses are food, chairs and tables, but another input of great importance is time. The consumer's time is limited, and this time limitation as well as his or her limited income influence the decisions that are made in day-to-day life.

Example 3: When societies act through their governments, they can make decisions on allocation of scarce resources. – **Acting through their governments**, societies can make decisions on allocation of scarce resources.

1. When we put demand and supply together, we can determine equilibrium prices and quantities in different markets.

2. When it increases the quantity of one good produced at one time, the society reduces the produced quantity of another good, as its resources are scarce.

3. When people consume goods and services, they provide a basis for further production.

4. As they make up a major portion of the national income, the UK's high technology industries dominate and influence almost all other industries in the country.

Task 3. Fill in the gaps with appropriate prepositions where necessary.

1. ____ a mixed economy the government may be producer ____ private goods, for example, steel and motor cars.

2. An increase ____ the price ____ an input will lead to a reduction ____ the demand ____ that input.

3. The firm can sell as much as it wants ____ the market price.

4. A consumer's tastes and income as well as prices ____ other goods influence ____ his or her demand.

5. Consumers usually respond to an increase ____ a good's price ____ a reduction ____ the quantity ____ it consumed ____ them.

6. A change ____ the supply ____ a good and ____ its demand both influence ____ its equilibrium price.

7. Rupert Murdoch, the media magnate, is planning to supply the services ____ his network ____ satellites ____ Internet development. If Internet is operated ____ satellites, there will be access ____ it ____ televisions and mobile phones, not only ____ personal computers, ____ the near future.

8. ____ a command economy, plans are imposed ____ producers ____ government agencies.

9. Scientists and engineers have been developing substitutes ____ natural building materials ____ several past decades.

10. Supplying people ____ food as well as industry ____ raw materials, agriculture is ____ utmost importance ____ an economy.

Task 4. Choose the correct answer.

1. The demand for textile materials was *reduced* / *increased* by the fashion for mini-skirt.

2. Lots of people are very poor even in *the same* / *some* middle-income countries.

3. From time to time government regulations *impose* / *decrease* an alteration in *quantity* / *technology* that manufacturers are not eager to use.

4. Stabilization of prices plays a key role for industrial nations *so good as* / *as well as* the Third World countries.

5. Freeing up prices leads to their *increase* / *decrease*.

6. A decline in *complement* / *input* prices makes the production less expensive.

7. *Normal* / *Inferior* goods are commonly low-quality goods for which there are higher-quality *substitutes* / *improvements* traded at higher prices.

Task 5. Complete the sentences using “than” or “as”.

1. The market is in equilibrium when the demanded quantity is as large...
2. Prices rise when they are not so high...
3. Prices increase when they are lower...
4. We may have excess supply if prices are higher...
5. The demand for inferior goods at high incomes will not be as high...

Task 6. Open the brackets using the verb in the right form (infinitive or participle).

(*To found*) in 2002 as the Texas Company, American oil and petrochemical corporation, *the Texaco Inc.*, became one of the world's largest petroleum companies in sales by the late 20th century. The company (*to say, to change*) several names and its current name was adopted in 1999. (*To start*) its business in Texas, the company is still operating there, but its main office is in New York. The company ... (*to know, to establish*) by J. Cullinan and A. Schlaet, the former (*to be*) an oil field-worker, the latter (*to be*) a New York investment manager. According to the original plan the company (*to expect, to buy*) oil in Texas and then (*to refine*) oil (*to be, to sell*) for another company in the North at a profit. (*To expand*) its oil production, the company established its first refinery plant outside Texas in Illinois by 1911. In 1928 it became the first company (*to market*) in all 48 states and (*to operate*) in foreign countries such as Canada, Colombia and Venezuela. (*To spread*) its influence, the company later joined with Standard Oil of California in half ownership of some ventures in the Middle East and Indonesia. The company (*to know, to involve*) in some conflicts with other oil companies (*to try*) to win control over them. In 1956 the company (*to report, to come*) under the control of J. Paul Getty, thus until 1959 the company was known as the Getty Oil Company.

Task 7. Complete the sentences conjugating the verbs.

As well as, to consume, consumer, equilibrium price, inputs, normal, shortage (2), surplus, the same, to fall, to impose, to increase, to rise.

1. The factors of production put into a business to produce goods and services – land, materials, capital and labour are known as _____.

2. Lower consumer income reduces the demanded quantity for all goods, when all goods are _____.

3. When Guns N’ Roses became popular, the demand for haircuts _____.

4. When income increases, the demand for most goods _____. Typically, buyers _____ more of everything.

5. Whenever the market price may not be the _____ leading to excess supply _____ or excess demand _____.

6. If there is a national food _____, a government may _____ a ceiling price on food so that poor people can buy enough food.

7. Workers in poor countries having no resources for health and education are often less productive than workers using _____ technology in rich countries.

8. Moreover, without higher productivity it is hard _____ investment in people _____ in machinery.

9. Compared to other nations Japanese _____ pay more money for beef [9, p. 9–10].

Task 8. Write sentences of your own with the phrases given below.

Price – quantity, to reduce, to rise, to impose, input, to raise, equilibrium, to fall, private, reduction, to substitute.

To influence – surplus, a seller, technology, input price, a good, a buyer, to raise, supply

Improvement – decrease, surplus, quantity, to sell, technology, a good.

To decrease – shortage, technology, input price, seller, quantity, surplus, reduction.

Task 9. Translate into English. You may use a dictionary.

1. Судження про механізми самоорганізації, саморегулювання та саморозвитку економічних систем ґрунтуються насамперед на розумінні взаємодії попиту та пропозиції. 2. Характер взаємодії попиту та пропозиції розкриває низку економічних процесів і явищ на нано-, мікро-, мезо-, макро- й мегарівнях. 3. Попит – це здатність і бажання покупців придбати товари або послуги за певною ціною. 4. Збільшення ціни на товар зумовлює зменшення попиту на нього, і, навпаки, зменшення ціни сприятиме підвищенню попиту. 5. На величину попиту впливають доходи споживачів, їхні запити, смаки, поведінка, існуючий рівень цін на товари, цінова еластичність, ціна на товари-замінники. 6. Зворотний причинно-наслідковий зв'язок між величиною попиту й ціною товару є законом попиту, що знаходить своє відображення в економічній поведінці споживача. 7. За меншу ціну споживач може купити більше товару, оскільки його дохід завжди обмежений.

8. Сутність закону спадної граничної корисності полягає в тому, що кожна наступна одиниця товару або послуга приносить споживачу менше задоволення, ніж попередня, тому він оцінює її для себе дешевше і хоче придбати кожен наступну одиницю блага за нижчою ціною. 9. За однакових умов і відповідності стандартам якості споживачі зацікавлені в заміні дорожчих товарів дешевшими, тобто ефект заміщення визначає поведінку споживача. 10. Кількість покупців, місткість ринку, очікування споживачів щодо зростання цін у майбутньому, доходи споживачів, ціни на супутні товари, кліматичні умови належать до нецінових чинників попиту.

Task 10. Put the verb in the correct form.

What _____ (to happen) to the equilibrium price of a product when its quantity _____ (to supply) by producers _____ (to change)? For example, with an improvement in technology of wheat production wheat farmers _____ (to wish) and _____ (to be) able _____ (to

supply) more wheat at a given price than they _____ (to do) before. How it (to influence) the equilibrium price? Clearly, it _____ (to fall). However, if the weather _____ (to be) poor, the _____ (to supply) quantity of wheat _____ (to decrease). How it _____ (to influence) the equilibrium price? It _____ (to go) up. If a good _____ (to sell) at a price below the equilibrium one, the price will grow and reach the equilibrium price until there is no more shortage of the good left.

Task 11. Fill in the gaps with the following words:

High, important (2), many, large, low, effectively, much, great, clear, reliable, strong (2), quickly.

1. Command economy relies on _____ planning than on prices.
2. Knowledge of foreign languages is of _____ importance now in some 40 years ago.
3. The degree of government regulation in present-day Ukraine is _____.
4. Government intervention in Sweden is as _____ as in Denmark or, probably, _____.
5. Land quality is _____ for agriculture than for other industries.
6. If we want to have a _____ picture of economic life in the country, have _____ information.
7. In the 18th century the _____ part of national income in _____ Europe; taxes came from import and export tariffs. These days they play a _____ role.
8. Governments can influence for whom goods are produced _____ miles with _____ levels of government regulation.
9. If other things are equal, this firm will do the work _____ than the others.

Task 12. Describe the economic indexes in the table.

Example 1: Car production in 2015 was lower than in 2017.

Example 2: Sugar beet production in 2018 was not so high as in 2017.

Production / Year	2019	2018	2017	2016	2015
Car production (1,000) ¹	-	836	985	-	835
Oil /gas condensed (mln.t.) ²	305	303,3	306	301,5	305
Natural gas (bam) ³	586	564	544	575	-
Grain (mln.t.)	54,66	47,8	88,5	69,3	63,5
Sugar beet (mln.t.)	15,2	10,8	13,8	16,2	-

Note: 1 – thousand; 2 – million tons; 3 – billion cubic metres.

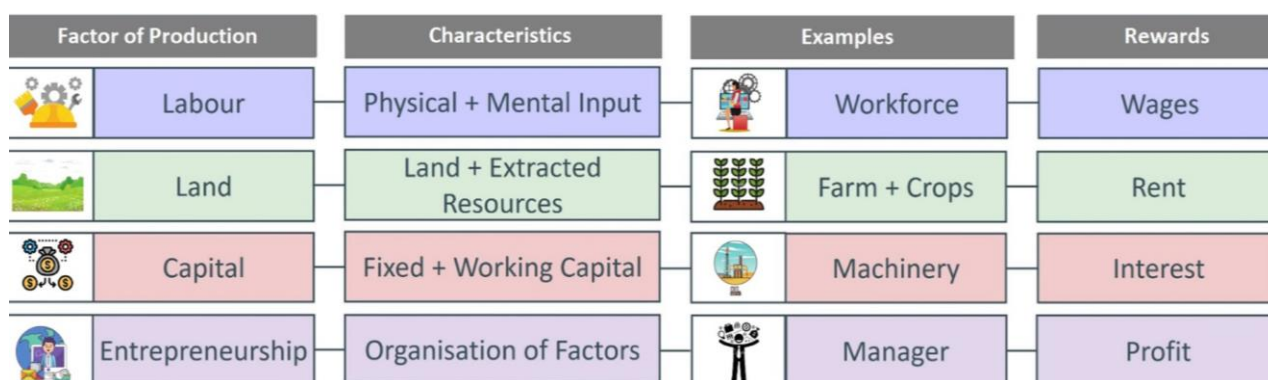


Fig. 9. Main Economic Indexes

Lesson 5:

Capital, Labour, Natural Resources and Land

Task 1. Look through the sentences. Pay attention to the functions of the pronoun “it”.

1. Theoretically, it is possible, but in fact, it is very ineffective to control the output of cars altering the incomes of potential consumers and manipulating transport costs. It is easier to control the output of cars controlling the availability of raw materials, for instance steel, to manufacturers.

2. Companies can either save their income or pay it out to their owners.

3. It is a usual practice to comprise even more or less durable means of production, such as land, machinery and buildings in fixed capital.

4. Adam Smith and David Ricardo believed that the value of product depended upon the amount of labour needed to produce it.

5. While comparing and analysing national incomes it is not essential who members earns this income, but within a country, it is important.

6. If labour markets are unproductive, it is harder for an employee to find a job.

Task 2. Rewrite the sentences, replacing the underlined parts by adverbial phrases.

Example 1: The enterprise is too big. It cannot be managed by one man. – The company is too big **to be managed** by one man.

1. The equipment is too sophisticated. It cannot be operated by a worker.

2. The information is too outdated. It cannot be used for the analysis of the present-day situation.

3. The enterprise is too big. It cannot be located in the city centre.

4. The rate of unemployment is too high. It cannot be ignored by the trade unions.

5. The company's batteries are used up too soon. They cannot be relied upon in a long expedition.

Example 2: The equipment is sophisticated. It should be operated by an engineer. – The equipment **is sophisticated enough to be operated** by an engineer.

1. The company is not large. It cannot invest much in production.

2. The factory has raw materials. It can work for a month.

3. The production costs have risen. They have become a real headache for the manager.

4. The job is well-paid. It meets his requirements.

5. He has made a big contribution to the development of the project. He can hope for a success and a good share of the profit.

Example 3: The information is too outdated. The economist cannot rely on it. – The information **is too outdated for the economist to rely** on it.

1. The manufacturer's guarantee is too short. We will not buy their equipment.

2. The company's investment in machinery was too big last year. The dividends cannot be high.

3. The value of the equipment is too high. We cannot take any risks transporting it by train.

4. The rate of unemployment is too high. The government cannot ignore it.

5. The firm's requirements are too high. All their jobs cannot be filled in.

Example 4: The demand for durable goods is big. Their manufacturers raise the output. – The demand for durable goods is **big enough for their manufacturers to raise** the output.

1. Your income is not big. You cannot live without a job.

2. The choice of goods is good. The store is the most popular one in the neighbourhood.

3. Human capital in some industries is not well-paid. Young people do not want to pay for their education in corresponding professions.

4. The birth-rate in Ukraine is low. The size of the labour force will become a problem for society in the near future.

5. The efficiency of investment on the farm is high. The cost of its final products is lower than the one on other farms of the region.

Task 3. Fill in the gaps with appropriate correlative conjunctions “neither/nor, either/or, both/and”.

1. Profits are ... paid out as dividends ... held back as earnings.

2. Income differences between nations pose problems ... for society ... for economists.

3. Labour force does not include people who are... working... looking for work.

4. A person can be ... employed ... unemployed ... out of the labour force.

5. The European Union's experts think that statistics should be available ... on economic activities of farmers ... on social aspects of rural life.

6. Financial capital that will be used in a business may ... belong to the business itself ... it may be borrowed from a bank.

7. Unlike people, machines can ... quit their jobs ... decide how much they would like to work for their owners.

8. An increase in the price of a factor will increase ... total costs ... marginal costs.

9. As their incomes grow, countries like people ... spend a smaller share of their budget on food ... allocate less to agriculture.

10. It is my final offer – you can ... take it ... leave it.

Task 4. Choose the correct answer.

1. Like / unlike human capital, physical capital is expensive.

2. A person's budget constraint is fixed by the total amount of time available / following over a certain period of time like a day, a month, a year.

3. People can either / neither spend incomes on consumption or / nor save it.

4. A man has an income which allows him to buy efficient / various goods and services and live in a certain neighbourhood.

5. In labour markets the length of a working week, paid vacations and other aspects of the employment / contribution relationship many are some of the regulated aspects.

6. Changing policies vary with / require endless updating of statistical systems.

7. The way in which the European Union's statistical system is adapting to values / requirements in the 21st century is of great importance either / both inside or / and outside the EU.

8. Some part of circulating capital / fixed capital, for instance equipment, loses its value in the cost of production / production process, another part of circulating capital / fixed capital, for instance land, may grow in value.

Task 5. Make up sentences with these words "economical, interesting, important, required, useful, possible, impossible".

1. To produce goods more efficiently – It is important to produce goods more efficiently.
2. To buy large quantities of a product rather than small quantities.
3. To be economical if one compares the prices of goods before buying them.
4. To replace the inputs used up in one production cycle periodically.
5. To know that in Denmark young men below 18 cannot be trade union members.
6. To know that production costs depend on the size of the business.
7. To analyse the production cycle in detail in order to decrease production cost and increase production efficiency.
8. To know on what information a decision is based.

Task 6. Define the statements where the infinitive functions as the subject.

1. As productive equipment is referred to as physical capital, to purchase new equipment is to invest in production.
2. A price ceiling must be imposed below the free market equilibrium price to be effective.
3. To value Ukraine's national income totally is impossible, as the increase in accumulated durables is not generally counted.
4. To identify the quantities of forces an enterprise will demand, we should know the demand for the enterprise's output.
5. To keep the economy as close as possible to full employment is a vital purpose of the government.
6. To run a firm efficiently the manager is supposed to have industry-specific knowledge.
7. To raise output with the fixed total cost of inputs means to reduce the cost of production per unit manufactured.
8. Durable goods, machinery and buildings, known as the fixed capital are bought to be used in the company rather than to be sold to another business.
9. To include such non-renewable goods as fuel and raw materials the funds

required for paying wages in circulating capital is common practice.

10. To collect all data for such a short period would be absolutely impossible!

11. It is very hard to work under such conditions.

12. I hate to ask people such questions.

Task 7. Practise reading the words with a groupmate and use them in the context.

Through, though, although, think, thought, thorough, thoroughly

1. ... some farmers have enough money to purchase land; they prefer to lease it over several years to examine the conditions for farming in the given area...

2. Many countries are mixed economies ... some are nearer to command economies and others are nearer to free market economies.

3. ... economic analysis is essential for good results.

4. Farming efficiency is raised ... improved technology, fertilizers, crops, and livestock.

5. If we want resources to be allocated efficiently, government intervention ... environmental standards can be used.

6. In earlier days economists ... rent only to be income received from land.

7. ... the firm is run by its manager, not its owners, profit maximization is the most essential aim of the firm's business.

Task 8. Translate into Ukrainian without using a dictionary.

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 which 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.

Task 9. Translate into English. You may use a dictionary.

1. Потреби змушують людей займатися виробництвом необхідних їм благ. 2. У сучасних умовах основне виробництво зосереджене на підприємствах. 3. Виробництво – це процес впливу людини на сили природи й речовини з метою надання їм певних властивостей і форм, необхідних для задоволення конкретних потреб.

4. Фактори виробництва – це базові ресурси, які використовуються в усіх процесах виробництва: праця, капітал, земля, підприємницька діяльність. 5. Більшість економістів визначили працю найманих працівників та працю підприємців головним фактором виробництва. 6. Важливість економічної категорії праці як фактору виробництва пояснюють формуванням на її основі вартості товару. 7. Вартість будь-якого товару визначають виходячи з кількості затраченої праці (заробітної плати, прибутку підприємця).

8. Цінність товару формується на основі заробітної плати, ренти та прибутку власника капіталу. 9. Земля, капітал і праця розглядаються основними виробничими факторами у формуванні вартості. 10. Кожен із трьох факторів виробництва створює свою

частку цінності продукту, який розподіляється у формі доходів: капіталісти одержують процент, наймані робітники – заробітну плату, власники землі – ренту, підприємці за керівництво виробництвом – підприємницький дохід.

Task 10. Make up sentences from the table.

It is (not)	useful profitable necessary important required	for	employment and unemployment businessman students of economics firms statistical systems governments labour market
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1. To know that in Denmark young people below 18 cannot be trade union members.
2. To calculate changes in their marginal cost and marginal revenue.
3. To know the contribution of both industry and agriculture to the national economy.
4. To employ workers as long as the value of the product produced by them exceeds (підвищувати) their wages.
5. To change when political systems change.
6. To be more effective for workers to go easier into employment.
7. To be stabilized for labour markets to be in equilibrium.

Task 11. Fill in the gaps with the following words: 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 youths 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 1990s 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 or 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 _____.

8. 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....

Task 12. Match the first half of these sentences on the left with the second half on the right.

A	B
1. America's strong demand for automobiles explains	a. may be called command economies.
2. In contrast to market economies, economies with different forms of control	b. entirely through the government regulation.
3. Big corporations are not allowed to dominate an industry or a market	c. and resources are allocated through goods and services markets.
4. In some industries, as Internet television, telephone services and some others, competition cannot be relied	d. why auto workers have historically been among the highest paid workers in the world.
5. Resources are the things or services that are used	e. which rely heavily on

6. Economics and economists play an important role at the highest levels of governments	economic advisers in making the decisions about the future of the country.
7. Until the middle of the 18th century, industry (in contrast to agriculture and commerce)	f. entirely on to produce results that are good for the society.
8. Economic decision-making is decentralized	g. was of little importance in the economies of Europe and America.
	h. to produce goods which can satisfy people's demands.

Lesson 6:

Fundamental Accounting Equation

Task 1. Look through the notions and find the synonyms.

Amount, depreciation, employee, form, gradually, intangible, invisible, liability, material, obligation, obsolescence, price, quantity, salary, shape, slowly, symbol, tangible, to be obliged, to change, to owe, to own, to possess, to replace, trademark, value, wage, worker.

Task 2. Practise reading the words with a groupmate and use them in the context.

A stock (a share), stock-in-trade, a bond, goodwill, a trademark, a copyright, loan, a patent

1. The author of the original work may keep the _____ or sell it to someone else.
2. Government _____ are usually considered to be a safe investment.
3. The total dividend per _____ was 10 pounds.
4. To protect his invention such as a new machine, a medicine or a process a scientist must obtain a _____.

5. This company is very proud of its reputation among the partners and cannot afford to lose its _____.

6. For the company to expand, its owners often ask banks for a _____ and agree to pay interest after a definite period of time.

7. _____ of the leading car producers such as Mercedes, Lincoln, BMW, Toyota, etc. are known all over the world.

8. The _____ is shown as an asset on the balance sheet.

Task 3. Fill in the gaps with appropriate prepositions where necessary.

1. _____ a mixed economy the government may be producer _____ private goods, for example, steel and motor cars.

2. Higher prices _____ oil make the economy look _____ technologies requiring _____ less oil.

3. There is always an element _____ risk in providing _____ capital _____ new businesses.

4. Farming relies heavily _____ commercial energy sources.

5. There are different types _____ leases. With some of them the landlord is _____ an advantage _____ the tenant _____ terms _____ risk from a harvest failure, though with others, the risk is shared _____ the landowner and the tenant.

6. _____ conditions of overall environment pollution we can expect the greenhouse effect to gain power _____ a rapid rate _____ the near future.

7. The mayor said the population should not expect the local government to supply them _____ cheap housing.

8. Agriculture provides _____ raw materials _____ industry.

9. Agriculturists know soils to vary greatly _____ productivity depending _____ their structure and composition.

10. Present-day industry meets _____ the demand _____ farmers providing them _____ fertilizers and growth regulators _____ livestock and crops.

11. The housing _____ this part _____ the town does not meet _____ the

requirements ____ the population.

12. ____ conditions ____ growing oil scarcity, investors hope to meet ____ future demand ____ oil buying new reserves. Paying now, they expect to provide themselves ____ sources ____ revenue ____ future.

13. The degree ____ which income is unequally distributed ____ a country will affect ____ the question of ____ whom goods and services are produced.

Task 4. Choose the correct answer.

1. Knowing the firm's *goodwill* / *stocks* value, creditors want to invest more money, because they expect high *investment salaries* / *interest* at the end of the year.

2. Both farm buildings and farm equipment make up *long-term* / *short-term*; *tangible* / *intangible* assets in agribusiness.

3. *Stockholders* / *Accountants* prepare reports in financial *terms* / *items* reflecting the outcomes of past resources allocation decisions.

4. An enterprise is responsible for paying salaries of *employees* / *employers* and *salaries* / *wages* of workers belonging to the enterprise's current *assets* / *liabilities* regularly, weekly or monthly.

5. The amount of goods known as company *real estate* / *stock-in-trade* is available for sale at a particular time and it is depicted as an asset on the *balance sheet* / *accounts receivable*.

6. To *operate* / *calculate* properly the business's manager should rely on data obtained from public survey.

7. The greater is the difference between total liabilities and total assets, the greater is the firm's *net worth* / *net loss* commonly known as the *debt* / *equity* for a corporation.

8. The central accounting *equilibrium* / *equation* is written in this form: $\text{assets} - \text{liabilities} = \text{equity}$.

9. The firm's obligations can be classified as current and noncurrent, the noncurrent are also called *short-term* / *long-term*; *assets* / *liabilities*.

10. We should take into account that *goodwill / accounts payable* unlike the real estate belongs to intangible assets, but it can be sold like any other property.

Task 5. Fill in the blanks with appropriate English equivalents of the given Ukrainian words and phrases using the gerund.

1. The chief task of a financial accountant is to concentrate attention on (*ефективне використання грошей компанії та підготовка звітів за певний період*).

2. The owner is interested in (*управління компанією*) as competently as possible.

3. The growth of stockholders' dividends depends on (*збільшення загальних доходів фірми*).

4. The firm must compensate for (*пошкодження товару*) due to (*невідповідне упакуванню*).

5. Although stockholders vote at the general meetings, they are not involved in (*щоденне керування компанією*).

6. The manager and the board of directors are responsible for (*проведення загальної політики*).

7. Programmers are still working at (*покращення комп'ютерних програм для опрацювання бухгалтерської інформації*).

8. The bank and the company gained from (*підписання угоди про позику*).

9. It was useless to protest against (*продаж нерухомості*), as the company couldn't pay its debts to the creditors.

Task 6. Insert "except" or "besides".

1. It is impossible to fully value the US national income as the increase in accumulated durables is not fully counted, ... in housing.

2. As oil prices continue to grow, airlines look for more fuel-efficient aircraft. ..., coal generators become more widely used.

3. ... energy, there is another factor raising farm productivity: chemicals, whose prices are growing with every year.

4. The prices of all goods in the market,... the price of this one, have risen lately.

5. The economists expect wages in all branches of mining... coal mining, to grow.

6. Most farmers in the United States prefer to make their business on their own land ... those ones who cannot purchase large enough plots and have to lease the land.

7. ... land resources and climate, sufficient water resources are essential for successful farming.

8. They work every day ... Sunday

9. Maria hasn't seen anybody ... Tom.

10. ... teaching English, he writes novels.

11. ... apples we have bananas and pears.

12. Everyone laughed ... Henry.

Task 7. Translate into Ukrainian without using a dictionary.

The process of allocating in a systematic and rational manner the cost of certain items (capital assets) over the period of its useful life is known as depreciation. There are three main types of depreciation causing the decrease in value of an asset: physical depreciation, moral depreciation, deterioration. The capital assets gradually wear out in the process of production, thus after a definite period of time they have to be replaced. This is known as their physical depreciation. However, capital assets are also subject to moral depreciation that is after serving for some period of time, they may become obsolete before they are physically worn out and have to be replaced by more up-to-date means of production. Such obsolescence of the assets is caused by technological changes and by the introduction of new and better machinery and methods of production. Obsolescence is also caused by the commodity produced by the asset, for instance, if it goes out of fashion. In the latter case, the degree of obsolescence will depend on the specific nature of the asset. Sometimes

assets can be easily adapted to alternative uses while others may have only one application. Deterioration means a change in value of an asset because of the effects of nature, for example, for machinery this might be rust, for buildings it is connected with decadence, for farm lands it is caused by erosion.

It is important to know depreciation of the capital assets as it increases the business's expenses, so two main methods are used by accountants in calculating periodic depreciation. The most widely used is the straight-line method, in which the rate of depreciation is constant for the entire working life of the capital assets. The second method is known as accelerated depreciation method, the depreciation rate in the first years of asset use is greater than in the later years.

What types of depreciation are the following items subject to: computers, combines, farm buildings?

Task 8. Complete the sentences.

1. Most capital assets have a limited life due to...
2. Depreciation results from such causes as...
3. In the case of machinery one should take into account...
4. Obsolescence can be caused either...
5. The effects of nature decrease the value of capital assets because of...
6. The choice of depreciation method is particularly important...
7. In practice we often use the following methods of calculating depreciation ...
8. Accelerated depreciation method means...

Task 9. Translate into English. You may use a dictionary.

1. Багато людей пов'язують поняття «фінансові активи та пасиви» зі складними бухгалтерськими обліками, балансом, сальдо й іншими економічними термінами.

2. Активом є власність, яка приносить дохід, а пасивом називають майно, що віднімає гроші.

3. Основним активом може бути нерухомість (будинок, квартира, кімната, ділянка землі тощо), якщо Ви здаєте її в оренду.

4. Упродовж тривалого часу Ви можете зібрати кошти на придбання житла і в подальшому здавати його в оренду різним мешканцям – це буде приносити Вам стабільний пасивний дохід.

5. Якщо Ви купуєте акції чийогось бізнесу, то можете розраховувати на отримання частини доходу від всього прибутку компанії в майбутньому.

6. До активів можна віднести вкладення в інші інструменти інвестування – пайові, інвестиційні, трастові фонди й банківські депозити, суть яких полягає в тому, що Ви інвестуєте певну суму й надалі отримуєте від ваших інвестицій пасивний дохід.

7. Вашими активами також можуть бути авторські гонорари й відрахування, які Ви отримуєте від вашої інтелектуальної власності (продаж ваших книг, картин, музики, відео, фільмів, сайтів тощо).

8. Кредитування й боргові розписки приносять Вам дохід, коли Ви даєте свої гроші якійсь приватній особі або компанії в борг під певні відсотки.

9. Існує принципова різниця між тим, здаєте Ви своє житло в оренду (актив) або ж оплачуєте всі комунальні послуги і віддаєте додаткову плату власнику майном (пасив).

10. Якщо Ви використовуєте Ваше авто для роботи (наприклад, таксі), то в такому випадку Вашу машину можна вважати активом; але якщо користуєтеся автомобілем тільки в особистих потребах і змушені регулярно платити за паливо, технічне обслуговування та ремонт, то це буде вже пасив.

Task 10. Put the words and phrases in the correct forms.

Profitable, though (2), conditions (2), to meet the demands, although, lease, rent, advantage, disadvantage, purchase, to provide, besides

1. After the 1973 shock rise in oil prices firms tried to stay in business for some time, _____ they were given a new blow by the second sharp rise in oil prices in 2000-2001.

2. Economic statistics have to _____ of various potential users.

3. Industry-specific human capital has both _____ and experienced workers get higher wages, they may have difficulty in finding a job if their human capital has become of no or little value.

4. Economic _____ are constantly changing.

5. With risen prices for oil, producers find it _____ to do research on substitute sources of energy.

6. To analyse the labour market, an economist should first explain how and under which _____ people allocate their time to business, which means he should study the supply of labour. _____ he should decide how firms employ labour, which means he should study demand for labour.

7. Part of national income is spent on the _____ of imported goods and services _____ it should not exceed a certain share of it. Transfer of surplus labour from agriculture to industry can _____ a source of economic growth.

8. _____ is a contract under which the owner of a building, machinery, land, etc. lets someone use his asset for a specified period of time in return for periodic payments of _____.

Task 11. Fill in the gaps with the following words: *thus, although, because of, because, so, but, if, while, however, since.*

1. _____ rising prices the company stock-in-trade has increased in value.

2. Capital borrowing has become easier _____ the government wants

to stimulate the economy.

3. Bond & Co. doesn't seem to be doing very well, _____ its goodwill is falling.

4. They are said to have employed a new Marketing Manager, _____ they don't expect an immediate improvement in sales.

5. The company's balance sheet appeared to be satisfactory, _____ within six months it went bankrupt.

6. _____ bank loans are a common source of long-term credit, short-term investment is usually financed in other ways.

7. Often the two sides of a balance sheet may not be in balance, _____ additional information should be taken into account, such as sale of assets, repayment of loans, payments of dividends and taxation.

8. _____ the balance sheet consists of three major sections, their arrangement varies from country to country.

9. _____ the company doesn't earn the reasonable net worth, the stock price will fall and ... make it difficult to attract additional capital.

Task 12. Match the first half of these sentences on the left with the second half on the right.

A	B
1. To be clear of debt	a. is usually calculated at the end of a fiscal year.
2. If current assets are less than current liabilities,	b. such as assets, liabilities and equity are likely to be arranged vertically.
3. The money obtained from selling a company's current tangible assets	c. a stock, a plot of land, a building or a machine.
4. Although accounting is one of the oldest professions in the world,	d. created the legal foundation protecting the work of many industries, for example music recording.
5. Both a person and a	e. the company should sell off part of its

<p>company can own such items of value as</p> <p>6. In England the three major sections of the balance sheet,</p> <p>7. In order to operate the business properly one should take into account</p> <p>8. Accountants are supposed to deal with</p> <p>9. The amount of the owner's investment interest</p> <p>10. The Copyright Act adopted by the US Congress in 1976</p>	<p>receivable accounts.</p> <p>f. the management of financial re-sources and the representation of other aspects of the business in financial terms.</p> <p>g. it took much time to find satisfactory general methods of keeping finance records.</p> <p>h. that the accounting system is just one of means of processing information in an organization.</p> <p>i. is unlikely to cover the company's debts.</p> <p>j. the stockholders can't expect any dividends</p>
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Lesson 7:

Single-entry and Double-entry Accounting Systems

Task 1. Look through the sentences. Pay attention to the functions of the gerund.

1. The variance in the results obtained appears to be due to the equipment depreciation having been calculated by diverse methods.
2. A new company cannot enter the market without its goods being distinguished from others by means of an original trademark.
3. A bank loan enabled the business to protect its real estate from being sold for the debts.
4. Accountants do not mind a technical term "net assets" being used instead of the term "equity".
5. The company could rise output produced by having adjusted the amount of man-hours used.

6. Such LDCs as Brazil and Mexico are pleased with having improved their exports of manufactured goods to industrialized countries.

7. Investors insisted on being informed about the financial situation of the project they maintained.

Task 2. Insert “varied”, “varies”, “variety”, “various”, “varying”, “vary”.

1. In the long run all factors of production can be...

2. Economists know labour to have a ... of functions.

3. ... magazines were strewn on the floor and a ... of books were stacked on the table.

4. ... his routine, he took a walk in the park.

5. The average US supermarket has several thousand ... goods on its shelves.

6. We need to produce this great ... of goods, machines and other inputs are needed.

7. The present ... of energy sources ranges from shallow Mideast oil wells to expensive, capital-intensive solar equipment.

8. Countries ... greatly due to the importance of primary commodities, which are products of farming and mining, for their economies.

9. You should eat a more ... diet. No one can survive on only diet Coke and pizza.

10. The right combination ... depending upon circumstances, including the political will of the Member States, as well as the capacities and mandates of the organizations concerned.

Task 3. Fill in the gaps with appropriate conjunctions “before”, “after”, “until”, “when”, “since”.

1. ... prices have doubled; individuals will hold twice as much money to maintain the desired level of their real money balances.

2. In every selling transaction, ... the payment is made, the seller becomes a creditor of the buyer.

3. The real exchange rate measures the relative price of domestic goods to foreign ones ... it is measured in a common currency.

4. ... domestic prices and wages adjust to the new exchange rate, the aggregate demand can greatly reduce.

5. ... starting any business, the owner should think of keeping accurate bookkeeping system.

6. The USA has given almost \$150 billion in foreign aid ... the end of World War.

7. ... posting the journal into the ledger one should prepare a trial balance.

8. ... the real exchange rate rises, the international competitiveness of the domestic economy reduces.

9. It is interesting that the practice of double-entry bookkeeping is likely to have appeared only... trade relations began rapidly developing nations in the 14th century.

10. It happened long time ... a detailed description of this system was published. The profession of accountant is said to have existed ... the end of the 17th century, but definite rules regulating the accountant's work were adopted only ... the 18th century.

11. This profession wasn't recognized in Europe or America ... the late 19th century.

Task 4. Choose the correct answer.

1. A general *journal / ledger* is the first place where data is recorded, and every page in the item features dividing columns for dates, serial numbers, as well as debit or credit records.

2. The accounting cycle is known to consist of seven main steps, the *bookkeeping / accounting* being responsible for the analysis and interpretation of the *records / entries*.

3. Having drawn up the *balance sheet / trial balance*, the bookkeeper expects the final financial *accounts / statements* to be prepared in the *accounting / managerial* department.

4. A bookkeeper deals with taxes, cash flow which includes cash *receipts /*

credits and *debits* / *payments*, sales, purchases and different other business *activities* / *transactions*.

5. Bookkeepers first *post* / *record* all the data in the books which are called *ledgers* / *journals*.

6. The record-keeping *accuracy* / *accurately* can't be checked until total debits and total credits are added together.

7. All items of tangible assets should be *posted* / *listed* accurately before calculating their depreciation.

8. If sources exceed uses, there will be *a balance* / *an excess* of cash representing funds provided but not yet put to use in the business.

9. A *single-entry* / *double-entry* accounting system that uses a general ledger and a general journal is arguably the best method for tracking a company's overall financial data.

10. The general ledger tracks five prominent accounting items: assets, liabilities, owner's capital, revenues and *profits* / *expenses*.

Task 5. Fill in the blanks with appropriate English equivalents of the given Ukrainian words and phrases focusing on functions of the infinitive.

1. The task of bookkeeping (*полягає в тому, щоб записувати*) systematically all transactions of the company and (*забезпечувати*) accounting with all the necessary data.

2. An error in records of this transaction (*як стверджують, була зроблена*) at the posting step when the accountant transferred the data from the journal to the general ledger.

3. (*Для того, щоб була завершена*) the bookkeeper's work, a trial balance summarizing all debits and credits should be prepared at the end of the fiscal year.

4. The board of directors (*очікує, що керівник підготує доповідь*) about the current financial position of the company (*для того, щоб ухвалювати*) proper managerial decisions.

5. The accountants (*знають, що фінансові документи можуть*) to

determine debts and profits of a company during a given period.

6. (*Щоб знати*) whether the receipts and payments are in balance, (*необхідно вести*) an accurate double-entry bookkeeping system.

7. The recording of all the company's transactions (*потрібно вести*) systematically.

8. (*Щоб компанія успішно працювала*), the data about assets, liabilities and debts should be available at any given moment.

9. The profit made on a commodity (*як відомо, залежить від*) its production cost.

10. Debit and credit aspects of every transaction (*впливають на*) the financial structure of the account, certain accounts increasing while the others decreasing.

Task 6. Open the brackets using the verb in the right tense form, active or passive voice.

1. Accounting as it (*to exist*) today may (*to view*) as a system of assumptions, concepts, doctrines which (*to summarize*) in generally (*to accept*) accounting principles. 2. Many of these principles (*to develop*) gradually, but only in recent decades these principles (*to recognize*) as laws. 3. Economic theory (*to deal*) with several following fundamental accounting concepts.

4. The on-going concept (*концепція діючого підприємства*) (*to state*) that the entity (*юридична особа*) that (*to be, to perform*) activity and (*to be, to receive*) accounting information (*must, to define*) clearly and the relationship (*to exist*) between the entity and external parties (*must, to understand*) clearly.

5. According to the historical-cost principle economic resources (*should*) (*to evaluate*) in terms of the amounts of money (*to exchange*). 6. When a transaction (*to occur*), the exchange price (*to be*) a measure of the value of the economic resources (*to exchange*).

7. The realization concept (*to disclose*) that in-counting (*to take place*) only for those economic events to which the entity (*to be*) a party. 8. In accordance with the matching principle income (*to calculate*) by matching revenues with the

expenses incurred (нести збитки) in order to obtain that revenue.

9. The accrual concept (*to define*) revenues and expenses as inflow and outflow of all assets in the course of operating the enterprise.

10. The consistency concept assumes tin-accounting methods (*to use*) at a given time (*must, to be*) in line with those previously (*to use*) for describing company performance. 11. Such consistency (*to allow*) data of different periods (*to compare*). 12. The disclosure principle (*to emphasize*) that financial statements (*should, to present*) clearly the most useful in formation.

Task 7. Make up five questions to the text.

Each time, when an item is purchased or sold, a bookkeeper performs the first three steps of the cycle and passes on the information to the accountant who carries out the last four steps such as: 1) calculate adjustments; 2) prepare adjusted trial balance; 3) prepare financial statements; 4) close entries (закрити рахунок). The most common reasons the accountant should consider preparing adjustments are the following: increased revenue (for example, interest earned but not yet received); any government taxes or employee salaries that have not yet been paid; the value of the office supplies that have been used (electricity, water, etc.); depreciation of the assets; changes in the inventory (товарно-матеріальні цінності). As for inventory, it involves the physical measurement, counting and evaluation of items for sale. Inventory evaluation is subject to a variety of accounting methods, since many inventory items cannot be specifically calculated. The grain in a grain elevator, for example, comes from different sources and may have been bought at several prices. An accountant must choose between one of several methods for valuing the grain; each will provide a slightly different value figure. On the fifth step when the adjustments are calculated, the accountant prepares an adjusted trial balance that combines the original trial balance with the effects of the adjustments. The balances in the accounts are the data that make up the organization's financial statements as a balance sheet and an income statement. The preparation of these statements is considered to be the main purpose of the sixth step. The final step comprises a

series of bookkeeping debits and credits to transfer sums from income statement accounts into owners' equity accounts, and thus into capital. Such transfers reduce to zero the balances of all accounts; therefore the accounting books will be ready for the next accounting period.

Task 8. Using the above given information, build a scheme diagram of accounting steps of an enterprise and determine at which step the following tasks are solved.

1. The posting of the amounts from journals to the general ledger at the end of a month.
2. The calculation of moral and physical depreciation of the capital assets.
3. The calculation of total assets, liabilities.
4. The recording of the data about a transaction in journals.
5. The evaluation of the inventory.
6. The preparation of the financial statements on the basis of a balance sheet.
7. The determination of the equity clear of debt.
8. The preparation of the adjustments caused by depreciation of the equipment.
9. The calculating of the sum of all debits and credits.
10. The checking of the main equation of the bookkeeping.
11. The transferring of the sums into the capital account.
12. The preparation of the trial balance sheet.

Task 9. Translate into English. You may use a dictionary.

1. Мета бухгалтерського обліку полягає в наданні правдивої інформації для складання фінансової звітності. 2. Для цього на рахунках бухгалтерського обліку потрібно обліковувати залишки і рух активів, капіталу й зобов'язань, правильно визначати фінансовий результат діяльності підприємства шляхом обліку та співставлення доходів і витрат. 3. У процесі обліку реєструють господарські операції, групують та узагальнюють дані. 4. Усе це уможлиблює

отримання інформації за будь-який період про те, скільки активів надійшло на підприємство, а скільки вибуло, як змінились зобов'язання (пасиви), і скільки їх наприкінці звітнього періоду.

5. Операції із пасивами й активами безпосередньо не впливають на формування фінансового результату діяльності підприємства, тобто вони не збільшують витрати та доходи, а здебільшого пов'язані із формуванням фінансових і матеріальних ресурсів. 6. Підприємство отримує від постачальника сировину і в результаті такої операції збільшується актив підприємства (матеріальні ресурси) і заборгованість постачальнику; але ні витрати, ні доходи підприємства від цієї операції не зміняться. 7. Якщо підприємство перерахувало гроші своєму постачальнику, то в результаті цієї операції зменшиться залишок грошей на рахунку в банку і одночасно зменшиться заборгованість постачальнику. 8. У цій операції не виникає витрат чи доходів, тобто ця операція не вплине на фінансовий результат діяльності підприємства. 9. Отож обліковий цикл є послідовністю етапів облікового процесу від аналізу господарських операцій до закриття небалансових рахунків і складання фінансової звітності. 10. Обліковий цикл охоплює такі етапи: аналіз операцій на основі первинних документів, реєстрація операцій в журналі реєстрації, запис операцій на рахунках, закриття небалансових рахунків, складання оборотної, сальдової відомості, запис оборотів, підрахунок сальдо за рахунками в головній книзі.

Task 10. Complete the statements.

1. To be efficient, extensive and accurate information concerning receipts and payments, assets...
2. Accounting and bookkeeping mean...
3. The task of a bookkeeper is...
4. The interpretation and analysis of financial events and transactions is...
5. The double-entry accounting system allows...

6. You might have an error in your books, if...
7. Common financial statements for small business are...
8. Closing your accounting books is...
9. You should decide which processes...
10. The items on the left side are called debits, while...
11. Certain accounts are increased with debits and...
12. Errors are readily detected, since the system...

Task 11. Replace the Ukrainian words and phrases in brackets with their English equivalents.

1. At the end of the fiscal year the company bank statement showed *(залишок у розмірі \$15,000)*.

2. A team of accountants is working now at *(складання зведеного балансу компанії)*.

3. After financial crises the government has to take special decisions to achieve *(збалансована економіка)*.

4. The country has a deficit *(торгівельного балансу з 2010 року)*.

5. The bank carefully examined *(балансовий звіт фірми)* before approving the loan.

6. In international economics, *(платіжний баланс)* showing the net in flow *(надходження)* of money to the country is considered to be a statistical account.

7. At the end of the year or even monthly a bookkeeper *(складає попередній баланс)*.

8. The main function of the central bank reveals itself in *(розрахунку на кожний день)* the sums received against the sums needed *(щоб не дозволяти залишкам накопичуватись)*.

9. If the company pays \$40 to one of its trade creditors, *(касова готівка зменшиться на \$40, а залишок на рахунках до оплати зменшиться на ту ж кількість)*.

10. As every transaction is listed once as a debit and once as a credit, so *(сума дебетового сальдо повинна дорівнювати сумі кредитового сальдо)*.

11. The example shows that 94 dollars have been taken in and 27 dollars have been paid out. The difference of 67 dollars (*що називають готівкою*) is added to the outside of the account to make both totals the same. If it is necessary to know whether the ins exceed the outs, one (*може підрахувати залишок на рахунок*) or, as accountants often say “(*закрити рахунок*)”.

Task 12. Match the first half of these sentences on the left with the second half on the right.

A	B
1. The accounting cycle is the process of	a. and bookkeepers often work side by side.
2. The accounting cycle makes accounting easier,	b. and bookkeepers record raw business transactions, in order according to the date events occur.
3. The general journal refers to a book of original entries, in which accountants	c. bookkeepers use to record all relevant accounts.
4. A general journal is the first place where data is recorded, and every page in the item	d. breaking your bookkeeping down into smaller tasks.
5. A general ledger is a book or file that	e. features dividing columns for dates, serial numbers, as well as debit or credit records.
6. The general ledger tracks five prominent accounting items: assets,	f. functions such as account analysis, auditing, or financial statement analysis.
7. Today, most organizations use accounting software to record transactions in general	g. ledgers and to journals, which has dramatically streamlined these basic record keeping activities.
8. Despite advances in software technology, there will always be a need to	h. liabilities, owner’s capital, revenues, and expenses.
9. The term accountant refers to a professional who performs accounting	i. record non-routine transactions in general journals, such as sales of assets, bad debt, and depreciation.

10. The two careers are similar and accountants	j. recording your business's financial activities.
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Lesson 8:

Causes of Inflation

Task 1. Look through the sentences. Find the synonyms of the following words and phrases: *rate, occurs, causes, consequently, has a negative impact on, expenses, wants, cars, prevalent, expectation, consumers, businesses, approximately, adjusts, combat, rise, quickly.*

Inflation is a measure of the level of rising prices of necessities in an economy. If inflation happens, it leads to higher prices for basic goods and services. As a result, it negatively influences the society. Inflation can happen in nearly any product or service, including need-based costs such as food, housing, utilities, medical care and spending money on our wishes such as automobiles, jewellery, cosmetics. Once inflation becomes dominant throughout an economy, the prospect of further inflation turns out to be an overriding concern in the consciousness of buyers and industries alike. Central banks of developed countries monitor inflation. For example, the Federal Reserve has an inflation target of nearly 2% and regulates monetary policy to fight inflation if prices increase too much or too fast.

Task 2. Read the description of three types (causes) of inflation systems and guess them: demand-pull, cost-push and built-in inflations.

This inflation occurs when an increase in the supply of credit and money stimulates overall demand for services and goods in an economy to rise more rapidly than the economy's production capacity. This increases demand and leads to price rises.

With more money available to people, positive consumer sentiment leads to higher spending, and this increased demand pulls prices higher. It forms a demand-supply gap with higher demand and less flexible supply, which results in higher prices.

The inflation is a result of the increase in prices working through the production process inputs. When additions to the supply of money and credit are channelled into commodity or other asset markets and especially when this is accompanied by a negative economic shock to the supply of key commodity, costs for all kind of intermediate goods rise. These developments lead to higher cost for the finished product or service and work their way into rising consumer prices. For instance, when the an expansion of the money supply creates a speculative boom in oil prices the cost of energy of all sorts of uses can rise and contribute rising consumer prices, which is reflected in various measures of inflation.

It is related to adaptive expectations, the idea that people expect current inflation rates to continue in the future. As the price of goods and services rises, workers and others come to expect that they will continue to rise in the future at a similar rate and demand more costs/wages to maintain their standard of living. Their increased wages result in higher cost of goods and services, and this wage-price spiral continues as one factor induces the other and vice-versa [25].

Task 3. Fill in the gaps with the notions, which categorise the speed of inflation.

Asset inflation, core inflation, creeping inflation, deflation, galloping inflation, hyperinflation, stagflation, wage inflation, walking inflation.

1. Prices rise 3% a year or less, it benefits economic growth and drives economic expansion. Mild inflation directs consumers to think that prices will keep rising. That boosts demand. Consumers purchase now to beat higher future prices.

2. This strong, destructive, inflation is between 3–10% a year. It harms the economy because it heats-up economic growth too fast. Consumers begin to buy more than they need to avoid tomorrow's much higher prices. This increased buying drives demand even further so that suppliers can't keep up.

3. When inflation rises to 10% or more, it wreaks absolute havoc on the economy. Business and workers' income can't keep up with costs and prices, because money loses value too fast that. Foreign investors avoid the country, depriving it of the needed capital. The government leaders lose credibility and the economy becomes unstable.

4. It is very rare and happens when governments print money to pay for wars. Prices skyrocket more than 50% a month. As examples of this inflation we can mention the United States in 1860–1865, Germany in the 1920s, Hungary since August 1945 to July 1946, Yugoslavia since April 1992 to January 1994, Zimbabwe in the 2000s, and Venezuela in the 2010s.

5. Economic growth is stagnant, but there still is price inflation. This combination seems contradictory. In this strange case prices go up when there isn't enough demand to stoke economic growth. It occurred in the 1970s when the USA abandoned the gold standard. As soon as the dollar's value was no longer tied to gold, it plummeted. Simultaneously, the price of gold skyrocketed.

6. This inflation rate measures rising prices in everything except energy and food. That's because petrol prices tend to escalate in summer. People use more petrol to go on vacation. Higher petrol costs increase the price of products and anything else that has high transportation costs.

7. The opposite of inflation happens, when prices fall. It is caused when an asset bubble bursts.

8. This inflation takes place when employees' pay rises quicker than the cost of living. This kind of inflation occurs, when there is a shortage of

workers, when labour unions negotiate ever-higher wages, when workers effectively control their pay.

9. An asset bubble appears in one asset class. Examples include gold, oil and housing. It occurs when inflation in goods is low and credit is plentiful. This type of inflation denotes a rise in price of assets, as opposed to ordinary services and goods [12].

Task 4. Choose the correct answer.

1. Inflation is a term used by economists to define broad *increases / decreases* in prices.

2. Inflation can also be defined as the rate at which purchasing power *rises / declines*.

3. *Inflation / deflation* occurs when the purchasing power of money increases / declines and prices *increase / decline*.

4. If *inflation / deflation* is at 5% and you currently spend \$100 per week on groceries, the following year you would need to spend \$105 for the same amount of food.

5. The decline of purchasing power of a given currency over time causes *inflation / deflation*

6. A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of an average price level of a basket of selected goods and services in an *economy / economics* over some period.

7. The rise in the general level of prices, often expressed a percentage means that a unit of *cash / currency* effectively buys less than it did in prior periods.

8. The reasons for stagflation vary but are mainly due to harsh regulations combined with an increase in the money *supply / transaction*.

9. There are three main *catalysts / inhibitors* for inflation: demand pull-inflation, cost-pull inflation, and built-in inflation.

10. Economists used the term currency *conversion / stagflation* to define an economy that has inflation, a slow or stagnant economic growth rate, and a relatively high unemployment rate.

Task 5. Build sentences with the word combinations in the table.

Money	is	a digital currency that can be used to buy
A store of value	means	goods and services, but uses an online ledger
A unit of account		with strong cryptography to secure online
A medium of exchange		transactions.
Barter		a government-issued currency, not backed
The double coincidence of wants		by gold or silver (physical commodity).
Commodity money		a request for money spent on a credit card or
Fiat money		debit card to be paid back to the customer by
Cryptocurrency		the seller.
A chargeback		an economic transaction without money.
		anything generally accepted in exchange for
		goods and services.
		money is generally accepted as a method of
		payment.
		that money consists of objects having
		intrinsic value in themselves.
		that money holds its value over time.
		that serves as a standard measure of value.
		the situation in which two people want to
		barter with each other.

Task 6. Complete the sentences with the past simple of the verbs in brackets

1. On 1 July 2020 Ukraine's international reserves (*to stand*) at an equivalent of USD 28,515.73 million after increasing by 12.4% in June, according to preliminary data.

2. The last time the country's international reserves (*to be*) at the same level (*to be*) **was** in late 2012.

3. Due to the receipt of the first tranche under the new IMF programme, related financing, the growth in Forex purchases by the NBU in the interbank Forex market Ukraine's international reserves (*to increase*) significantly last month.

4. Overall, a number of drivers (*to determine*) how international reserves (*to change*) during the month: international funding disbursements and government transactions to repay public debt; the NBU's transactions in the Forex interbank market; the revaluation of financial instruments according to changes in their exchange rate fluctuations and market value.

5. The revaluation of financial instruments (*to gain*) an equivalent of USD 154.0 million in value last month.

6. Ukraine (*to get*) EUR 500 million from the EU and the first IMF tranche of USD 2,076.4 million, or SDR 1,500.0 million, under the new Stand-By programme.

7. Furthermore, the government (*to make*) some current transactions and (*to place*) EUR 353.3 million of FX-denominated domestic government debt securities.

8. At the same time, our country (*to spend*) an equivalent of USD 1,192.3 million on servicing and repaying FX-denominated public debt.

9. That debt (*to include*) the USD 1,073.8 million that (*to go*) to make repayments on FX-denominated domestic government debt securities, as well as USD 75.7 million in Eurobond repayments.

10. The government (*to use*) the remaining funds and (*to meet*) other commitments to foreign creditors.

11. The supply of foreign currency by businesses went on to surpass demand.

12. Taking advantage of this surplus, the NBU (*to buy*) excess foreign currency and (*to replenish*) international reserves.

Task 7. Make up five questions to the text.

Mark Carney, the governor of the Bank of England, has already filled his fountain pen and now he is looking for a stamp.

Today the inflation has fallen to 0.5% on the Consumer Prices Index (CPI) measure. So he has to write a letter to the chancellor and explain why inflation has missed the Bank's target of 2% by more than one percentage point.

But why in the world should he write to George Osborne and apologise, when low inflation looks so attractive?

Falling oil prices will probably mean that the average British driver will save around £140 this year. What a driver does not spend on petrol – feasibly £4 billion in total – is likely to be spent elsewhere, so boosting the economy in other ways.

In the example of falling oil prices, the driver perhaps does not have much choice as to whether to buy petrol or not. But imagine if the price of the car itself were to start falling. Instead of buying yourself a new car this year, you might buy it next year, when it might be hundreds of pounds cheaper. A little inflation encourages you to buy sooner – and it boosts economic growth.

Anyone with a loan or a mortgage benefits from inflation, as it has the effect of eroding debt. In the 1960s Roger bought a house for £12 500. But with inflation peaking at 14% in the late 70s, his wages were rising fast too – meaning the mortgage repayments were taking an ever smaller share of his income. By contrast, deflation (falling prices) increases the real value of debts. Not a good place to be.

Rising prices make it easier for companies to put up wages. They also give employers the flexibility not to increase wages by as much as inflation, but still offer their staff some sort of rise. In a world of zero inflation some companies might be forced to cut wages.

That would not be good for morale, recruitment or productivity. For most of the last five years inflation has been running ahead of wage rises, but thanks to inflation, wages have also been rising, even if the money doesn't go as far.

When inflation is too high, it is bad for individuals and the economy on the whole. Inflation will always reduce the value of money, unless interest rates are higher than inflation. And the higher inflation gets, the less chance there is that savers will see any real return on their money. Anyway theoretically inflation seems to be good for the economy, by encouraging people to spend rather than save.

High inflation causes boom and bust in the economy. It produces low growth and higher unemployment. If inflation exceeds ones in other countries, it can also erode competitiveness.

Most central banks favour an inflation target that is in the region of 2% to 2.5%. The Bank of England's target of 2% under the CPI measure is fairly typical. Some economists argue there should be a higher target in times of recession, such as 3%. This can promote higher growth, by keeping interest rates lower for longer. But whatever the precise level, most do agree that a little dose of inflation is absolutely essential [38].

Task 8. Translate into Ukrainian without using a dictionary.

A reserve currency is a precious metal or foreign currency held in large quantities by governments, central banks, monetary authorities and financial institutions for participating in the global economy through international investments or transactions.

On the whole, a reserve currency is characterised by the depth and liquidity, that allows for efficient and reliable international transactions; free and easy exchange for other currencies.

By the mid-twentieth century silver and gold had been commonly used as reserves. Nowadays modern reserves are mostly made up of strong foreign currencies, many of them specifically designated as reserve currencies by the IMF. Reserve currencies are also foreign currency deposits, loans and securities.

Six main factors make a currency useful as a reserve currency. They are: the size of the economy where that currency derives from; how

significant that economy is on the international arena; how open its financial markets are; the currency's convertibility; whether it is used as a regional or international currency peg; domestic macroeconomic policies.

Ten countries with the largest foreign currency reserve assets in December, 2020 were China, Japan, Russia, India, Singapore, Saudi Arabia, South Korea, Brazil, Thailand and Mexico. These reserves include gold, US dollars and other reserve currencies.

As you know, the US dollar is not the only reserve currency designated by the International Monetary Fund and other global organizations. The euro, Japanese yen, British pound sterling, Chinese renminbi, Canadian dollar, Australia dollar and Swiss franc are also popular as reserve currencies.

Task 9. Complete the statements.

1. One of the most essential things to be successful is...
2. Humans are always looking for means to make transacting...
3. Money is something that people regularly...
4. Money has taken different forms ...
5. All forms of money share three functions ...
6. We would find it most helpful if the price ...
7. This note is legal tender for ...
8. Barter is very difficult to arrange ...
9. Gold has historically served as commodity money ...
10. Fiat money has no intrinsic value, but ...
11. Today there are over 150 currencies ...
12. Bitcoin grew with no investors...

Task 10. Translate into English. You may use a dictionary.

1. Товаром, який вперше почали використовувати як універсальні гроші, майже в усіх народів був домашній скот. 2. Однак скот не міг повною мірою задовольнити всі вимоги ринкового обігу. 3. Цей вид

грошей вимагав витрат на своє утримання, був незручним для далекого транспортування, непридатним для дрібних торгових угод. 4. Грошима ставали товари, що відповідали таким вимогам: мали високу і незмінну вартість; мали обмежену споживну вартість; були компактними; мали здатність ділитися на дрібні частини; були фізично довговічними. 5. Усім цим вимогам відповідали благородні метали, тому вони і стали з часом грошима. 6. Отже, гроші – це всезагальний еквівалент вартості товарів.

7. Золотий монометалізм найбільшого розквіту набув у 20-ті роки XIX ст. в Англії та став у 70-ті роки міжнародним стандартом металевого грошового обігу. 8. Золотий стандарт проіснував у національному грошовому обігу до 30-х, а в міжнародному – до 70-х років XX ст., поступившись місцем кредитно-паперовим грошам.

9. У період золотого стандарту золоті монети вільно вироблялися різними державами й вільно обмінювались між ними. 10. З 1971 р. золотодоларовий стандарт перестав існувати, оскільки США відмовилися обмінювати долари на золото. 11. Операції із золотом почали здійснювати за цінами вільного ринку. 12. У 1978 р. це спонукало МВФ відмінити офіційний золотий вміст долара й увести плаваючий курс валют, який досі існує [5, с. 51–52].

Task 11. The world's total foreign exchange reserves was estimated at 9,447,754.3 million US dollars. Study the data in the tables and charts. Discuss the information with your groupmates.

Example:

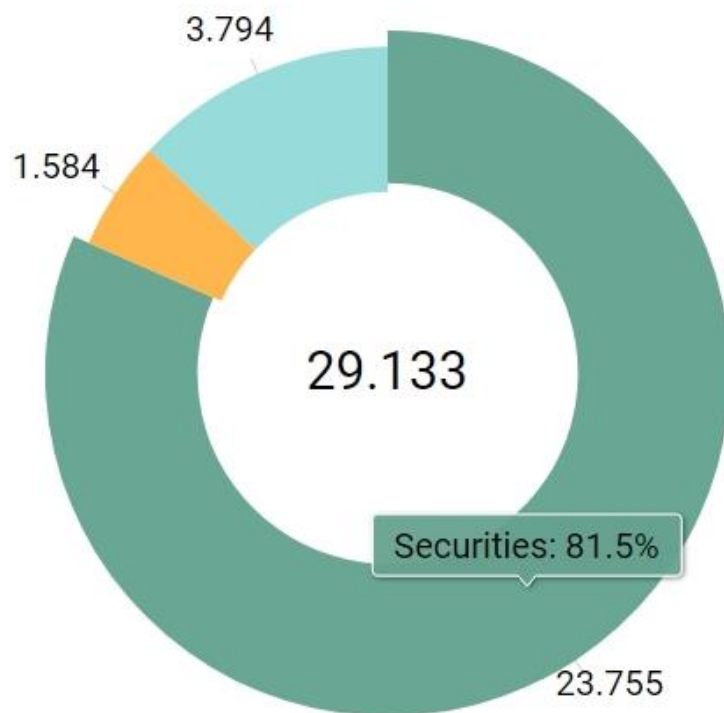
China is the top country by foreign exchange reserves in the world. In December 2020, foreign exchange reserves in China were 3,240,735 million US dollars that accounts for 34.30% of the world's foreign exchange reserves. Top 5 countries account for 66,07%.

		2020 Dec	2020 Nov	2020 Oct	2020 Sep	2020 Aug	2020 Jul
1	China	3,240,735.0	3,201,638.0	3,150,784.0	3,165,401.0	3,187,740.0	3,177,539.0
2	Japan	1,349,323.0	1,342,415.0	1,339,235.0	1,344,522.0	1,351,531.0	1,355,309.0
3	Russian Federation	595,774.0	582,676.3	582,844.6	583,425.7	594,421.8	591,753.1
4	India	580,841.0	574,821.0	560,715.0	544,687.0	542,881.0	534,568.0
5	Singapore	475,204.9	468,866.2	458,035.4	444,370.3	441,876.6	437,202.9
6	Saudi Arabia	453,669.7	456,978.0	446,630.8	447,608.7	453,449.5	447,998.1
7	Korea, Rep.	443,098.1	436,377.2	426,509.8	420,545.1	418,950.8	416,525.9
8	Brazil	355,620.0	356,004.0	354,546.0	356,606.0	356,092.0	354,664.0
9	Thailand	258,134.4	253,493.8	248,511.4	251,053.1	254,518.3	250,355.5
10	Mexico	195,667.0	194,287.0	194,351.0	193,957.0	193,334.0	192,606.0
11	Czech Republic	165,756.2	162,541.0	157,192.5	157,378.0	159,768.8	157,918.6
12	Qatar	162,203.6	158,637.7	158,683.5	158,841.7	161,835.5	161,108.9
13	Poland	154,246.2	144,412.5	143,116.6	139,496.0	139,111.5	137,674.1
14	Indonesia	135,896.7	133,556.1	133,662.7	135,153.2	137,041.3	135,077.2
15	Philippines	109,797.5	104,815.4	103,802.6	100,443.3	98,954.9	98,600.5
16	Malaysia	107,600.0	105,336.2	104,593.0	104,981.0	104,417.9	104,214.9
17	Peru	74,909.0	71,833.0	72,574.0	72,428.0	74,782.0	74,560.0
18	Colombia	59,039.3	57,254.4	56,928.1	56,987.1	57,193.1	56,978.8
19	South Africa	55,013.0	53,760.0	53,658.0	54,420.0	55,748.0	57,876.0
20	Chile	53,591.1	49,479.5	48,546.0	48,905.5	48,076.6	47,086.3

Fig. 10. Foreign Exchange Reserves (million US dollars)

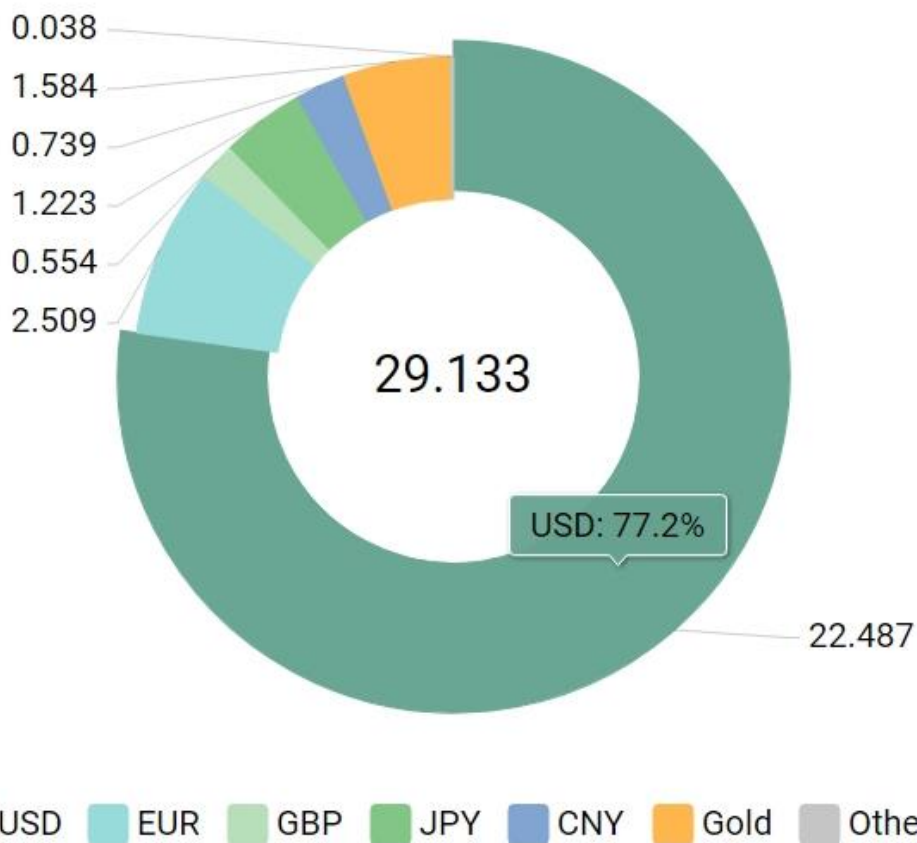


Fig. 11. Dynamics of Ukraine's International Reserves



■ Securities
 ■ Monetary gold
 ■ Banknotes, current accounts, time deposits

Fig. 12. The Structure of Ukraine's International Reserves by Instrument



■ USD
 ■ EUR
 ■ GBP
 ■ JPY
 ■ CNY
 ■ Gold
 ■ Other

Fig. 13. The Structure of Ukraine's International Reserves by Currency

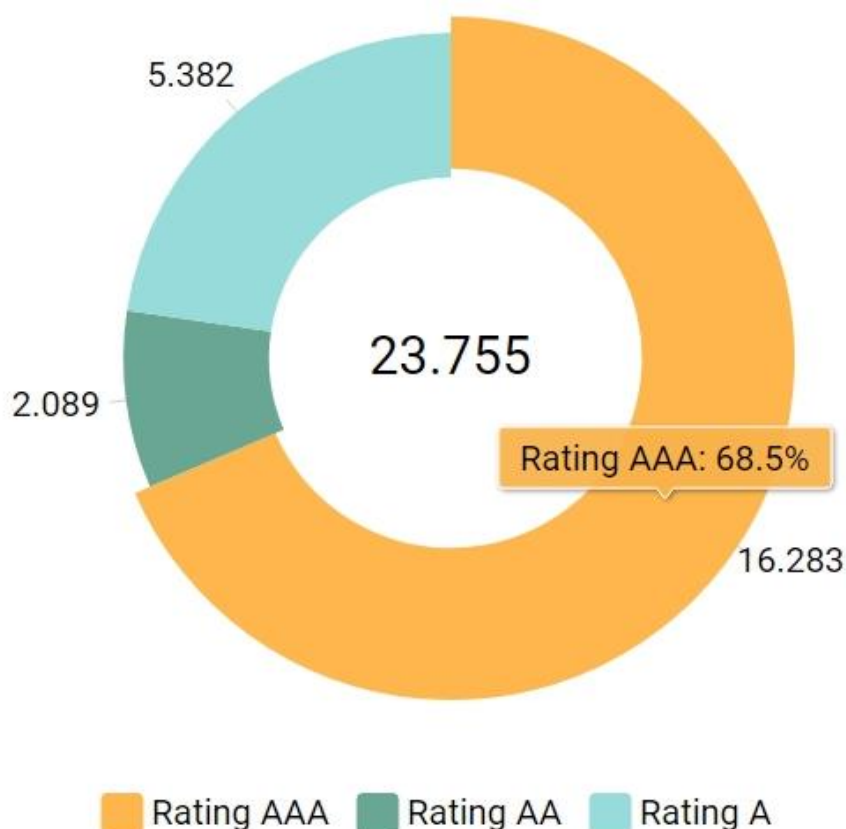


Fig. 14. The Structure of Ukraine's Securities Portfolio

For government payments and foreign exchange interventions the National Bank of Ukraine uses international reserves – liquid assets of in foreign currency and gold. Ukraine's international reserves are held at reliable financial instruments and first-class foreign banks. Chief principles for international reserves management are determined by top priority: safety, liquidity and return.

Task 12. Match the first half of these sentences on the left with the second half on the right.

A	B
1. Purchasing power parity is an economic theory	a. ... as a credential in predicting and recommending economic policy.
2. Every three years the World Bank constructed and released a report	b. ... buying habits and it refers to a fixed set of consumer products and
3. The IMF and the OECD use	c. ... criticize this the Big Mac Index because of its limitations.

<p>the World Bank Group's report</p> <p>4. The basket of goods is adjusted per changes in consumers'</p> <p>5. Despite being a reasonable real-world measurement, some economists</p> <p>6. In many countries, dining at McDonald's is</p> <p>7. The demand for a burger is relatively less and</p> <p>8. The total price of a Big Mac burger will be dependent upon local production, delivery cost, advertising costs, transportation costs</p> <p>9. The prices of a Big Mac also vary with the areas in which it is sold</p> <p>10. In October 2008 a pseudonymous programmer by the name of Satoshi Nakamoto published</p>	<p>d. ... which compares various currencies with the US dollar.</p> <p>e. ... which draws a comparison between different currencies through a market "basket of goods" approach.</p> <p>f. a white paper in which he described a protocol for a decentralized digital currency.</p> <p>g. and the status of the local market, which will be different among countries and not be a reflection of overall relative currency values.</p> <p>h. it doesn't stand as globally acceptable.</p> <p>i. relatively expensive when compared to dining at a local restaurant.</p> <p>j. therefore, a Big Mac sold in a major city might be more expensive than one sold in a somewhat rural area.</p>
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ADDITIONAL READING

Economic Growth

Every country worries about economic growth. In Liechtenstein, Switzerland, Norway, Luxembourg, Iceland, Qatar, Denmark, Ireland, Singapore, Sweden, Australia, Netherlands, Austria, Finland, Germany, Belgium, Canada, the United Arab Emirates, Israel, New Zealand, France, the UK, Japan, Italy and other high-income countries, the question is whether economic growth continues to provide the same remarkable gains in our standard of living as it did during the 20th century.

Approximately 2,6 billion people are scraping by on incomes that average less than \$2 per day. Significant improvements in the standard of living are possible. One of the bright examples is South Korea. After the War in the late 1950s South Korea was one of the poorest countries in the world. Most South Koreans were employed in peasant agriculture. Angus Maddison, a British economist, researched the world economy on the bases of measurement of GDP and population. In 1990 South Korea's GDP per capita international dollars was \$854 per year. Since the 1960s to the early twenty-first century the South Korean economy grew fast. Actually over 4 decades, GDP per capita increased by more than 6% per year.

Today the World Bank has confirmed that South Korea's GDP exceeds \$30000 in nominal terms, placing it firmly among high-income countries like the United Kingdom, Japan and Spain. Measured by total GDP of \$1.65 trillion in 2019, South Korea is the 12th largest world economy. For a nation of 51 million people, this transformation is very impressive.

In the late nineteenth century a remarkable process has taken place – Japan, South Korea and China showed the potential to catch up the world’s leading economies. Such extensive process of economic growth was facilitated by the Industrial Revolution, which improved employee productivity, trade conditions, the development of market institutions and governance.

Comprehension questions

- 1. Can middle-income countries like Venezuela, Costa Rica, Russia, South Korea, Egypt, Argentina, China, Turkey, Poland and Bulgaria catch up to the higher-income countries?*
- 2. What do you think about Ukraine remaining in the third tier of per capita income?*
- 3. How can the world’s poor be lifted from their fearful poverty?*
- 4. When there was a spectacular process of South Korea’s economic growth?*
- 5. What are the causes of economic growth?*

Labour Productivity and Economic Convergence

Productivity is the value of goods or services produced per hour or per worker. So, we can measure productivity as the level of GDP per hour or GDP per worker.

The USA experienced a productivity slowdown in 1973 –1989. Since then, notwithstanding the existing global recession the United States’ productivity has rebounded. Still economists are not sure if the current growth in productivity will be sustained.

The economy’s rate of wages and long-term growth tells us much about the rate of productivity growth. For decades slight alterations of percentage points in the annual rate cause a tremendous difference in GDP per capita. The aggregate production function defines how such inputs as technology, human and physical capitals influence the output measured as GDP per capita. Compound growth and compound interest rates behave

similarly as productivity rates and seemingly insignificant changes in percentage points have immense impacts on income over time.

Capital deepening refers to a rise in the quantity of capital per worker. Human capital reveals itself in the form of skills or higher education, while physical capital refers such assets as building, equipment, machinery, vehicles. Technology includes innovative methods of production, scientific inventions, advanced forms of management and administration. In a free market economy to create a healthy climate for growth in GDP per capita there is a need in improving human capital, physical capital and technology.

Economic convergence is the hypothesis that poorer economies' per capita incomes will tend to grow at faster rates than richer economies.

Convergence happens when nations increase investment in human and physical capital with the purpose of growing GDP. In a low-income economy the effect of new investment on human and physical capital results in gaining new skills or equipment. Higher income countries, as a rule, have diminishing returns to their investments consequently they must constantly develop innovative technologies. At the same time it is worth mentioning that lots of high-income countries have built economic institutions which provide a healthy climate for introducing technological innovations.

Comprehension questions

- 1. What does the term “productivity” mean?*
- 2. When did the United States experience a productivity slowdown?*
- 3. How can you describe the aggregate production function?*
- 4. What are the components of the economic growth?*
- 5. When does economic convergence occur?*

Gross Domestic Product

The first step toward understanding macroeconomics is to measure the size of a country's overall economy by its gross domestic product (GDP), which is the value of all final goods and services produced in a current year. The measurement of GDP involves counting up the production of millions of various goods and services – watches, smart phones, laptops, cars, buses, trains, aircrafts, music downloads, steel, apples, peaches, plums, roses, university educations, and all other new goods and services produced in the given year – and summing them into a total dollar value. This task is straightforward: take the quantity of everything produced, multiply it by the price at which each product sold, and add up the total.

In 2020 the US GDP totaled \$19.48 trillion (24,08% of the world GDP) with the growth 2,27% and reached \$59,939 per Capita

Every market transaction which enters into GDP has to encompass both a buyer and a seller. We can measure the GDP of an economy either by the total dollar value of what is produced, or by the total dollar value of what is purchased in the economy.

Thus, the size of a nation's economy is commonly expressed as its gross domestic product, which measures the value of the output of all goods and services produced within the country in a year. GDP is measured by taking the quantities of all goods and services produced, multiplying them by their prices, and summing the total. Since GDP measures what is bought and sold in the economy, it can be measured either by the sum of what is purchased in the economy or what is produced.

We can divide demand into investment, consumption, government, imports and exports. In turn, the produced things fall into durable and nondurable goods, services, inventories, structures. To avoid double counting, GDP counts only final output of goods and services, not the production of intermediate goods or the value of labour in the chain of production.

The nominal value of an economic statistic is the commonly announced value. The real value is the value after adjusting for changes in inflation. To convert nominal economic data from several different years into real, inflation adjusted data, the starting point is to choose a base year arbitrarily and then use a price index to convert the measurements so that they are measured in the money prevailing in the base year.

Over the long term the US real GDP have increased dramatically. At the same time, GDP has not enlarged the same amount each year. The speeding up and slowing down of GDP growth represents the business cycle. When GDP declines significantly, a recession occurs. A longer and deeper decline is a depression. Recessions begin at the peak of the business cycle and end at the trough.

In order to compare different nations' GDPs, we need to convert their currencies to a common currency. One of the ways to do that is with the exchange rate, which is the price of one nation's currency in terms of another. Once GDPs are expressed in common currency, we can compare each country's GDP per capita by dividing GDP by population. Nations with large populations have large GDPs, but GDP alone can be a misleading indicator of the nation's wealth. A better measure is GDP per capita.

GDP is an indicator of a society's standard of living, but it is only a rough indicator. GDP does not directly take account of leisure, environmental quality, levels of health and education, activities conducted outside the market, changes in inequality of income, increases in variety, increases in technology, or the (positive or negative) value that society may place on certain types of output [30, p. 115–116].

Comprehension questions

1. Can you list some of the reasons why GDP should not be considered as an effective measure of the standard of living in a country?

2. What does GDP not tell us about the economy?

3. Should people typically pay more attention to their real income or their nominal income?

4. Why do you think that GDP does not grow at a steady rate, but rather speeds up and slows down?

5. Is GDP per capita an imperfect measure of a country's standard of living?

The Role of the Market in Our Life

Markets bring together buyers and sellers of goods and services. In some cases, such as a local fruit stall, buyers and sellers meet physically. In other cases, such as the stock market, business can be transacted over the telephone and computer.

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

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

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

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

Prices are guiding your decision to buy a hamburger, the owner's decision to sell hamburgers, and the student's decision to take the job. Society allocates resources – meat, buildings and labour – into hamburger production through the price system.

If nobody liked hamburgers, the owner could not sell enough at a price that covered the cost of running the cafe and society would devote no resources to hamburger production. People's desire to eat hamburgers guides resources into hamburger production. However, if cattle contracted a disease, thereby reducing the economy's ability to produce meat products, competition to purchase more scarce supplies of beef would bid up the price of beef, hamburger producers would be forced to raise prices, and consumers would buy more cheese sandwiches for lunch. Adjustments in prices would encourage society to reallocate resources to reflect the increased scarcity of cattle.

There were several markets involved in your purchase of a hamburger. You and the cafe owner were part of the market for lunches. The student behind the counter was part of the local labour market. The cafe owner was part of the local wholesale meat market and the local market for rented buildings. These descriptions of markets are not very precise. Were you part of the market for lunches, the market for prepared food, or the

market for sandwiches to which you would have turned if hamburgers had been more expensive? That is why we have adopted a very general definition of markets which emphasizes that they are arrangements through which prices influence the allocation of scarce resources.

Comprehension questions

- 1. What example is given of a market where sellers and buyers actually meet?*
- 2. How are households' decisions on what to buy reconciled?*
- 3. What problems do markets solve for society?*
- 4. What makes society put resources into hamburger production?*
- 5. How many markets does the writer say you are involved in if you buy a hamburger?*

Markets and Monopolies

Whenever people who are willing to sell a commodity contact people who are willing to buy it, a market for that commodity is created. Buyers and sellers may meet in person, or they may communicate in some other way: by letter, by telephone or through their agents. In a perfect market, communications are easy, buyers and sellers are numerous and competition is completely free. However, there are no really perfect markets, and each commodity market is the subject to special conditions. It can be said however that the price ruling in a market indicates the point where supply and demand meet.

Although in a perfect market competition is unrestricted and sellers are numerous, free competition and large numbers of sellers are not always available in the real world. In some markets there may only be one seller or a very limited number of sellers. Such situation is called a "monopoly", and may arise from a variety of different causes.

State planning and central control of the economy often mean that a state government has the monopoly of important goods and services. Some

countries have *state monopolies* in basic commodities like steel and transport, while other countries have monopolies in such comparatively unimportant commodities as matches. Most national authorities monopolize the postal services within their borders. A different kind of monopoly arises when a country, through geographical and geological circumstances, has control over major natural resources or important services, as for example with Canadian nickel and the Egyptian ownership of the Suez Canal. Such monopolies can be called *natural monopolies*. They are very different from *legal monopolies*, where the law of a country permits certain producers, authors and inventors a full monopoly over the sale of their own products.

These three types of monopoly are distinct from the sole trading opportunities which take place because certain companies have obtained complete control over particular commodities. This action is often called “cornering the market” and is illegal in many countries. In the USA anti-trust laws operate to restrict such activities, while in Britain the Monopolies Commission examines all special arrangements and mergers which might lead to undesirable monopolies.

Comprehension questions

- 1. What three means by which buyers and sellers can communicate if they do not meet in person are mentioned in the text?*
- 2. What is a monopoly?*
- 3. How many kinds of monopoly do you know?*
- 4. Why state planning and central control are considered necessary in some cases?*
- 5. What happens when certain companies obtain complete control over particular commodities?*

National Income Accounting

Gross domestic product measures the output produced by factors of production located in the domestic economy regardless of who owns these factors. GDP measures the value of output produced within the economy. Most of this output will be produced by domestic factors of production but there are some exceptions. Suppose Datsun or Peugeot builds a car factory in the UK. They employ UK workers and use machines made in the UK. Their output is part of GDP for the UK. However, the company's profits are owned by shareholders in Japan or France. Hence the value of the factory's output cannot be expected to be the same as the value of incomes earned by UK households. Initially we shall simply suppose that we are discussing a country with no links with the rest of the world. Shortly, we shall introduce the rest of the world and show that it is precisely the issue of how to treat payments of profits and other income to foreigners that explains why we have to distinguish GDP from the concept of GNP, which we introduced earlier. When an economy has no transactions with the rest of the world we say that it is a *closed economy*.

We start by recognizing that transactions do not take place exclusively between a single firm and a single household. Firms hire labour services from households, but they buy raw materials and machinery from other firms. If we include the value of the output of cars in GDP we do not want also to include the value of the steel sold to the car producer which is already in the value of the car.

To avoid double counting, we use the concept of value added. *Value added* is the increase in the value of goods as a result of the production process. Value added is calculated by deducting from the value of the firm's output the cost of the input goods that were used up in the act of producing that output.

Closely related to the concept of value added is the distinction between final goods and intermediate goods.

Final goods are goods purchased by the ultimate user. They are either consumer goods purchased by households or capital goods such as machinery which are purchased by firms. *Intermediate goods* are partly finished goods which form inputs to another firm's production process and are used up in that process.

Thus, ice cream is a final good but steel is an intermediate good which some other firm uses as an input to its production process. In classifying capital goods as final goods we suppose they are not used up in subsequent production, we suppose that they do not depreciate or wear out.

Comprehension questions

- 1. What is the definition of GDP?*
- 2. How can GDP be measured?*
- 3. What does the concept of value added mean?*
- 4. When is the economy closed?*
- 5. What is the distinction between final and intermediate good?*

Revenues, Costs and Profits

Revenue is the amount of money a firm earns by selling goods and services in a certain period of time. The costs are the expenses incurred in producing these goods and services during the period. Profits are defined as the excess of revenues over costs. Thus we can assume:

$$\text{Profits} = \text{Revenues} - \text{Cost}.$$

Although these ideas are quite simple, in practice the calculation of revenues, costs and profits for a large business is complicated. Otherwise we would not need so many accountants.

People do not always pay their bills immediately. From an economic viewpoint, the right definition of revenues and costs relates to the activities carried out during the year whether or not payments have yet been made. This distinction between economic revenues and costs and actual receipts and payments raises the important concept of cash flow.

A firm's *cash flow* is the net amount of money actually received during the period. Profitable firms may still have a poor cash flow, for example when customers are slow to pay their bills.

Part of the problem of running a business is that cash flow at the beginning is bound to be slow. Set up costs must be incurred before revenues start to flow in. That is why firms need financial capital to start the business. If the business prospers, revenues will build up and eventually there will be a healthy cash inflow.

Physical capital is the machinery, equipment, and buildings used in production. Rent-a-Person owns little physical capital. Instead, it rents office space, typewriters, and desks. In practice, businesses frequently buy physical capital. Economists use "capital" to denote goods not entirely used up in the production process during the period. Buildings and lorries are capital because they can be used again in the next year. Electricity is not a capital good because it is used up entirely during the period. Economists also use the terms "durable goods" or "physical assets" to describe capital goods.

Depreciation is the loss in value resulting from the use of machinery during the period. The cost during the period of using a capital good is the depreciation or loss of value of that good, not its purchase price.

The existence of depreciation again leads to a difference between economic profits and cash flow. When a capital good is first purchased there is a large cash outflow, much larger than the depreciation cost of using the good during the first year. Profits may be high but cash flow low. However, in subsequent years the firms make no further cash outlay, having already paid for the capital goods, but must still calculate depreciation as an economic cost since the resale value of goods is reduced still further. Cash flow will now be higher than economic profit.

Comprehension questions

- 1. What is the definition of revenue?*
- 2. How can we write the formula of profits?*
- 3. Why don't some people pay their bills immediately?*
- 4. When may profitable firms have a poor cash flow?*
- 5. When does depreciation occur?*

Trade and Multinational Business

The sale of goods and services often takes place on an international basis and is not restricted to local, regional or national markets. Nations import goods which they lack or cannot produce as efficiently as other nations, and they export goods that they can produce more efficiently. This exchange of goods and services in the world, or global market is known as international trade. There are three key benefits to be gained from this exchange.

First of all, international trade makes scarce goods available to nations which desire them. When a nation lacks the resources needed to produce goods domestically, it may import them from another country. For example, Saudi Arabia imports automobiles; the United States – bananas; and Japan – oil.

Secondly, international trade allows a nation to specialize in production of those goods for which it is particularly suited. This often results in increased output, decreased costs, and a higher national standard of living. Natural, technical and human resources help to determine which products a nation will specialize in. Saudi Arabia is able to specialize in petroleum because it has the necessary natural resource; Japan is able to specialize in production of televisions because it has the human resources required to assemble the numerous components by hand; and the United States is able to specialize in the computer industry because it has the technical expertise necessary for design and production.

There are two economic principles which explain how and when specialization is advantageous. According to the theory of absolute advantage, a nation ought to specialize in the goods that it can produce more cheaply than its competitors or in the goods that no other nation is able to produce. According to the theory of comparative advantage, a nation ought to concentrate on the products that it can produce most efficiently and profitably. For example, a nation might produce both grain and wine cheaply, but it specializes in the one which will be more profitable.

The third benefit of international trade is its political effects. Nations which trade together develop common interests and overcome political differences. Economic cooperation has been the foundation for many political alliances.

A company often becomes involved in international trade by exchanging goods or services with another country – importing raw materials it may need for production or exporting finished products to a foreign market. Establishing these trade relationships is the first step in the development of a multinational business. However, at this stage, the corporation's emphasis is still on the domestic market. As trade expands, the corporation's dealings with companies or people outside the "home country" of that corporation, the company begins to view the whole world as a base for production and marketing operations. The next step in the development of a multinational business is focusing on the world market. The company may establish a foreign assembly plant, engage in contract manufacturing, or build a foreign manufacturing company or subsidiary. Therefore, a multinational corporation is primarily based in one country and has production and marketing activities abroad. Since World War II, multinational corporations have grown rapidly. The names of many multinationals have become famous in the world marketplace: IBM, Daimler, Panasonic, Shell, Volkswagen and Pepsi.

Economic, technological social, cultural and political systems vary from country to country. In order to operate successfully, a multinational company should have a basic appreciation and understanding of the foreign business environment.

Comprehension questions

- 1. Where does the sale of goods and services take place?*
- 2. What do nations usually import and export?*
- 3. Which of main benefits can be gained from the trade on an international basis?*
- 4. How and when specialization in certain industries is advantageous?*
- 5. Which market does the corporation needs to do the emphasis on?*

Foreign Direct Investments

Foreign investors have got myriad motivations for seeking to earn profits in another country. But they have primarily two core choices when deciding how to deploy their capital. They can make a portfolio investment, buying bonds or stocks, often with the idea of making a short-term speculative financial gain without becoming actively engaged in the day-to-day running of the enterprise in which they invest. In another case they can choose the long-haul, hands-on approach – investing in an enterprise in another economy with the objective of gaining control or exerting significant influence over management of the firm (which usually involves a stake of at least 10 percent of a company's stock). In the most extreme case, investors may build new facilities from scratch, maintaining full control over operations.

It is the intent of lasting interest that is the crucial constituent of direct investment. A portfolio investor can sell a stock or bond quickly – whether to avoid a loss or cement a gain. Most corporations entering a foreign market through direct investment expect to substantially influence or control the management of the enterprise over the long haul.

Countries may encourage inward direct investment to improve their finances. Firms that set up operations in host countries are subject to local tax laws and often significantly boost the host country's tax revenues. Direct investment can also help a country's balance of payments. Because portfolio investments can be volatile, a country's financial circumstances could worsen if investors suddenly withdrew their funds. Direct investment, on the other hand, is a more stable contributor to a country's financial structure. Direct investors do not wish to take actions to undermine the value or sustainability of their investments.

Other positive effects associated with inward direct investment include increased employment, improved productivity, technology and knowledge transfer, and overall economic growth. Increased competition from foreign firms, whether new or acquired, often forces competitors to increase their productivity so that they don't go out of business. Suppliers and service providers to the direct investment enterprise may also increase their productivity, often because the investor requires higher-volume or higher-quality orders. The increase in volume and variability of products and services in the economy leads to overall improvement in the market's quality and size.

Host countries also benefit from a transfer of knowledge and technology, which often stems from workforce turnover. Incoming firms frequently offer more training opportunities than local employers. This knowledge is later transferred to local companies when trained employees leave the foreign enterprise for local businesses. In addition, there may be some incidental spillover of knowledge through informal networks, when employees exchange ideas and opinions about their workplace practices.

In turn, direct investment may not always be viewed positively from a host country perspective. Because productive companies engage in direct investment, the increased competition they provide may force the least productive local companies out of business. Opponents of direct

investment argue that foreign, especially brownfield, investment is a simple ownership transfer that does not generate new jobs. Some critics, moreover, point to the risk of a sudden reversal of the direct investment and a fire sale of assets, drastically reducing their value and, in extreme cases, forcing facilities to close and companies to lay off workers. Direct investment is often restricted in certain companies and industries, such as those involving sensitive high-technology products and in defense-related companies.

Comprehension questions

1. What should foreign investors do got to earn profits in another country?

2. When do businessmen invest in a foreign enterprise with the objective of gaining control or exerting significant influence over its management?

3. How many positive effects associated with inward direct investment can you enumerate?

4. In which way do host countries benefit or lose from foreign direct investments?

5. What is the definition of direct investment?

Vertical and Horizontal Direct Investments

A number of factors influence a company's decision to engage in direct investment, including analysis of the trade costs with a foreign country. If these costs – including tariffs (taxes on imports), trade barriers such as quotas, and transportation – are higher than the cost, including the costs of production abroad, of establishing presence in the foreign country, the business will maximize its profits through direct investment.

Companies may invest with the idea of producing components which become part of a bigger product. An automaker may invest in a plant to build transmissions that are shipped to a final assembly plant in another

country. This so-called vertical direct investment accounts for most of the investment by advanced economies in developing ones. The cost advantages associated with investing in a foreign country – and in many cases performing only a portion of the production process in that country – drive such investment. Abundant or unique natural resources or low labour costs influence the decision to move production overseas and import intermediate or final products from subsidiaries in host economies to the parent company's country (intrafirm trade).

A company may also invest in a foreign country by duplicating there its home country manufacturing processes. This may be done to supply goods or services to a foreign market. That's called horizontal direct investment. In countries with tariffs or other barriers to imports, a foreign firm may find that setting up local operations allows it to circumvent the barriers. Even though trade taxes have been falling over the years, such tariff jumping is still a common way to enter markets where the greatest benefit of direct investment is access to the local market. Another factor driving horizontal direct investment, specifically between advanced economies, is access to a pool of skilled employees and technology. In contrast to vertical direct investment, horizontal direct investment is likely to compete directly with local firms for local market share.

Of course investment need not be purely horizontal or vertical. A foreign subsidiary may provide goods to the parent company and receive services from the headquarters – a clear example of vertical direct investment. But the same subsidiary may also supply the local market, as part of the parent company's horizontal direct investment strategy.

Direct investment takes different shapes and forms. A company may enter a foreign market through so-called greenfield direct investment, in which the direct investor provides funds to build a new factory, distribution facility, or store, for example, to establish its presence in the host country.

But a company might also choose brownfield direct investment. Instead of establishing a new presence the company invests in or takes over an existing local company. Brownfield investment means acquiring existing facilities, suppliers, and operations – and often the brand itself.

That the overwhelming share of direct investment occurs among advanced economies may seem counterintuitive. But given the large size of these economies, it stands to reason that horizontal direct investment in which advanced economies access pools of skilled workers, advanced technology, and large markets in other advanced economies dominates global direct investment.

Data on direct investment can be hard to interpret because of investments in tax havens. The level of investment in these countries is large, but investors tend to have no physical presence there. Given the pass-through nature of these investments, the usual costs and benefits associated with direct investment, other than collection of fees and taxes, do not apply. Foreign direct investors may, as their critics claim, buy out domestic assets, pushing local firms out of business or imposing their policies on governments. But the overall benefits to both host and investing economies from foreign direct investment significantly outweigh the costs. Capital inflows from foreign direct investors help finance a country's spending – on investment, for example – and increase tax revenue, create jobs, and produce other positive spillovers for the host economy.

Comprehension questions

- 1. How many factors influence a company's decision to engage in direct investment?*
- 2. What is the difference between vertical and horizontal direct investments?*
- 3. What shapes and forms does direct investment take?*
- 4. Why can data on direct investment be hard to interpret?*
- 5. Where does direct investment occur?*

Corruption in International Business

When a large corporation decides to enter a foreign market, it must usually secure a number of licenses, permits, registrations, or other government approvals. Certain types of business may be even be impossible or illegal unless the corporation is first able to obtain a change or adjustment to the nation's laws or regulations. Since the power to authorize the foreign corporation's activities is vested in the hands of local politicians and officials, and since corporations have access to large financial resources, it should not be surprising that some corporate executives resort to financial incentives to influence foreign officials. While certain financial incentives, such as promises to invest in local infrastructure, may be legitimate, any form of direct payment to the foreign official that is intended to influence that official's public decisions will cross the line into illegal subornation, also commonly referred to as bribery.

Bribery is one of the archetypal examples of a corporation engaged in unethical behavior. A number of problems can be attributed to business bribery. First, it is obviously illegal – all countries have laws that prohibit the bribery of government officials – so the foreign company engaging in bribery exposes its directors, executives, and employees to grave legal risks. Second, the rules and regulations that are circumvented by bribery often have a legitimate public purpose, so the corporation may be subverting local social interests and/or harming local competitors. Third, the giving of bribes may foment a culture of corruption in the foreign country, which can prove difficult to eradicate. Fourth, in light of laws such as the US Foreign Corrupt Practices Act (FCPA) and the Organization of Economic Cooperation and Development (OECD) Convention on Anti-Bribery (discussed in greater detail below), bribery is illegal not only in the target country, but also in the corporation's home country. Fifth, a corporation that is formally accused or convicted of illicit

behavior may suffer a serious public relations backlash.

Despite these considerable disincentives, experts from Transparency International (TI), a leading anticorruption organization based in Berlin, report that worldwide business corruption shows little signs of abating. Governments and intergovernmental organizations have redoubled their efforts to combat the perceived increase in international business corruption. Globalization, which accelerated in the final decades of the twentieth century, is often cited by specialists as contributing to the spread of corruption. Corporations and businesses in every nation have become increasingly dependent on global networks of suppliers, partners, customers, and governments. The increased interaction between parties in different countries has multiplied the opportunities for parties to seek advantage from illicit incentives and payoffs. Although outright bribery is clearly unethical and illegal, there is great deal of behavior that falls into a gray zone that can be difficult to analyze according to a single global standard. When does a business gift become a bribe? What level of business entertainment is “right” or “wrong”? Over the past two decades, governments and regulators have sought to clearly define the types of behavior that are considered unethical and illegal.

Prior to the expansion of international trade in the nineteenth and twentieth centuries, most commerce was local and followed traditional norms and ethical standards. With the expansion of international trade, however, businesses began to operate across cultural and linguistic boundaries. Misunderstandings and transgressions, both intended and unintended, became commonplace. To some extent, perceptions of corruption may derive from cultural differences, because behavior that is considered corrupt in one society may represent a normal business practice in another.

One example can be found in the Chinese concept of *guanxi*, which refers to the reciprocal obligations and benefits expected from a network

of personal connections. A person with a powerful level of guanxi is considered a preferred business partner because such a person can utilize connections to obtain business or government approvals. Guanxi can derive from extended family, school friends and alumni, work colleagues, members of common clubs or organizations, and business associates. Chinese businesspeople seek to cultivate an intricate and extensive web of lifelong guanxi relationships. The key expectation in guanxi networks is reciprocity in the granting of favors; the failure to reciprocate is considered a breach of trust.

Many traditional business practices around the world are rooted in concepts analogous to guanxi, as in the practice of using business gifts or personal connections to speed up transactions both large and small. Ukrainians and Russians use the term blat to refer to the ability to get things done through personal networks or contacts with people of influence. The Japanese have adapted the English word connections to coin a term of their own, konne. In Pakistan, the use of personal sifarish (“recommendation”) refers to the ability to make contact with the right official on the most favorable terms. The French expression for bribe is pot de vin (“jug of wine”), which implies friendly relations. In Urdu and Hindi, petty bribes are known as chai pani (“tea water”). In West Africa the term is dash. The English colloquial term grease and the German schmiergeld (“grease money”) imply a lubrication or easing of resistance to the transaction. In Mozambique, one term for corruption is cabritismo or “goatism,” which is derived from the saying “a goat eats where it is tethered”.

Comprehension questions

- 1. When must a large corporation secure a number of licenses, permits, registrations, or other government approvals?*
- 2. Why is bribery considered as one of the archetypal examples of unethical behavior?*

3. *Where is the leading anticorruption organization “Transparency International” located?*
4. *How can globalization contribute to the spread of corruption?*
5. *Can corruption be a part of the national culture? Speak in detail.*

Economic Terms and Definitions

Account – money kept in a bank or other organization that you can add to or take back.

Accounting unit – a unit (a department, a sole trader) which takes part in financial transactions, which are recorded in a set of accounts.

Agent – a person who represents a company or another person in an area; the chief local official of a trade union.

Aggregate demand – the total demand for goods and services from all sectors of the economy (from individuals, companies, the government and exporters) during a given period.

Aggregate demand curve shows aggregate demand at all price levels, from a small demand at high prices to a large demand for lower-priced goods and services.

Aggregate expenditure – the total domestic expenditure during a given period divided according to four sectors: households (consumer expenditure), businesses (investment expenditure), government expenditure and foreign purchasers (i.e. exports minus imports). It forms the gross domestic product.

Aggregate output – a method of calculating the national income by adding the total value added at each stage of production in manufacturing industry, service industry and agriculture, together with property income from abroad.

Aggregate supply – the total production of goods and services available to meet the aggregate demand during a given period.

Aggregate supply curve – a curve showing the quantity supplied at each price level; in the long term, supply pushes up prices.

AGM – Annual General Meeting

Asset – a thing which belongs to company or person, and which has a value. A company's balance sheet will show assets in various forms such as current assets, fixed assets and intangible assets. An individual's assets

will include items such as his or her house, car and clothes.

Audit – the examination of the books and accounts of a company; to examine the books and accounts of a company.

Auditor – a person, firm or partnership which audits books and accounts. Audits can be external, that is independent from the company or internal, and that is members of staff who examine a company's internal controls. External auditors are appointed by the company's directors and voted by the AGM.

Average cost – the total cost of production divided by the number of units produced.

Average cost pricing – the setting of a price which is equivalent to the average cost of the product, so covering marginal costs and fixed costs and allowing the producer to break even.

Average fixed costs – costs calculated by dividing the total fixed costs by the number of units produced. The cost per unit falls with the number of units produced.

Average physical product, or average product, is the average output per unit of variable input, such as the average output per worker.

Average price level – the average price of a particular product in a country at a particular time.

Average rate of tax – a figure calculated by dividing the total income tax paid by a person by his or her total income.

Average revenue – the revenue from one unit of product sold, calculated as the total revenue divided by the number of units sold. It is the same as the average price.

Average total cost – the total cost per unit, calculated by dividing the total costs by the number of units produced. It is the sum of average fixed cost and average variable cost.

Balance sheet – a financial statement that shows a company's assets and debts at a particular time.

Bank – a business which holds money for its clients, which lends money at interest, and trades generally in money.

Bank credit – a credit in the form of loans or overdrafts accorded by banks to their customers.

Bank deposits – all money placed in banks by private or corporate customers.

Banking system – the system of banks in a country, including commercial banks, merchant banks and the central bank.

Banknote – a promissory note issued by a bank that is payable to the bearer on demand and is acceptable as money.

Bank of England – the central British bank, owned by the state, which, together with the Treasury, regulates the nation's finances. The Bank of England issues banknotes which carry the signatures of its officials. It is the lender of last resort to commercial banks and supervises banking institutions in the UK. Its Monetary Policy Committee is independent of the government, and sets interest rates. The Governor of the Bank of England is appointed by the government.

Bankruptcy – a situation in which a business or a person becomes unable to pay their debts, and is officially bankrupt.

Barrier – something which restricts commercial activity, such as laws restricting movement of capital or labour.

Barter – a system where goods are exchanged for other goods and not sold for money.

Bill – a list of expenses to be paid or the total amount of costs or expenses.

Black economy – the part of an economy involving goods and services which are paid for in cash, and therefore not declared for tax.

Black market – the buying and selling goods or currency in a way which is not allowed by law, as when a government imposes price controls or rationing. The prices on a black market are always higher than regular prices.

Capital – property, assets and finished goods used in a business. It is one of the four factors of production.

Capital assets – property or machinery which a company owns and uses, but which the company does not buy or sell as part of its regular trade. Capital assets are divided into tangible fixed assets, intangible fixed assets and investments.

Capital expenditure – money spent on capital assets such as property, machines and furniture.

Capital goods – the factors of production, goods used to manufacture other goods (i.e. factories, machinery, trucks, tools, etc.).

Capital market – a financial market dealing in bonds and other financial instruments used by companies to get funds. It is the place where companies can look for long-term investment capital.

Capital outflow – the movement of capital out of a country, in the form of investments in other countries.

Capitalism – an economic, political, and social system in which property, business, and industry are privately owned, directed towards making the greatest possible profits for successful organizations and people.

Cash – money in coins or notes. Cash in circulation is part of the money supply; to convert something such as a cheque into money in coins or notes.

Central bank – the main government-controlled bank in a country, which controls the financial affairs of the country by fixing main interest rates, issuing currency, supervising and acting as banker to the commercial banks and controlling the foreign exchange rate.

Cheque – a note to a bank asking for money to be paid from your account to the account of the person whose name is written on the note.

Coin – a piece of metal money; coins form a very small part of the total money in circulation.

Command economy – a system where the government plans all business activity, regulates supply, sets production targets and itemises work to be done.

Commercial bank – a bank that offers banking services to the public and to businesses, as opposed to a merchant bank.

Commodity money – a commodity used as a means of exchange, as in barter, or as money on the black market.

Competitive equilibrium price – the price at which the quantity supplied equals the quantity demanded.

Contract – an agreement between two or more parties to create legal obligations between them.

Credit – a method of paying for goods or services at a later time, usually paying interest as well as the original money.

Credit card – a plastic card which allows someone to borrow money and to buy goods up to a certain limit without paying for them immediately, but only after a period of grace of about 25–30 days.

Creditor – a person or company that is owed money. A company's creditors are its liabilities.

Debt – an amount of money borrowed by a company to finance its activities.

Default – a failure to carry out the terms of a contract, especially failure to pay back a debt.

Deficiency payment – a payment made to producers when a government feels that the price at which a product is sold is not enough to give the producer a reasonable income. It is applied in particular to farmers.

Deficit – an amount by which spending is higher than income.

Deficit financing – planning by a government to cover the shortfall between tax income and expenditure by borrowing money.

Demand – a need for something to be sold or supplied.

Demand curve – a graph showing the quantities of a good that consumer would want to buy at different prices. The curve only takes prices into account, and not other factors such as income or consumer expectations. It is based on a demand schedule.

Deposit – an amount of money placed in a bank for safekeeping and to earn interest; an amount of money given in advance so that the thing which you want to buy will not be sold to someone else; to place something with a person or institution for safekeeping

Deposit account – an account which pays interest, but on which notice usually has to be given to withdraw money.

Depreciation – loss of value of a currency when compared to other currencies.

Depression – a period of economic crisis with high unemployment and loss of trade.

Dividend – a part of a company's profits paid to shareholders.

Double coincidence of wants – a situation which exists in barter, where each party wants something offered by the other and so the two parties can barter goods or services.

Double-entry bookkeeping – a method of bookkeeping in which both debit and credit entries are recorded in the accounts at the same time (e.g. as a sale is credited to the sales account, the purchaser's debt is debited to the debtors account).

Earnings plural – salary or wages, profits and dividends or interest received.

Economics – the study of the production, distribution, selling and use of goods and services.

Economist – a person who specialises in the study of economics, often one who advises policymakers.

Economy – the practice of being careful not to waste money or materials; the financial state of a country, and the way in which a country makes and uses its money.

Employee – a person employed by a company or firm.

Employer – a person or company which has regular workers and pays them.

Enterprise – a business, especially used in statistics and official reports.

Entrepreneur – a person who directs a company and takes commercial risks. He or she sees market opportunities and acts on them for profit.

Entrepreneurship – the action of directing a company and taking commercial risks as an entrepreneur.

Entry – an item of information entered into a ledger.

Environment – the surroundings of an organism, including the physical world and other organisms.

Equilibrium price – the price at which the quantity supplied equals the quantity demanded, so that there is no excess of supply or demand.

Equilibrium quantity – the quantity supplied at the equilibrium price.

Euro – the currency adopted as legal tender in several European countries since 1 January 1999.

Eurodollar – a US dollar deposited in a bank outside the USA, used mainly for trade within Europe.

European Union – a group of European countries linked together by the Treaty of Rome. The European Community was set up in 1957 and changed its name to the European Union when it adopted the single market.

Exchange – the process of giving of one thing for another; a market for shares, commodities, futures and similar instruments verb to give one thing for another.

Expenditure – the amount of money spent, by individuals, firms or the government. Totalised it forms the aggregate demand.

Exports – goods, services or capital sold to foreign countries.

Finance – money available for investment, as a loan or for a similar use; the business of managing money; to provide money for an investment, as a loan or for a similar use.

Financial assets – assets in the form of liquid money or certificates which can be liquidated (such as government stocks, share certificates or fixed-interest bonds).

Financial institution – an organisation such as a building society, pension fund or insurance company which invests large amounts of money in financial assets such as loans or other securities (as opposed to property).

Firm – a business or partnership. Strictly speaking, a firm is a partnership or other trading organisation which is not a limited company.

Fiscal policy – the government's policy regarding the use of tax revenues to influence the economy. An expansionary policy of tax cutting and increasing government spending could encourage employment; a deflationary policy of increasing tax and cutting government spending would reduce demand in the economy.

Fiscal year – a twelve-month period on which taxes are calculated (in the UK, 6 April to 5 April).

Goods – physical items which can be sold, as opposed to services which do not exist physically.

Gross domestic product – the annual value of goods sold and services paid for inside a country. Abbreviation GDP.

Gross national product – the annual value of goods and services in a country including income from other countries. Abbreviation GNP.

Household – one person or several people living together in one flat or house, considered as an economic unit. Households are consumers of products and at the same are themselves factors of production.

Human capital – the sum of knowledge and skills in individual people which forms the basis of knowhow and can be increased by training.

Hyperinflation – inflation which is at such a high percentage rate that it is almost impossible to reduce.

Imports – goods, services or capital bought and brought in from foreign countries.

Income – the money which an organisation receives as gifts or from investments.

Income tax – tax on an individual's income (both earned and unearned).

International Monetary Fund – (part of the United Nations) a type of bank which helps member states in financial difficulties, gives financial advice to members and encourages world trade.

Labour – one of the factors of production, the ability of human beings to do productive work and the number of human beings available to do the work.

Loan – an amount of money which has been lent verb to lend something.

Market – a place where a product might be sold; the group of people who might buy a product; to sell a product in or to a market.

Market economy – an economic system in which goods and services are made, sold, and shared and prices set by the balance of supply and demand.

Monetary policy – the government's policy relating to the money supply, bank interest rates and borrowing. If a government wants to stimulate the economy it will adopt reflationary measures such as increasing spending and reducing taxation; if it wants to cool down the economy in a boom, it will adopt deflationary measures and reduce government spending and increase taxation.

Monopoly – a situation in which one person or company controls all the market in the supply of a product.

National expenditure – the total expenditure in a national economy, i.e. both output and income.

National income – the value of income from the sales of goods and services in a country.

Nationalisation – the taking over of private industry by the state

Nationalised industry – an industry which was privately owned, but is now owned by the state

National product – the money value of all goods and services produced in a country (this is the gross national product). When investment on capital goods and depreciation are deducted this gives the net national product.

Natural resource – a part of the environment considered as a factor of production and able to be used commercially (such as coal).

Output – the amount which a company or a person or a machine produces.

Overtime – hours worked more than the normal working time. Such work is normally paid at a higher rate.

Payback period – the time taken for the total interest on an investment to equal the amount of the initial investment; the period of time over which a loan is to be repaid.

Pension – an amount of money paid regularly to someone who no longer works, paid either by the state or by a private company.

Pension fund – a fund which receives contributions from employers and employees and which provides pensions for retired members of staff.

Per capita income – the total national income divided by the number of population. It can be calculated more accurately by giving more weight to adults. Also called income per capita, income per head.

Price – an amount of money which has to be paid to buy something; verb to ask an amount of money for something for sale.

Product – a manufactured item or a service for sale.

Productivity – the rate of output per worker or per machine in a factory.

Profit – money gained from a sale which is more than the money spent.

Purchasing power parity – an exchange rate shown as the ratio of the purchasing power of one currency against the purchasing power of another, relating to a basket of goods. Abbreviation PPP.

Regulation – the act of making sure that something will work well, especially the control of services such as transport or financial services by a central government.

Salary – a payment for work made to an employee with a contract of employment, usually made monthly and paid directly into the employee's bank account or by cheque.

Shadow economy – the same as black economy.

Share – one of many equal parts into which a company's capital is divided. The owners of shares are shareholders or, more formally, members. US English often used the word stock where UK English uses share.

Socialism – the idea that in a state the means of production, distribution and exchange should be controlled by the people, that the people should be cared for by the state and that wealth should be shared equally.

Subsidy – an amount of money given to help a firm which is not profitable.

Tax – money taken by the government or by an official body to pay for government services.

Taxation – the process or practice of charging taxes, or the degree to which something is taxed.

Trade – the business of buying and selling.

Trademark, trade name – a particular name, design or logo which has been registered by the manufacturer and which cannot be used by other manufacturers. It is an intangible asset.

Utility – one of the public utilities (companies, such as electricity, gas or transport, which provide a service used by the whole community); the usefulness of a product or service, the satisfaction which a consumer gets from a good or service he or she has bought, or the way in which a good or service contributes to a consumer's welfare.

Value – the amount of money which something is worth verb to assess the amount of money which something is worth.

Wage – money paid (usually in cash each week) to a worker for work done.

Wages policy – a government's policy on what percentage increases should be paid to workers.

Wall Street – a street in New York where the Stock Exchange is situated; the US financial centre.

Wealth – the value of assets (other than cash and things such as machines) which are held by an individual, firm or country and which can be used to produce income. Wealth also includes human capital in the form of the resources provided by the workforce.

World Trade Organization – an international organisation set up with the aim of reducing restrictions in trade between countries. Abbreviation WTO.

Yen – the currency used in Japan.

Vocabulary

A

- account** – рахунок (у банку)
accounting – бухгалтерський облік
accounting cycle – обліковий цикл
accounts – звітність, книги обліку
accounts payable – рахунки для сплати
accounts receivable – рахунки для отримання
activity – діяльність
advantage – перевага
adverse balance – негативне сальдо
allocate – асигнувати; розподіляти, розміщати
arrangement – домовленість, угода
as follows – виглядатиме так; як наступний
assets – активи
assets and liabilities – актив и пасив
assume – припускати, допускати
available – наявний, доступний

B

- balance** – баланс; сальдо; залишок
balance in hand – невитрачений залишком готівки
balance of an account – залишок на рахунку
balance of payment deficit – дефіцит платіжного балансу
balance of payments – платіжний баланс
balance of trade – торговельний баланс
balance the ledgers – збалансувати бухгалтерську книгу
balances with foreign banks – залишки на рахунках в закордонних

банках

be in high / low demand – користуватись високим / низьким
ПОПИТОМ

benefit – прибуток, вигода

benefit from something – знаходити вигоду в чомусь

bookkeeper – бухгалтер

bookkeeping– бухгалтерія, бухгалтерський облік

bring accounts to a balance – скласти зведений баланс

buyer – покупець

C

capital account – рахунок капіталу

capital assets – основний фонд

capital goods – засоби виробництва; капітальні товари

cash balance – залишок готівки в касі

circulating capital – оборотний капітал

command economy – командна економіка

commodity money – товарні гроші

commodity-backed currencies – забезпечені золотовалютним резервом гроші

consume – споживати

consumer – споживач

consumption – споживання

corporate ownership – акціонерна власність

credit terms – умови акредитиву

current account – поточний рахунок

current assets – оборотні фонди

current liabilities – поточні зобов'язання

D

debt – борг, заборгованість

decrease – зменшення, зниження, спад

demand – попит; вимагати; робити запит

disincentive – гальмо, придушення стимулу

distribution – поширення, розповсюдження

double coincidence – збіг обставин

double-entry bookkeeping – система бухгалтерського обліку з подвійним записом

draw up a balance – підводити баланс

drawback – перешкода

durable goods – товари довгострокового користування

E

each price – будь-яка ціна

economic – економічний; рентабельний

economic reasoning – економічний аналіз

economical – економний

economics – економіка, економічна наука

economize – заощаджувати;

economy – господарство, економіка

engage – брати участь

equilibrium – рівновага

equilibrium price – врівноважена ціна

equipment – обладнання

essential – обов'язковий, необхідний; основний

F

fail – зазнавати невдачі; не вдаватися; не виправдати очікувань

failure – невдача, провал, банкрутство

favourable balance – позитивне сальдо

fiat money – незабезпечені золотовалютним резервом гроші

financial capital – фінансовий капітал

financial statements – фінансова документація

fixed capital – основний капітал

flexible – гнучкий

for this purpose – з цією метою

free market economy – вільна ринкова економіка

G

general journal – головний журнал обліку

general ledger – загальна бухгалтерська книга

goods – товари

government agencies – урядові органи державного управління

grocery store – бакалійна крамниця

gross domestic product – валовий внутрішній продукт

gross national product – валовий національний продукт

H

hire – наймати на роботу

household sector – сектор домашніх господарств

housing land – земля під будівництво

human capital – людський капітал

I

incentive – стимул

income – дохід, надходження; прибуток

income account – рахунок для зарахування власних надходжень

increase – приріст; збільшення

inputs – витрати

invention – винахід

issue – питання, проблема

item – стаття (у бюджеті); вид товару, виріб (окреме найменування в асортименті)

J

jewellery – коштовності; ювелірні вироби

journal – бухгалтерський журнал

L

labour – праця

labour force – робоча сила

lease – здавати в оренду брати під оренду

ledger – головна книга; grosбух

lending terms – умови видачі кредиту

long-term liabilities – довготривалі зобов'язання

M

machinery – машини; верстати

make a contribution to science – зробити вклад в науку

make a decision – прийняти рішення

malleability – піддатливість

means of production – засіб виробництва

medium of exchange – засіб обігу

meet the demand – задовольняти попит

mixed economy – змішана економіка

monthly statement – щомісячний бюлетень

N

natural resources – природні ресурси

note – банкнота, кредитний білет

O

other things equal – за інших рівних умов

output – випуск продукції, виробництво

ownership – власність

P

partnership – партнерство

payment – платіж, плата

perishable – швидкопсувний

physical capital – фізичний капітал

post the journal into the ledger – переносити журнальні записи в

ГОЛОВНУ КНИГУ

preliminary – передчасний

price – ціна

produce – виробляти

producer – виробник

prohibit by law – забороняти на законодавчому рівні

proprietorship – право власності

provide – забезпечувати

purpose – мета

Q

quantity – кількість, розмір

quality – якість

R

raise – збільшувати

raw materials – сировина

record-keeping – ведення обліку

reduce – зменшувати; скорочувати

reduction – зниження; зменшення, скорочення

S

scarce resources – обмежені ресурси

seller – продавець

services – послуги

shareholder – власник акцій, акціонер

shortage – дефіцит нестача

sole proprietorship – приватна власність

statement – звіт, відомість

store of value – міра вартості

subsidiary company – дочірня, підконтрольна компанія

substitute – замінити; підмінити

supply – пропозиція; постачати, забезпечувати

surplus – залишок, надлишок, перевищення

T

tangible assets – матеріальні активи

tender – платіжний ресурс

terms – умови

trial balance – пробний баланс

U

undesirable – небажаний

unemployment – безробіття

undeniable – незаперечний, несумнівний, явний

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