Л. В. ОНУЧАК

ENGLISH READING

ДЕРЖАВНА ПОДАТКОВА АДМІНІСТРАЦІЯ УКРАЇНИ
НАЦІОНАЛЬНА АКАДЕМІЯ ДЕРЖАВНОЇ ПОДАТКОВОЇ СЛУЖБИ УКРАЇНИ

ОНУЧАК Л.В.

ENGLISH READING

Рекомендовано Міністерством освіти і науки України як навчальний посібник для студентів вищих навчальних закладів

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Навчальний посібник для самостійного позааудиторного читання з англійської мови призначеного для вдосконалення умінь і розвитку навичок читання загальнонаукової, науково-популярної та фахової літератури.

Для студентів економічних вищих навчальних закладів різного рівня акредетації та фахівців, що спеціалізуються з економіки та фінансів.

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ПЕРЕДМОВА

На сучасному етапі прискореного соціально-економічного розвитку суспільства, що характеризується поступовою та неухильною інтеграцією України в європейські політичні, економічні й культурні структури, винятково важливого значення набуває підвищення освітнього рівня підготовки висококваліфікованих спеціалістів для всіх галузей діяльності, збагачення інтелектуального та творчого потенціалу.

Важливою умовою розв'язання цього завдання є необхідність озброєння спеціалістів, яких готує вища школа, умінням володіти іноземними мовами, здатних до вільного професійного спілкування із зарубіжними колегами, які могли б користуватися оригінальною літературою, що сприятиме ефективності виконання професійних завдань.

Особливого суспільного значення набуває вивчення іноземних мов у закладах вищої економічної освіти, оскільки їх знання є суттєвим фактором високої фахової компетенції майбутніх спеціалістів.

Характерною рисою наукової організації навчального процесу у вищих навчальних закладах України стає поступове збільшення часу для самостійної позааудиторної роботи студентів, яка є органічним продовженням аудиторної, важливим джерелом задоволення пізнавальних потреб, а також засобом підтримки й подальшого розвитку навчально-професійних методів вивчення іноземної мови. Навчити студентів самостійно поповнювати свої знання та орієнтуватися у стрімкому потоці нової інформації – важливе завдання сучасної вищої школи.

Самостійна робота спеціалістів щодо підвищення своєї кваліфікації завжди пов'язана з читанням. Програма з іноземної мови для немовних спеціальностей вищої школи також розглядає практичне оволодіння читанням як першочергове завдання.

Позааудиторна робота зі спеціальною літературою не лише викликає інтерес у студентів і розширює їх кругозір, а й дає можливість побачити практичну корисність від мови, що вивчається, забезпечуючи змістову реалізацію принципу зв'язку теорії і практики.

Оскільки читання як вид мовленнєвої діяльності здійснюється читачем в основному наодинці, то самостійна робота йому

цілком відповідає, адже робота з іншомовними текстами моделює майбутню роботу студента з оригінальними джерелами інформації.

Навчальний посібник для позааудиторного читання з англійської мови призначено для студентів вищих навчальних закладів економічного профілю. Його мета полягає в удосконаленні умінь і розвитку навичок читання загальнонаукової, науково-популярної, фахової літератури, що містить новітню інформацію з оригінальних джерел, формуванні умінь реферувати прочитане, складати анотацію, творчо переробляти інформацію, ставити проблемні питання та знаходити оптимальні шляхи їх вирішення.

До посібника увійшли тексти, складені на основі оригінальних англомовних джерел, що стосуються актуальних проблем сьогодення, і завдання-інструкції до них, які носять чітко виражений комунікативний характер і активізують вивчення навчального матеріалу.

Для підтримання інтересу студентів тексти повинні відповідати певним дидактичним вимогам, а саме: орієнтація на професію студента, актуальність і новизна інформації, тематична цілісність, логічність і завершеність, доступність, обсяг.

Навчальний посібник складається з чотирьох частин. Перша частина включає науково-популярні тексти, призначені для здобуття базових знань, і завдання, що мають за мету підготувати студентів до сприйняття тексту в цілому та полегшити інформаційний пошук.

Друга – охоплює фаховий текстовий матеріал із завданнями-інструкціями, що підводять до лексико-граматичної здогадки у процесі читання, розпізнавання одиниць смислової інформації, визначення смислових віх, об'єднання розрізненої інформації, прогнозування змісту тексту тощо. Вправи комунікативного характеру допомагають створити умови, що стимулюють читачів до роботи над текстом.

За змістом завдання можуть бути різними для різних текстів, а щодо мети, то всі вони спрямовані на формування вміння виділити студентами основний суб'єкт повідомлення, розуміти те, що читається, виконувати різноманітні мовні заміни для більш повного розуміння тексту.

До третьої частини входять професійно спрямовані тексти, що характеризуються найвищим рівнем пізнавальної самостійності. Студенти вчаться абсолютно самостійно виконувати складні,

інтегровані творчі завдання, що носять яскраво виражений комунікативний характер; завдання, спрямовані на формування уміння коротко висловлювати свою думку, робити висновки за змістом тексту; реферувати прочитане та складати анотацію; творчо переробляти інформацію, ставити проблемні питання та знаходити оптимальні шляхи їх розв'язання; проводити самостійну роботу пошукового характеру, висловлювати своє ставлення до прочитаного; здійснювати самоконтроль своїх знань.

Четверта частина посібника включає тексти з оригінальних зарубіжних видань, у яких домінує інформативність, переважає оцінка та тексти з домінантою регулювання. Завдання, що імітують реальне спілкування з уявними комунікантами, стимулюють творче професійне мислення студентів.

Приділяючи увагу спеціальній профільній лексиці, найбільш уживаним граматичним конструкціям, що відповідають стилю наукової літератури, посібник допомагає активізувати діяльність студентів, направити її в русло творчості, пошуку, професійного мислення та сприяти формуванню особистості майбутнього спеціаліста у сфері економіки.

PART I

FUNDAMENTAL ECONOMIC CONCEPTS

Text 1. WHAT IS BUSINESS?

Read and translate the text.

What do we think of when we hear the word "business"? Some of us think of our jobs, others of the merchants they deal with as consumers, and still others of the millions of firms that make up the world's economy. This broad, all-inclusive term can be applied to many kinds of enterprise. Business provides the bulk of our employment as well as the products we enjoy.

Business consists of all profit-seeking activities and enterprises that provide goods and services necessary to an economic system. Some businesses produce tangible goods, such as automobiles, breakfast cereals, and computers chips. Others provide services, such as insurance, car rentals, and lodging. German firm Munich Re has even built a billion dollar business from serving the service industry. Its business is reinsurance: insuring insurance companies so they do not go broke from backing major catastrophes. Business is the economic pulse of a nation, the means through which society's standard of living improves. Profits are a primary mechanism for accomplishing these goals. Accountants and business people define profits as the difference between a company's revenues (receipts) and expenses (expenditures). Profits are the financial rewards by successful people who take the risk involved in business.

Just as important as profits are the social and ethical responsibilities that successful businesses must meet. This means companies must be responsible in their dealing with employees, consumers, suppliers, competitors, government, and the general public if they are to succeed in the long run. Robert D. Haas, chairman and chief executive officer of Levi Strauss & Company, says, "A company's values – what it stands for, what its people believe in – are crucial to its com-

petitive success. Indeed, values drive the business". Haas feels so strongly about the social responsibilities of business that he drafted an Aspirations Statement for Levi Strauss that emphasizes the importance of "affirming the best of our company's traditions, closing gaps that may exist between principles and updating some of our values to reflect contemporary circumstances".

Key Words and Phrases

profit-seeking activities	діяльність, що приносить прибуток
tangible goods	матеріальні (реальні) товари
computer chips	комп'ютерні чіпи
expenses (expenditures)	витрати
competitors	конкуренти
competitive success	успіх у конкуренції
contemporary circumstances	сучасні обставини
to deal with	мати справу з ...

Exercises on the text

I. Give English equivalents for the following words and word combinations. Try to memorize them:

сучасні обставини; мати справу з виробником; діяльність, що приносить прибуток; продукція, яка нам подобається; страхова компанія; компанії повинні відповідати за свої справи ...; кращі традиції нашої компанії.

II. Fill in the blanks with noun, verb or adjective forms. Use your dictionary if necessary:

Noun	Verb	Adjective
execution	execute	executive
–	–	competitive
production	–	–
–	satisfy	–

–	–	valuable
reflection	–	–
–	apply	–
success	–	–

III. Answer the following questions. Try to express your answers in your own words if possible:

1. What is business?
2. What is profit?
3. What is the role of profit in business?
4. What can you say about the social and ethical responsibilities that successful business must meet?

IV. Write a short summary of the text.

Text 2. THE FORMS OF BUSINESS OWNERSHIP

Read and translate the text.

A business is any organization that sucks profit by providing goods and services to the economic system. A nonprofit organization also provide goods and services to the economic system, but doesn't have profit as an objective. Churches, armies are examples of nonprofit organizations.

Business takes different forms. The three major forms of business are the sole proprietorship, the partnership, and the corporation. A **sole proprietorship** is a business that is owned by one person. In essence, the owner and the business are one. All business profits become the property of the owner, and all business debts are the responsibility of the owner. Sole proprietorship is the simplest form of business to enter, to control, and to leave. Perhaps for these reasons, more than two-thirds of all American business firms are sole proprietorships.

A partnership is an association of two or more individuals who act as co-owners of a business for profit. Although partnership eliminates some of the disadvantages of sole proprietorship, it is the least popular of the major forms of business. Like sole proprietors, g

partners are responsible for running the business and for all business debts. Limited partners receive a share of the profit in return for investing in the business. However, they are not responsible for business debts beyond the amount they have invested. A partnership agreement (or articles of partnership) is a written document setting forth the terms of a partnership.

Corporations are artificial beings created by law. These beings have the right to start and operate a business, to own property, and to enter into contracts. Although corporations comprise only one-fifth of all American businesses, they account for more than nine-tenths of all business receipts. The largest businesses in the United States are organized as corporations.

Shares of ownership of a corporation are called stock, and owners are called stockholders. A corporation must be chartered, or formally recognized. Once the corporation has received a charter, its original stockholders elect a board of directors. The board of directors then elects or appoints corporate officers.

Perhaps the major advantage of the corporate form is limited liability: stockholders are not liable for the corporation's debts beyond the amount they have paid for its stock. Another important advantage is the perpetual life of the corporation. A major disadvantage is double taxation. The corporation's earnings are taxed once as corporate income and again as personal income (when earnings are distributed to stockholders). A corporation may grow by expanding its present operations or through merger – the purchase of another corporation.

The stock of open corporations is available to anyone who wants to buy it; the stock of close corporations is not. Government-owned corporations provide particular services, such as public transportation, to citizens. Not-for-profit corporations are formed to provide social services rather than to earn profits, but they are not owned by governments. S-corporations that are taxed as though they were partnerships. Various restrictions apply to their formation.

Three additional forms of business ownership are the cooperative, the joint venture, and the syndicate.

A cooperative is an association of individuals of firms for the purpose of performing some business function for all its members.

Members benefit from the activities of the cooperative, because it can perform its function more effectively than any member could by acting alone. For example, *buying cooperatives* are organized to purchase goods in bulk and then distribute them to members. The unit cost of the goods is lower than it would be if each member bought in a much smaller quantity.

A joint venture is a partnership that is formed to achieve a specific goal or to operate for a specific period of time. Both the scope of the firm and the liabilities of the partners are limited. Once the goal is reached or the period of time elapses, the partnership is dissolved.

A syndicate is a temporary association of individuals or firms, organized to perform a specific task that requires a large amount of capital. The syndicate is formed because no one person or firm is willing to put up the entire amount required for the undertaking. Like a joint venture, a syndicate is dissolved as soon as its purpose has been accomplished. However, the participants in a syndicate do not form a separate firm, as do the members of a joint venture.

Key Words and Phrases

to seek profit	шукати прибуток
as an objective	за мету
non profit organization	некомерційна організація
sole proprietorship	одноосібне володіння
partnership	товариство
corporation	корпорація
cooperative	кооператив
joint venture	спільне підприємство (двох або більше фірм)
syndicate	синдикат
co-owner	співвласник
advantages and disadvantages	переваги та недоліки
debt	борг
personal possession	особиста власність
to be responsible	бути відповідальним за ...
to tax	обкладати податком
to share the wealth	розподілять багатство

to join together	об'єднуватися
to accomplish	виконувати
limited liabilities	обмежена відповідальність
to prove	доводити
stockholders	акціонери
board of directors	рада директорів
to purchase goods	купувати товар
perpetual life	безстрокове існування
merger	злиття, об'єднання
stocks	акції

Exercises on the text

I. Transcribe the following words and mind the stresses:

business organization, objective, major, proprietorship, partnership, association, eliminates, disadvantages, advantages, responsible, debts, agreement, receipts, shares, stockholders, liable, taxation earnings, distributed, restrictions, purpose, effectively, syndicate, temporary, venture, accomplish, participants.

II. Suggest Ukrainian equivalents for the following:

to seek profit; to provide goods and services; a nonprofit organization; profit as an objective; major forms of business; is owned by one person; partnership eliminates; partners are responsible for; to receive a share; a written document; artificial beings; are called stocks; to elect a board of directors; to appoint officers; to be liable for; through merger; to be available to; government-owned; members benefit; to achieve specific goals; the liabilities are limited; the period of time elapses; large amount of capital; for the undertaking; a joint venture.

III. Suggest English equivalents for the following:

акція; некомерційна організація; організація; спільне підприємво; товариство; бути відповідальним за щось; одноосібне володіння; особиста власність; шукати прибуток; переваги та недоліки; об'єднуватися; виконувати; розподіляти прибуток; забезпечувати товарами та послугами; затверджений; обмежена відповідаль-

ність; рада директорів; купувати товар; безстрокове існування; шляхом об'єднання.

IV. Match the words in column one with their synonyms in column two:

to seek	as a goal, as an aim
to provide	proprietorship, possession
as an objective	tendency, inclination
ownership	to manage, to operate
personal possession	to give, to supply
to join	to look for
liability	private property
stockholder	to unite
to run business	shareholder

V. Answer the following questions about the text. Try to express your answers in your own words if possible:

1. What is a sole proprietorship? What are the major advantages and disadvantages of this form of business ownership?

2. How does a partnership differ from a sole proprietorship? Which disadvantages of sole proprietorship does the partnership tend to eliminate or reduce in effect?

3. Why is sole proprietorship the most popular form of business ownership? Why is partnership the least popular?

4. What is the difference between general partners and limited partners?

5. Explain the difference between:

a) an open corporation and a close corporation;

b) a government-owned corporation, a not-for-profit corporation, and an S-corporation.

6. What are the major advantages and disadvantages of the corporate form of business ownership?

7. Why are cooperatives formed? How do they operate?

8. In what ways are joint ventures and syndicates alike? In what ways are they different?

VI. Discussion questions:

1. If you were a shareholder in Procter and Gamble, would you want to have voting rights, or would you rather leave the companies' decisions in the hands of the original owners?

2. If you were to start a business, which ownership form would you use? What factors might affect your choice of ownership form?

3. Discuss the following statement: "Corporations are not really run by their owners".

4. What kinds of services are provided by government-owned corporations? How might such services be provided without government involvement?

VII. Make up a plan covering the main ideas. Discuss the text according to the plan with your fellow students.

Text 3. THE PRIVATE ENTERPRISE SYSTEM

Read and translate the text.

Most U.S. business, large and small, belong to what is called the **private enterprise system**, in which success is determined by how well they match and counter the offerings of competitors. **Competition** is the battle among businesses for consumer acceptance. Sales and profits are the yardsticks by which such acceptance is measured.

There have been many firms that were once successful but failed to continue satisfying consumer demands. Competition assures that, over the long run, companies that satisfy consumer demands will be successful and those that do not will be replaced.

In the private enterprise system, firms must continually adjust their strategies, product offerings, service standards, and operating procedures; otherwise competitors may gain larger shares of the industry's sales and profits. Consider the following cases. At one time, Montgomery Ward was a major force in retailing, but Sears beat Montgomery Ward to take over a major share of the market. Lately Sears has been battling Wal-Mart, which has become the nation's largest

retailer. Ford once led all automakers in production. Today Ford ranks second to General Motors (GM) among domestic producers in U.S. sales. Until recently Ford still had higher sales in Europe than GM, but GM now sells more vehicles in the European market than any other American company. GM cannot afford to celebrate too hard, however, because the private enterprise environment is dynamic and ever-changing. GM's market share in the U.S. has fallen by 10 percent in the last ten years – as sales of imported cars rise.

Competition is the mechanism that guarantees the private enterprise system will continue to offer the goods and services that provide high living standards and sophisticated life-styles. Few business organizations escape the influence of competition. Even not-for-profit organizations, like the American Cancer Society, must compete for contributions with other not-for-profit groups such as the American Heart Association, the local symphony, or your own college. Similarly, the U.S. Postal Service competes with private employers to hire workers.

Role of the Entrepreneur

The entrepreneur is a risk taker in the private enterprise system: someone who seeks a profitable opportunity and then devises a plan and forms an organization to achieve that goal. Some entrepreneurs set up new companies and ventures; others revitalize already established firms. The entrepreneurial spirit lies at the heart of the American economic system. If no one took risks, there would be no successful businesses, and the private enterprise system could not exist.

How the Private Enterprise System Works

The private enterprise system, or **capitalism,** is founded on the principle that competition among firms best serves the needs of society. Adam Smith, often called the father of capitalism, first described this process in his book *Wealth of Nations,* published in 1776. Smith said an economy is best regulated by the **invisible hand of competition.** He believed that competition among companies received the best

possible products and prices because the less efficient producers would gradually be driven from the market place.

The "nvisible hand"concept is a basic premise of the private enterprise system. In the United States, competition regulates our economic life. In fact, we feel competition is so important that we have passed laws to strengthen its role. These laws, called antitrust laws, preserve the advantages of competition by prohibiting attempts to monopolize markets. There are many other government regulations that also influence the way firms operate.

Basic Rights of the Private Enterprise System

Certain rights critical to the operation of capitalism are available to citizens living in a private enterprise economy. As shown in Figure 1.1. these include the rights to private property, profits, freedom of choice, and competition.

Figure 1.1. Basic Rights of the Private Enterprise Competition

Private Property	Profits	Freedom of Choice	Competition

Private Property. The private enterprise system guarantees people the right to own, use, buy, sell, and bequeath most forms of property, including land, buildings, machinery, equipment, inventions, and various intangible properties. The right to **private property** is the most basic freedom under the private enterprise system. People living under private enterprise system believe they should have the right to any property they buy and to all benefits resulting from such ownership.

Profits. The private enterprise system also guarantees business owners the right to all profits (after taxes) earned by the business. There is the business will earn a profit, but if it does, the owner is entitled to it legally and ethically.

Freedom of Choice. Under a private enterprise system, citizens are free to choose their employment, purchases, and investments. This means people can go into or out of business with a minimum of government interference. They can change jobs, negotiate wages, join labor unions, and quit work if they so desire. Consumers can choose among different breads, furniture, television programs, magazines, and other goods and services.

Americans are so accustomed to this freedom of choice that we sometimes forget its importance. The private enterprise economy maximizes human welfare and happiness by providing alternatives. Other economic systems sometimes limit freedom of choice in order to accomplish government goals, such as increasing industrial production.

Competition. The private enterprise system also allows the public to set rules for competitive activity. This is why the U.S. government has passed laws to prohibit "cutthroat" competition – excessively competitive practices designed to eliminate competitors. It has also established ground rules that outlaw price discrimination, fraud in financial markets, and deceptive practices in advertising and packaging.

Key Words and Phrases

private enterprise system	система приватного підприємства
consumer acceptance	згода споживача
to satisfy consumer demands	задовольнити потреби споживача
product offerings	пропозиції щодо продукції за визначеною ціною
sophisticated life-style	витончений, вишуканий стиль життя
entrepreneur	підприємець, власник підприємства
intangible properties	нематеріальна власність
to negotiate wages	обговорити умови заробітної плати
to quit work	звільнитися з роботи
cutthroat competition	конкуренція не на життя, а на смерть

Exercises on the text

I. Give Ukrainian equivalents for the following words and word combinations. Try to memorize them:

Competition; the battle among businesses; consumer acceptance; to satisfy consumer demands; to be replaced; to take over a major share of the market; sophisticated life-style; a risk taker; to seek a profitable opportunity; to live in a private enterprise economy; are accustomed to the freedom of choice; to prohibit "cut throat" competition.

II. Fill in the blanks with noun, verb or adjective forms. Use your dictionary if necessary:

Noun	Verb	Adjective
–	to use	–
determination	–	–
–	–	changable
–	achieve	–
preservation	–	–
–	–	negotiable
–	designe	–
increasing	–	–

III. Answer the following questions. Try to express your answers in your own words if possible:

1. What is the role of profit in the private enterprise system?
2. What is competition?
3. What is the role of entrepreneurs in the private enterprise sytem?
4. What type of people become entrepreneurs?
5. What are the basic rights upon which the private enterprise system is based?
6. How does each right contribute to the effective functioning of the private enterprise system?
7. What inputs are required by the private enterprise system?
8. What payments are made to each of these inputs?

IV. Discussion questions:

1. Explain what a business is and how it operates within the private enterprise system.
2. Discuss the roles of competition and the entrepreneurs in a private enterprise system.
3. Profit has sometimes been described as the regulator of the private enterprise system. Discuss the meaning of this comment.

Text 4. FACTORS OF PRODUCTION

Read and translate the text.

Capitalism, like other economic systems, requires certain inputs if it is to operate effectively. Economists call these inputs the **factors of production.** There are four factors of production: natural resources, labor, capital, and entrepreneurship. Not all firms require combination of factors, so each business has its own mix.

Natural resources refer to everything useful as a productive input in its natural state, including agricultural land, building sites, forests, and mineral deposits. Natural resources are the basic resources required in any economic system.

Labor is critical input to an economic system. The term refers to anyone who works, from the chief executive officer of a huge corporation to a self-employed gardener.

Capital includes recourses necessary to finance the operation of a business, such as money, machines, tools and buildings. These funds can be provided in the form of investments, profits, or loans. They are used to build factories, buy raw materials and hire workers.

Entrepreneurship is the taking of risks to create and operate a business. As we saw earlier, the entrepreneur is the risk taker in the private enterprise system. Sometimes the entrepreneur actively manages the business; in other cases this responsibility is delegated to an employee, such as a salaried manager.

All four factors of production must receive a financial return if they are to be used in the private enterprise system. As shown in

table 1.1 these payments are in the form of rent, wages, profit, and interest. The specific factor payment received varies among industries, but all factors of production are required in some degree for all businesses. If you decided to start your own business, for example (entrepreneurship), you could buy your raw materials (natural resources) from a supplier, and get a loan to start the business (capital) by paying interest to the lender. You would compensate your employees (labour) by paying them wages.

Table 1.1. Factors of Production and Their Factor Payments

Factors of Production	Corresponding Factor Payments
Labor	Wages
Entrepreneurship	Profit
Capital	Interest
Natural Resources	Rent

Key Words and Phrases

factors of production	фактори виробництва
productive inputs	затрати факторів виробництва
critical inputs	мінімально-критичні витрати факторів
raw materials	сировина
salaried manager	менеджер, який одержує ставку, тобто фінансову платню
to pay interest	платити відсоток
wages	погоджена заробітна плата
salary	фіксована заробітна плата
loans	позика

Exercises on the text

I. Give Ukrainian equivalents for the following words and word combinations:

to require certain inputs; resources necessary to finance operation of a business; these funds can be provided in the form profits or loans sala-

ried manager; the specific factor payment; to get a loan to start the business; to pay interest to the lender.

II. Complete the following words and word combinations. Explain their meaning to your groupmates:

factors of prod ...; economic sys ...; require comb …; natural res ...; … is critical ...; chief... off ...; enterpr...is the risk ...; sal … manager; receive fin... return; in some ... deg ... for all businesses; get a lo… to start the bu...; by pay ... them wa ... .

III. Answer the following questions. Try to express your answers in your own words if possible:

1. What are the factors of production?
2. What are the basic resources required in any economic system?
3. What funds can be provided in the form of investments profits or loans?
4. What factors of production are to be used in the private enterprise system?

IV. Discussion questions:

Identify and describe the inputs required by the private enterprise system. What payments are made to each of these inputs?

Text 5. MEASURING ECONOMIC OUTPUT: GROSS DOMESTIC PRODUCT (GDP)

Read and translate the text.

The output of an economic system is crucial to a nation's standards of living. How do we measure this output? There are several ways.

Since 1941 the United States has used **gross national product (GNP),** the sum of all goods and services produced by an economy during a year, as the overall measure of national output. However, other industrialized nations use a different standard called **gross do-**

mestic product (GDP), the sum of all goods and services produced within a nation's boundaries.

What is the difference between GNP and GDP? GNP measures goods and services produced by U.S. – owned businesses anywhere in the world, while GDP measures goods and services produced in the United States – regardless of who owns the companies. Thus, GNP includes profits that American firms earn from overseas sales (such as Ford's sales in Europe;), but it excludes the profits that Swiss-based Nestle makes in the United States. The situation is revised for GDP: it includes the money that Nestle and other foreign-owned firms make in the United States, but excludes the profits earned by American firms outside the United States.

In late 1991 the U.S. Commerce Department began featuring GDP rather than GNP in its reports, making American statistics comparable to those of other countries. Using GDP reduces the United States' output by about $ 40 billion a year. (While this may sound like a lot, it is actually just a change; of 1 percent for the American economy, with its GNP of $ 5.5 trillion a year). Most economists applaud the change to GDP, since they feel it is a better measure of how the U.S. economy is actually performing. Accurate comparisons of annual GDP figures must allow for inflation (rising prices). Economists use another term, real **gross domestic product,** to describe inflation adjusted GDP statistics.

When people evaluate an economy, they usually look at changes in the real GDP, not just the GDP figures. Just as important as the actual statistics are the trends – where a country's economy is heading. In the late 1980s the real output figures in many industrialized countries grew rapidly, with Japan's output growing especially fast. In the early 1990s the growths slowed from 3 percent in 1990 to 1.5 percent in 1991, then rose to about 2.5 percent in 1992. Japan's GDP may continue to be the fastest-growing, although not at the rapid pace of resent years. Economists predict that in the early 1990s U.S. growths, after lagging behind that of Japan and Germany for several years, should begin to match those two countries.

Key Words and Phrases

gross domestic product (GDP)	валовий внутрішній продукт (грошова вартість усіх товарів і послуг)
gross national product (GNP)	валовий національний продукт
overseas sales	міжнародна торгівля
to leg behind	підставити

Exercises on the text

I. Give Ukrainian equivalents for the following words and word combinations:

is crucial to a nation's standards of living; to measure output; regardless who owns the company; the situation is reserved for ...; to exclude the profits; comparable to those of; applaud the change to.

II. Complete the following words and word combinations. Explain their meaning to your groupmates:

The out... of economic sys.; ... of living; to mea...; gross... pro...; who ownes...; incl... profits; overseas... excl... profits; began feat...; allow for... .

III. Answer the following questions. Try to express your answers in your own words if possible:

1. How do we measure the output of an economic system?
2. What is GNP?
3. What is GDP?
4. What is the difference between GNP and GDP?
5. What do economists use to describe inflation adjusted GDP statistics?

IV. Write a short summary of the text.

Text 6. PRODUCTIVITY

Read and translate the text.

This brings us to the concept of **productivity,** or output per hour of work – the total amount of goods and services produced in a given period of time, divided by the number of work hours. An increase in productivity means that the same amount of work produces more goods and services. Productivity gains are important to a country's economic health because they lead to higher living standards and greater global competitiveness.

Productivity is a major concern in American business – with good reason. During the 1980s productivity in American business grew only about 1 percent each year, lagging behind that of other countries. During the early 1990s the productivity in American non farm continued to rise only slowly, about 0.2 percent a year. In fact America has the worst productivity record of any of the several largest industrial economies in the world!

The good news is that productivity in manufacturing companies climbed at a record pace between 1979 and the early 1990s, rising at a 3.6 percent rate annually (about as fast as the average rise in manufacturing output shown by America's trading partners). While the proportion of U.S. manufacturing output in the nation's GDP fell to its lowest post – World War II point during the 1980s, recently it has climbed back to about 23.3 percent of the U.S. GDP.

So why don't we rate better in productivity, compared to other countries? Here's the bad news: while manufacturing productivity has risen, productivity in the service sector – companies that provide a service rather than a physical product – has not. And since 8 out of 10 American workers are employed in fields other than manufacturing, this holds down the nation's overall productivity.

Many economists feel that boosting productivity in service industries will be the biggest long-term challenge to the United States' competitiveness in a global economy. As more services-banking, telecommunications, and software, to name just a few – become international, this will become an even more crucial factor in the country's

economic health. The cutbacks and layoffs that have occurred in U.S. service jobs reflect firms' efforts to become more competitive by lowering costs. Ultimately, this shakeout in the services sector could boost productivity because fewer companies will share the business. Also, companies that survive such shakeouts are usually more efficient; they have learned how to be more productive with a smaller staff.

It may be that service companies could learn from their counterparts in manufacturing. Westinghouse, for example, has scored impressive productivity gains (6.2 percent annually). Westinghouse managers present show-and-tell sessions at the company's Productivity and Quality Center, that are attended by employees of many service companies. One Westinghouse executive notes that a lot of firms see automation – buying computers and high-tech – equipment as the answer, without rethinking the processes by which they conduct business. Says the manager, "They're making the same mistakes, only faster".

One car dealer about productivity the hard way: when he messed up the repairs to a Westinghouse manager's car. The executive offered the dealer a choice between legal action or a review by Westinghousees quality center. He chose the review. Today, repairs that used to take 28 steps, seven forms, and three days require 12 steps, two forms and two hours.

Key Words and Phrases

increase in productivity	зростання виробництва
output per hour of work	обсяг виробництва; випуск продукції за годину
boosting productivity	зріст, збільшення продуктивності
cutbacks	скорочення штату
layoffs	тимчасове звільнення з роботи
counterparts	колеги по роботі

Exercises on the text

I. Give Ukrainian equivalents for the following words and word combinations:

output per hour of work; goods and services produced in a given period of time; major concern; lagging behind that of other countries; climbed at a record pace; to rate better in productivity; boosting productivity in service industries; the biggest long-term challenge; in the country's economic health; more competitive by lowering costs.

II. Fill in the blanks with noun, verb or adjective forms. Use your dictionary if necessary:

Noun	Verb	Adjective
division	divide	dividual
–	economize	–
recording	–	–
employment	–	–
–	–	impressive
–	designe	measureless

III. Answer the following questions. Try to express your answers in your own words if possible:

1. What is meant by the term productivity?
2. Why is productivity an important public issue today?
3. How does the United States compare to other nations in regard to productivity?

IV. Discussion question: Explain the concepts of gross domestic product and productivity.

Text 7. TYPES OF COMPETITION

Read and translate the text.

Four basic degrees of competition exist in a private enterprise system: pure competition, monopolistic competition, oligopoly, and monopoly. We can classify firms on the basis of the relative competitiveness of their particular industry.

Pure Competition

In pure competition, there are many firms in an industry, and they are close enough in size that no single company can influence the prices charged in the marketplace. Pure competition involves similar products that cannot be differentiated from those of competitors. In a purely competitive market, it is relatively easy for a firm to enter or leave that market. Agriculture is probably the closest example of pure competition (although government price-support programs make it somewhat less competitive) and wheat is an example of a product that is similar from farm to farm.

Monopolistic Competition

Monopolistic competition is a market situation where firms are able to differentiate their product from those of competitors. You can see monopolistic competition operating when you watch commercials that try to persuade you to choose one brand over another. Monopolistic competition gives a firm some power over the price it charges. Think about retail stores, where prices can vary among different brands of aspirin, toothpaste, or gasoline.

For instance, there are many companies that can produce the beef you decide to buy for dinner. Coleman Natural Meats, Inc., a family-run business based in Denver, differentiates its product from the competition by advertising that its meats are just that-natural. Unlike many beef producers, Coleman does not feed its cattle hormones or antibiotics. Owner Mel Coleman, Sr., feels that this difference, given Americans' growing concern about the environment and good nutrition, makes his company stand out from the crowd-and allows it to charge prices that average 25 percent higher than those of its competitors.

Oligopoly

Oligopoly is a market in which there are few sellers. In some oligopolies such as steel, the products are similar; in others, such as automobiles, they are different. The huge investment required to enter the market tends to discourage new competitors. But the primary difference between oligopoly and the previously mentioned types of

competition is that the limited number of sellers gives the oligopolist more control over price. In an oligopoly, the prices of competitive products are usually quite similar because substantial price competition would lessen every firm's profits. Price cuts by one firm in the industry are typically met by all competitors.

Monopoly

Monopoly is a market situation in which there are no competitors. Since the Sherman and Clayton Acts prohibit attempts to monopolize markets, nearly all the monopolies in the U.S. are government regulated monopolies, such as the public utilities. Firms selling electricity and natural gas are regulated by state agencies in the United States. These agencies administer many aspects of the regulated monopolies, including pricing and profits. In a pure monopoly a firm would have substantial control over pricing, but in a regulated monopoly, pricing is subject to rules imposed by the regulators. There are few directly competitive products a regulated monopoly, and entry into the industry is restricted by the government. In fact, in some states, a public utility must periodically seek voter approval to continue its service.

Key Words and Phrases

retail stores	роздрібні магазини
to charge the price	встановлювати ціну
family-run business	сімейний бізнес
to discourage	відмовляти
to lessen	зменшувати
public utilities	комунальні послуги

Exercises on the text

I. Give Ukrainian equivalents for the following words and word combinations:

relative competitiveness; particular industry; to influence the prices; purely competitive market; government price support programs; to persuade smb to choose; huge investment; previously mentioned

types; to prohibit attempts to monopolize markets; public utility; substantial control over pricing.

II. Complete the following words and word combinations. Explain their meaning to your groupmates:

... of competition; pure ...; rel... competitiveness; ...comp... market; retail...; primary dif..; comp... products; reg... monopolies.

III. Find proper definitions and study them:

Terms	**Definitions**
1. Pure competition	a) a market situation where firms are able to differentiate their product from those of competitors;
2. Monopolistic competition	b) a market in which there are few sellers;
3. Oligopoly	c) there are many firms in an industry and they are close enough in size;
4. Monopoly	d) a market situation in which there are no competitors;
	f) is a market situation where firms are able to differentiate their product from those of competitors.

IV. Answer the following questions. Try to express your answers in your own words if possible:

1. What basic degrees of competition exist in a private enterprise system?
2. What does pure competition involve?
3. What is monopolistic competition and what does it give a firm?
4. What is oligopoly?
5. What is monopoly?

Text 8. MONOPOLY AND COMPETITION

Read and translate the text.

A holder of a monopoly is a single seller who has exclusive control of the supply and marketing of some product or service. This exclusivity frequently enables the monopolist to set a selling price that is likely to be higher than it would be if competition with other sellers of the same product existed. A telephone company serving a community is an example of a monopolist. In the United States, however, because every telephone company is treated as a PUBLIC UTILITY, the prices it charges are fixed by state and federal regulatory agencies. Copyrights and patents are forms of monopolies granted by the government.

Competition and market power

Economists have coined the term perfect competition to describe the situation in which so many sellers compete that no one of them can influence the selling price. Few examples exist of perfect competition as defined by economists. Wheat farmers perhaps come closest to it. Such sellers are sometimes referred to as "price takers" rather than "price makers", and they theoretically have free entry and exit from markets, are independent, and have a homogeneous product to sell.

Market power is the term economists use to describe the ability to hold control over prices and profits. A monopoly has the greatest market power, and the seller under perfect competition has no market power at all. In the United States most businesses operate in industries falling between the polar extremes of monopoly and perfect competition. To explain the behaviour of firms in the broad spectrum of markets between these extremes, economists have developed theories about the differences in market power in various industries.

The most widely held theory assumes that the extent of a firm's market power depends on certain characteristics existing in the market where it operates. Three characteristics are believed to be especially important: (1) the share of an industry's sales held by its leading firms; (2) the ease with which new firms can enter an industry; and (3)

the extent to which he products of a seller are differentiated from those of other sellers of similar products. According to this theory, originating in the works of the American economists Edward H. Chamberlin and Joe S. Bain, a firm's power will be greatest if it shares an industry with few competitors, if it is shielded almost completely from the threat of entry by new competitors, and if it sells a highly differentiated products that is distinct from all similar products. When a "big three" or "big four" dominates an industry, that situation is called a shared monopoly, because such firms are believed to behave almost like a single-firm monopoly. If these firms act together to control the supply and marketing of goods, they are known as an oligopoly or CARTEL.

Key Words and Phrases

public utility	комунальні служби
regulatory agencies	регулятивні органи
perfect competition	абсолютна, повна (немонополістична) конкуренція
perfect monopoly	абсолютна монополія
to coin the term	створювати термін
homogeneous product	однорідна продукція
market power	ринкова спроможність
polar extremes of monopoly	діаметрально протилежні крайнощі монополії
held theory	теорія володіння (утримання монополії)
threat of entry	загроза вступу
shared monopoly	групова монополія
single-firm monopoly	монополія однієї фірми

Exercises on the text

I. Give Ukrainian equivalents for the following words and word combinations:

a holder of monopoly; a single seller; exclusive control of supply and marketing of some product or service; monopolies granted by the gov-

ernment; perfect competition; price takers; price makers; the greatest market power; are believed to be important; are known as an oligopoly.

II. Complete the following words and word combinations. Explain their meaning to your groupmates:

To coin...; many sellers...; infl... the selling...; theoretically have...; ... is the term economists...; the behaviour ...; ... broad ... of markets; sellers ofsim... products; shared... .

III. Answer the following questions. Try to express your answers in your own words if possible:

1. Who is a holder of a monopoly?
2. What is a market power?
3. What does a market power depend on?
4. What theories have economists developed?
5. What is the difference between a shared monopoly and a single-firm monopoly?

IV. Speak on the content of the text freely, no more than in 15 phrases.

Text 9. INDUSTRIAL CONCENTRATION

Read and translate the text.

Much of the present competitive structure of U.S. industry evolved from events beginning in the last decades of the 19th century. Until then, nearly all businesses were small proprietorships or partnerships – therefore the control of industry was dispersed among many hands. With the relaxation of state incorporation laws, the industrial CORPORATION burst on the scene.

The Growth of Large Firms

An enormous MERGER and consolidation movement began around 1900. In the two decades from 1890 to 1910, swift and irreversible changes occurred in many leading industries. In 1901 the United States

Steel Corporation became the largest corporation in the world th consolidation of most existing steel companies in the United controlled about 75 % of the country's steel output in 785 plant total of about $ 1.4 billion in assets. What happened in steel was r elsewhere. The most familiar consolidations involved tobacco (An Tobacco), petroleum (Standard Oil), explosives and chemicals (Du and tin cans (American Can). Although some of the great trusts o day were later partially broken up, the pattern had been set.

Although considered big business in their day, most of the e trusts were pygmies compared with today's large industrial co plexes. Some comparisons will illustrate the difference. In 1991 t two largest U.S. industrial corporations, general Motors and Exxo had combined sales of about $ 227 billion. This figure was greater (af ter adjustment for inflation) than America's gross national product at the time of the Civil War, more than the combined sales of the over 200,000 manufacturing establishments in 1900, and larger than the gross national output of all but 13 (Brazil, Canada, China, France, India, Italy, Japan, Poland, Spain, United States, the former USSR, United Kingdom, Germany) of the almost 200 nations of the world. With each passing year, more of the financial, distribution, and industrial sectors of the economy are run by large corporations.

In 1909 only one and in 1929 only two manufacturing corporations had assets exceeding $ 1 billion. By 1991, 377 billion-dollar corporations held 71 % of total manufacturing assets. (Price inflation accounts for only a small part of the increasing number of billion-dollar corporations. For example, expressed in 1990 dollars, only about 15 industrial corporations in 1990 had assets over $ 1 billion).

Despite the increase in monopolistic concentration, small business has not disappeared from the industrial scene. On the contrary, the absolute number of small businesses has grown through the years; today there are approximately 250,000 manufacturing companies in existence. Thus the galaxy of a few large corporations is expanding its share in a universe that itself expanding. Some economists describe the present economy as a **dual economy** – one part consists of a large number of small-and modest-size businesses, and another part is becoming increasingly centralized among a few hundred huge corporations.

Levels of Concentration

In many industries sales have become concentrated among a relatively few corporations. The overall averages, however, conceal more than they tell. Some industries are well above the average and others are below it.

A variety of complex, interacting forces determine the level of concentration in industry. On the one hand, the growth of the economy creates opportunities for more firms to enter an industry and to grow to efficient size. On the other hand, the number of firms can be limited by the requirements of large-scale production, the necessity to be large enough to support research laboratories and to finance new products and new methods of production, and the advantages enjoyed by large firms in distribution and advertising. Market concentration is also influenced by various business practices and the general institutional environment in which businesses operate. These include such factors as federal antitrust laws and the way these laws are enforced.

Economists have not determined the precise impact of these various influences. Research studies show, however, that the level of concentration existing in many industries exceeds that necessary to achieve efficient production. Although the requirements of large-scale production make it impractical to have numerous small companies, they do not necessarily dictate that industries be dominated by only a few firms. Because the U.S. market is large, to have a fairly large number of firms of efficient size in the great majority of industries would be possible. It is not inevitable that markets should become highly concentrated. Therefore researchers seek other causes to explain industrial concentration. Two factors are especially significant.

The most important single force promoting concentration in many industries is advertising, which plays an important role in the marketing process. The advent of television as a preferred medium of advertising for many products has been a major factor in promoting concentration. For various reasons, television advertising has favored large companies in many consumer product industries; the result is a persistent trend toward increased centralization of business among a few corporations. The concentration in consumer-goods industries increased by more than 10.2 percent in the years 1947–1987.

Consumer-goods industries produce goods for final consumption, such as processes foods, detergents, beer, automobiles, and clothing. Although average concentration in all of these industries taken together rose significantly, the greatest increases were in the highly differentiated consumer-goods industries. These are industries such as prepared cereals, beer, and household detergents that are most depended on advertising.

Another factor promoting concentration is mergers among business firms. Extensive merger activity occurred in the 1960s – when about one tenth of the manufacturing companies with assets over $ 10 million were acquired by other firms – and again beginning about 1980. During the course of the 1980s, merger activity accelerated; as it reached new heights, commentators dubbed the phenomenon "merger mania". A partial list of billion-dollar companies that were acquired in the 1980s includes: Crown Zeilerbach, Firestone Tire, General Foods, Gulf Corporation, Kraft, McGraw Edison, and Stauffer Chemical Company. The merger movement created enormous CONGLOMERATE enterprises that have subsidiaries in many industries. Economists do not agree about the effect of industrial conglomeration on the competitive process. Especially when small companies are involved, mergers may increase efficiency and heighten competition. Mergers among large firms, however, clearly work to centralize control over the economy in ever fewer hands. Huge enterprises, straddling may industries and nations, possess a great deal of potential power over smaller firms and lead to further industrial concentration.

A unique feature of the takeover movement of the 1980s was the use of so-called leveraged buyouts (LBOs). LBOs involve acquiring a company's **voting stock** with high interest-rate bonds, called "junk bonds", that are backed by the assets of the acquired company. In effect, outsiders (or in some cases company managers) gain control of a company using the acquired company's own assets. This development greatly increased the indebtedness of numerous American corporations.

Among those hardest hit by this practice was the grocery supermarket industry, where LBOs and acquisitions involved companies with combined annual sales of about $ 100 billion. Practically every

large public grocery supermarket chain that was not closely controlled by a family or other dominant shareholders was involved in this movement during 1979–1989, including such giants as A&P, Safeway, and Kroger.

The LBO movement reached its peak in the mid–1980s and largely sunsided during 1990–1991. By then many corporation were heavily burdened with junk bonds and were forced into bankruptcy or were compelled to retrench their operations. The Securities and Exchange Commission initiated investigations of some LBO and junk bond promoters, which led to jail sentences and huge fines for some parties. The end result of the financial excesses of the 1980s are not entirely clear. But an increasing number of businessmen and economists have come to believe that on balance the LBO movement decreased the domestic and international competitiveness of many American corporations and contributed to the depth and length of the recession that began in 1990.

The Effects of Concentration

According to economic theory, when sellers are few they have more control over their output and price decisions than when they are many. Numerous studies have been made of the relationship between market power and prices. Economists use complicated statistical procedures to isolate the role of market power from other factors influencing prices and profits. They seek to estimate the net effect of market power when other influence are also taken into account.

The best evidence suggests that the costs of market power are substantial. One authority on the subject, F.M Scherer, estimated the wastes and inefficiencies resulting from monopoly power at 6.2 % of gross national product, or about $ 250 billion in 1985 (by some accounts, a conservative estimate). Other effects exist as well.

Market power also redistributes income from consumers to the owners of the firms with power. The amount of this redistribution has been estimated at 3 % of the gross national product, or about $ 115 billion, in 1985.

These are only the most obvious costs of excessive market power. Some observers claim that market power prevents the econ-

omy from achieving full employment with stable prices. In economic theory, perfect competition leads to full employment of people and resources without inflation. Limitations on competition lead to less employment and higher prices.

Critics of industrial concentration charge that it also leads to the corruption and misuse of political institutions. They point to the enormous political pressures brought to bear on legislators in Washington and the state capitals by LOBBYISTS and SPECIAL-INTEREST GROUPS, many of them financed by industrialists. Indeed, many monopolies could not exist if they did not have the backing and protection of the government.

Import competition plays an important role in limiting the power of domestic firms in concentrated industries. Since World War II the proportion of imports to American-made products has risen substantially, so that concentration figures based on domestic-company sales overstate significantly the actual level of concentration in some industries. Because the producer-goods industries were most affected by imports, effective market concentration in those industries has actually declined rather than remained unchanged. Consumer-product industries were impacted less by import competition, especially highly advertised products like ready-to-eat cereals, detergent, and many other products sold in supermarkets.

Key Words and Phrases

relaxation of state incorporation laws	послаблення закону щодо надання статусу корпорації
swift	швидкий, поспішний
irreversible	необоротний
galaxy	плеяда
dual economy	дуальна економіка (суперечлива)
precise impact	точний вплив
merger	злиття, поглинання компаній шляхом придбання цінних паперів або основного капіталу компаній

voting stock	акція, яка надає власнику право голосу на зборах акціонерів
junk bonds	"викидні", тобто високоприбуткові, але ненадійні облігації
leveraged buyouts (LBO)	викуп контрольного пакета акцій у рахунок кредиту
acquisition	придбання

Exercises on the text

I. Give Ukrainian equivalents for the following words and word combinations:

an enormous merger; irreversible changes; monopolistic concentration; the galaxy of a few large corporations; interacting forces; antitrest laws; extensive merger activity; industrial conglomeration; to centralize control over the economy; were heavily burdened; to retrench operations; to redistribute income; to bear on legislators; import competition.

II. Fill in the blanks with noun, verb or adjective forms. Use your dictionary if necessary:

Noun	Verb	Adjective
competition	compete	mpetitive
–	consolidate	–
recording	–	–
–	–	distributive
limitation	–	–
–	determine	–
indebtedness	–	–

III. Answer the following questions. Try to express your answers in your own words if possible:

1. What is a dual economy?
2. What opportunities does the growth of the economy create for firms?

3. What is an industrial concentration?

4. When and why did the recession of the LBO movement begin?

5. Did economists agree about effect of industrial conglomeration on the competitive process?

6. When do the sellers have more control over their output and price decisions?

7. Where does the perfect competition lead to according to economic theory?

8. What role does the import competition play in limiting the power of domestic firms in concentrated industries?

IV. Give the main idea of the text and write a short summary.

Text 10. MODERN MONOPOLIES IN ECONOMIC DEVELOPMENT

Read and translate the text.

Monopolies are not new phenomena: throughout business history corporations have achieved complete dominance over a wide array of industries.

In an economy which is substantially competitive, the main consequence of a few monopolistic situations are the price distortions which have been analyzed by the neo-classical economists. The picture changes entirely if monopolistic situations are supposed to be diffuse (we may then speak of a monopolistic economy). The problem of price distortion is then superseded by the problem of the interactions between the strategy of the firm and the dynamics of the economy. We shall call "monopolistic" that behaviour of the firm which is capable **of maintaining** (in the long run) a profit margin higher than "normal" **or of surviving** for a long period in spite of having costs higher than is technically and commercial necessary (for instance because of higher wages or of special bonuses granted to persons and **bodies** inside and outside the firms).

In fact the monopolistic firms can **enjoy** a higher rate of growth is they can **command** a disproportionally large or productive share of total national investment. This can occur if:

(a) There is a **precapitalistic** sector allowing an almost **infinitely elastic supply** of labour to be utilized in enlarging the capitalistic sector. When such a situation occurs, the monopolistic firms case **a break in the economic** situation; we can then speak of *breaking monopolies.* Breaking monopolies have played an important role in the development of a few countries. Their effect is the net result of the positive effects of the price distortion and of some **feedback effects** which may be positive (as, for example, urbanization) or negative (as, for example, the curtailment of some free initiative).

(b) There are substantial possibilities of transforming the technology of the economy. To achieve such a transformation, large investments and a certain control of the market are required. We shall then speak of *transforming monopolies.*

Both the breaking and the **transforming monopolies** are of a **transient type.** Once the precapitalistic sectors are exhausted and the technological transformation completed, the maintenance of monopolistic power is jeopardized: a transformation of the system will occur.

When monopolies merely try to **exploit barriers** to entry to keep prices as high as possible, lacking either of the two above-mentioned conditions, we shall speak *of stagnant monopolies.* The higher profit may be devoted to unnecessary expenditures which may lead to:

1. An increase in demand. Then we my have a Keynesian tendency to full employment: price distortions become the main adverse consequence of monopoly.

2. An increase in rentiers' incomes which causes a more than proportionate increase in savings. Then monopolies may foster the rise of a stagnant economy in the Keynesians sense.

Two alternatives to classical exploitation of monopoly power, and to breaking and transforming monopolies, which are capable of avoiding the turning of monopolistic firms into stagnant monopolies, are provided by:

(c) international investment;

(d) demand creation by *commercial activity,* i. e. by policies of producing new commodities, or of differentiating the old ones and promoting their sale (mainly through advertising).

The interaction between the policy of the breaking monopolies and the economic process may explain the emergence of transforming monopolies or the tendencies towards stagnation which can develop in the economy. Different types of monopolies may operate at the same stage of development.

Key Words and Phrases

array	ряд, низка
consequence	наслідок
price distortions	перекручення цін
to diffuse	поширюватися
profit margin	маржинальний прибуток
infinitely elastic supply	безконечно, нескінченно еластична пропозиція
breaking monopoly	гальмуюча монополія
net result	кінцевий результат
feedback effect	ефект зворотного зв'язку
curtailment	скорочення, зменшення, обмеження
transient	тимчасовий; перехідний
stagnant monopoly	застійна, в'яла монополія
rentier's income	прибуток рант'є (відсотки, отримані від позики грошей або цінних паперів)
to jeopardize	наражати на небезпеку, ставити під загрозу
transforming monopoly	трансформаційна монополія

Exercises on the text

I. Give Ukrainian equivalents for the following words and word combinations:

substantially competitive; interaction; dynamics of the economy; rate of growth; productive share of national share; a break in the economic situation; the negative effects of the price distortion; transforming the technology of the economy; to exploit barriers to entry; proportionate increase in savings.

II. Fill in the blanks with noun, verb or adjective forms. Use your dictionary if necessary:

Noun	Verb	Adjective
interactions	interact	interactive
–	–	commercial
accumulation	–	–
–	–	existent
–	ransform	–
–	–	operative

III. Answer the following questions. Try to express your answers in your own words if possible:

1. What are the main consequences of some monopolistic situations?
2. What problem is the price distortion problem superseded by?
3. When do the monopolistic firms cause a break in the economic situation?
4. Have breaking monopolies played an important role in the development of some countries?
5. Are there any possibilities of transforming the technology of the economy?
6. What is required for achieving transformation?
7. What can you say about breaking and transforming monopolies?

IV. Give your own opinion of the text. What problems are raised in this text?

Text 11. FOUNDATIONS OF MONOPOLY POWER

Read and translate the text.

A monopolist is the sole supplier of a good for which there are no very close substitutes? And can exclude competitors. His control over the supply of a good may be either in its production or sale. His control over the supply of a good may be either in its production or sale. The sources of this power can be classified under four main headings:

I. Immobility of the Factors of Production

Immobility of the factors of production means that new competitors cannot compete with existing suppliers. Such immobility may arise through:

(a) *Legal prohibition of new entrants.* In the seventeenth century James I granted monopolies as a means of raising revenue, but today prohibition of entry of new firms is chiefly confined to certain "public utility" undertakings, e.g. water supply, natural gas transmission, and some public corporations, e.g. coal-mining, letter delivery (Post Office), where many firms would create technical difficulties.

(b) *Patents, copyrights and trademarks,* with the object of promoting invention and the development of new ideas.

(c) Government policy of establishing single buying and selling agencies, e.g. marketing boards.

(d) *Control of the source of supply by one firm,* e.g. diamonds, mineral springs, specialist workers (e.g. dress-designers), trade unions and professional associations.

(e) *Restriction on imports,* by tariffs, quotas, health controls, etc.

II. Ignorance

A monopoly may persist largely through the ignorance of possible competitors. They may not know about the supernormal profits being made by the existing firm, or they may be unable to acquire the necessary know-how, e.g. for involved technical processes.

III. Indivisibilities

Whereas the original firm may have been able to build up its size gradually, new firms may find it difficult to raise the large capital required to produce on a scale which is cost-competitive, e.g. with cars, drugs, computers.

In some cases, too, the efficient scale of plant may be so large relative to the market that there is only room for one firm. These "natural" monopolies cover many of the public utilities, e.g. gas supply, water, electricity generation.

IV. A Deliberate Policy of Excluding Competitors

Restriction of competition falls into two main groups. On the one hand, we have the sources of monopoly power described so far. These have, as it were, resulted indirectly rather than from any deliberate action by producers. Such **"pontaneous"**monopolies must be contrasted with **"deliberate"** monopolies – those which are created specifically to restrict supply.

Deliberate action to exclude competitors takes various forms. Firms producing or selling the same good may combine, or a competitor may be subject to a takeover bid. Monopolies are often formed in the sale of services. Trade unions are primarily combinations of workers formed with the object of obtaining higher wages. Certain professions, such as medicine and the law, have their own associations which regulate qualifications for entry, professional conduct, and often the fees to be charged.

Some practices designed to exclude competitors are highly questionable – vicious temporary price-cutting, **collusion in submitting tenders,** collective boycotts, intimidation of rivals' customers by threats to cut off the supply of another vital product, etc.

Key Words and Phrases

immobility	відсутність мобільності факторів виробництва
indivisibility	неділимість; неможливість використовувати частинами

deliberate policy	зважена політика
temporary price-cutting	тимчасове зниження цін
collusion in submitting tenders	змова при поданні заяв на торгах

Exercises on the text

I. Give Ukrainian equivalents for the following words and word combinations:

to exclude competitors; to control over the supply; means of raising revenue; marketing boards; trade-unions; supernormal profits; cost-competitive; "natural monopolies"; a take-over bid; the sale of services; the fees to be charged; price-cutting; collusion in submitting tenders.

II. Fill in the blanks with noun, verb or adjective forms. Use your dictionary if necessary:

Noun	Verb	Adjective
substitution	substitute	substitutive
classification	–	–
–	confine	–
–	–	creative
established	–	–
–	acquire	–

III. Answer the following questions. Try to express your answers in your own words if possible:

1. How are monopolies formed?
2. What are the sources of monopoly power?
3. What does immobility of the factors of production mean? And how may it arise?
4. What is the difference between "spontaneous" monopoly and "deliberate" monopoly?

IV. Write a short summary of the text.

Text 12. IMPERFECT COMPETITION

What do we mean by imperfect competition?

Read and translate the text.

I. Many Small Sellers and Buyers

Suppose that, instead of many sellers, there are only a few, or even one. Each seller now provides a substantial part of the market supply. As a result, the market price will be affected whenever he varies the amount he supplies of the commodity. In other words, he is faced with a downward-sloping demand curve.

Similarly, on the buying side, when any buyer takes a significant proportion of the total market supply, he will be faced by a rising supply curve.

In both cases we have some element of "imperfect competition". As we shall see, a downward-sloping demand curve has particular significance as regards marginal revenue.

II. Homogeneous Product

Products may not be homogeneous. The seller may split up the market to some extent by product differentiation, or goodwill. The result will be that even though he raises his price a little, he still retains some of his customers. Again he faces a down-sloping demand curve. Nevertheless, there may still be freedom of entry to the "industry".

III. Perfect Knowledge, Free Entry and Perfect Mobility of the Factors of Production

A breach of any of these conditions can give rise to demand or supply curves which are not perfectly elastic. Consumers, for instance, may not have complete knowledge of prices ruling elsewhere, e.g. in retail markets. Thus sellers can raise their price without losing all their custom. Similarly, there may not be free movement into the industry. This may arise when again outside firms do not have complete knowledge of the profits being made by existing firms. Or entry may be le-

gally prohibited or made impossible by the inability to obtain essential factors of production. In such cases, existing firms can combine to exert some control over the market supply.

Thus, whenever any of our conditions for perfect competition is broken, some form of "imperfect competition", indicated by a downward-sloping demand curve or an upward-sloping supply curve facing the individual seller or buyer, results.

Forms of Imperfect Competition

There are many "shades" of imperfect competition. At one extreme, we have a single producer of a certain product; at the other, the only difference from perfect competition is that firms in the industry are each producing a slightly different brand. The first we call "monopoly", the second "monopolistic competition". In between, we can have just a few sellers of the same or of a slightly different product – "oligopoly". The broad market forms are shown in Figure 1.

What Do We Mean by "Monopoly"?

Comparison with Perfect Competition

Under perfect competition, there are many sellers each producing a very small amount of the total supply of a homogeneous product. The result is that each producer is faced with an infinitely elastic demand curve. It would be nice, therefore, if, at the other extreme, we could define a monopolist, which literally mean "one seller", as a producer who is faced with an absolutely inelastic demand curve.

Unfortunately this is impossible. Because income is limited, goods compete with one another for this income. To a greater or lesser degree, therefore, all goods are substitutes for each other.

Has the Monopolists Demand Curve a Constant Elasticity of 1?

It has been suggested, therefore, that the only true monopolist is one who sold all goods and therefore obtained all consumers' spending. The demand curve facing him would then be of unit elasticity at

all prices. Any rise in the price of goods would simply mean that, although less were bought, total expenditure was unchanged.

But if we follow this argument through we can see that this definition is **untenable** for two reasons:

Any reduction in output will result in the same receipts, but lower costs. Where, then, does the reduction stop?

What the monopolist pays to the factor of production (his costs) is also the income of households which they spent on the goods he produces. If he goes on reducing output (in order to lower costs), where do receipts come from?

Monopoly in Practice

Since, therefore, a theoretical definition of monopoly is impossible, we have to consider the situation from a practical point of view. While to some extent all goods are substitutes for one another, there may be essential characteristics in a good or group of goods which give rise to gaps, as it were, in the chain of substitution. If one producer can so exclude competitors that he controls the supply of such a good, he can be said to be a "monopolist" – a single seller.

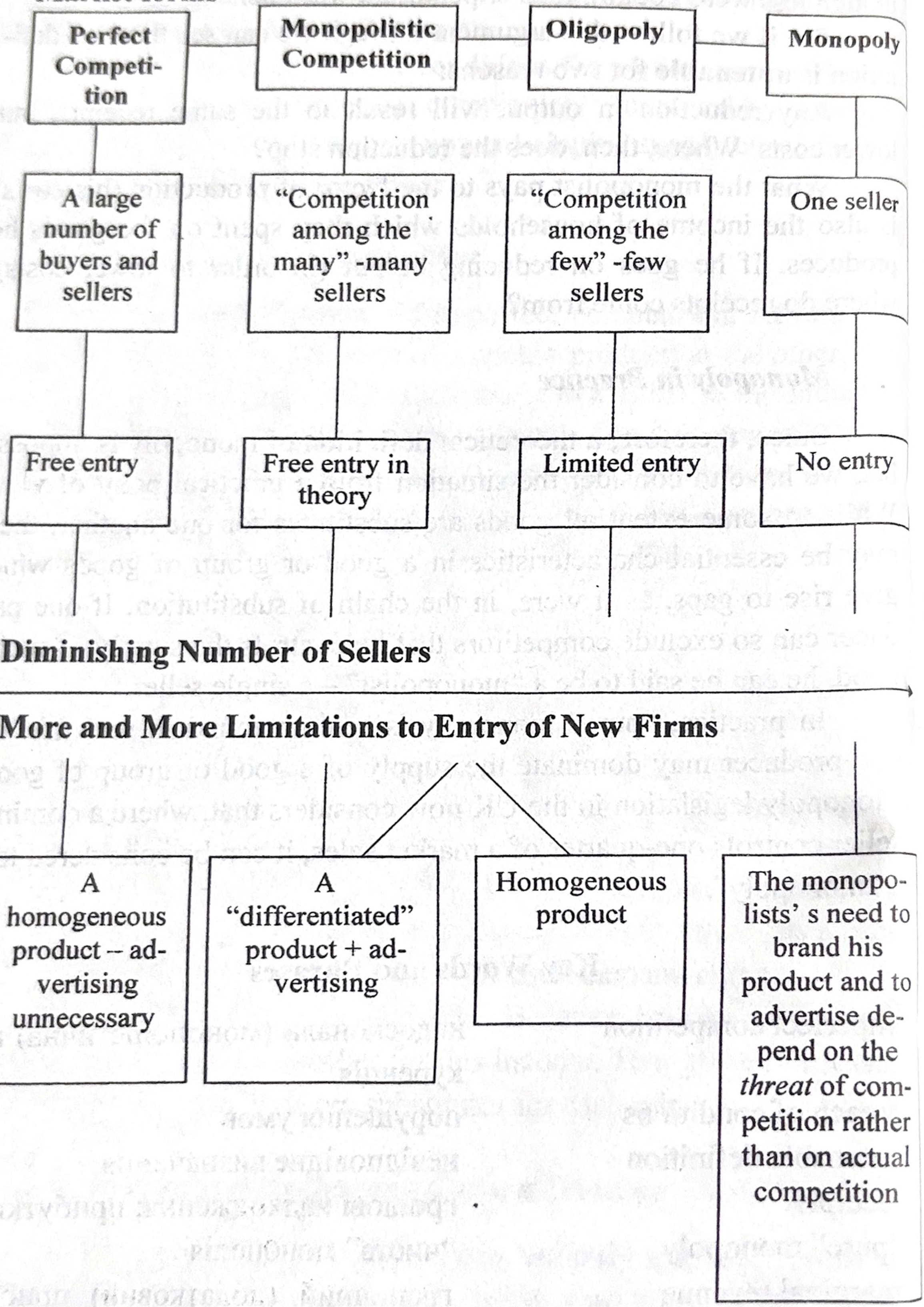
In practice, "pure" monopoly is seldom found in real life. But one producer may dominate the supply of a good or group of goods. Monopoly legislation in the UK now considers that, where a dominant seller controls one-quarter of a market sales, it can be considered to be a "monopoly".

Key Words and Phrases

imperfect competition	недосконала (монополістична) конкуренція
breach of conditions	порушення умов
untenable definition	невідповідне визначення
receipts	грошові надходження; прибутки
"pure" monopoly	"чиста" монополія
marginal revenue	граничний (додатковий) прибуток (надходження, отримані від продажу додаткової одиниці продукції)

FIGURE 1

Market forms



Exercises on the text

I. Give Ukrainian equivalents for the following words and word combinations:

downward-sloping demand curve; rising supply curve; marginal revenue; split up the market; upward-sloping supply curve; perfect competition; consumers spending; give rise to gaps; to reduce output; to exclude competitors; dominate the supply; to control one-quarter of a market sales.

II. Fill in the blanks with noun, verb or adjective forms. Use your dictionary if necessary:

Noun	Verb	Adjective
significance	signify	significant
–	entry	–
movement	–	–
–	–	existent
–	indicate	–
substitution	–	–

III. Answer the following questions. Try to express your answers in your own words if possible:

1. What is imperfect competition?
2. In what cases firms can control over the market supply?
3. What do we mean by "monopoly"?
4. What is the difference between monopoly and monopolistic competition?

IV. Speak on the content of the text with your fellow students.

Text 13. EFFORTS TO COMBAT MONOPOLY

Read and translate the text.

A great debate over the monopoly question began around the turn of the 20th century; the debate has waxed and waned ever since.

Three alternative approaches have been tried to limit monopolies: (1) antitrust legislation designed to prevent monopoly or foster competition; (2) the regulation of holders of market power through state and federal public-utility laws; and (3) the public ownership of large enterprises (advocated by SOCIALISM).

In the United States the least-used approach has been that of publicly owned enterprise. In Europe and in developing countries, this approach has been a much more common device. Americans have relied mainly on public utility regulation and the antitrust laws to police business behaviour. The first federal legislation to deal with the monopoly problem created the INTERSTATE COMMERCE COMMISSION in 1887 to regulate the railroads.

The SHERMAN ANTI-TRUST ACT of 1890 was intended to prevent monopoly from developing and to strengthen competition. Under the Sherman Act the federal government brought a number of legal actions in the early 1900s that resulted in the breaking up of several large corporations, or trusts as they were then called, including Standard Oil of New Jersey, American Tobacco, and Du Pont. The most far-reaching antitrust settlement in recent years was the 1982 decision that divested the most far-reached antitrust settlement in recent years was the 1982 decision that divested the American Telephone and Telegraph Corporation (AT&T) of its 22 local operating companies, although the huge corporation received in exchange the right to enter the field of electronic communications.

The Sherman Act also prohibits conspiracies among competitors to fix prices and limit competition. Hundreds of price-fixing cases have been brought to court through the years, sometimes resulting in mild prison sentences and fines. An important case (1961) involved executives of General Electric, Westinghouse, and other leading electrical equipment manufacturers, who pleaded guilty to an elaborate price-fixing scheme. The companies were required to pay damage awards of about $500 million to other companies that brought suits against them under the law.

Although the Sherman Anti-trust Act and subsequent antitrust laws such as the CLAYTON ANTI-TRUST ACT and the ROBINSON-PATMAN ACT have attempted to strengthen competition, many

industries remain highly concentrated, others are becoming increasingly concentrated, and most are likely to remain so unless further public action is taken.

In the 1970s a number of legislative proposals were advanced to deal with the shared-monopoly problem in highly concentrated industries. The most ambitious effort was the industrial Reorganization Act, proposed by Senator Philip A. Hart. It and most other bills failed to gain the support needed for passage. In 1976 a mild reform, the Hart-Scott-Rodino Act, also known as the Concentrated Industries Act, strengthened some provisions of the antitrust laws; among other things, it required corporations to notify the FEDERAL TRADE COMMISSION before consummating mergers above a certain size. Another key provision authorized state attorneys general to bring antitrust suits on behalf of citizens.

Other countries have adopted forms of antitrust legislation. Although none as extensive as the U.S. laws. After World War II the Japanese proceeded to break up some of their family-owned combines, the ZAIBATSU. Japan also established a Fir Trade Commission, but it has been much less active than its U.S. counterparts, the Federal Trade Commission and the Antitrust Division of the Department of Justice.

When Western European nations formed the European Economic Community in 1958, they also adopted a common antitrust law. The law has been generally effective in preventing the reemergence of cartels, or formal agreements to limit competition, that were common in Europe before World War II. It does little, however, to prevent mergers, which have been widespread among European companies in recent years.

Some other nations, including South Korea and Pakistan, also have antitrust laws. These laws are usually aimed particularly at price-fixing cartels. Even Russia and other former Soviet states are in the process of replacing their centrally controlled economies with market-driven systems and are contemplating the adoption of antitrust laws to promote the competitive market process.

Key Words and Phrases

to combat	боротися проти чогось
foster competition	заохочувальна конкуренція
to break up	закривати; розпускати

prison sentences and fines	тюремне ув'язнення та штрафні санкції
to consummate	завершувати; закінчувати
publicly owned enterprise	підприємство, що належить державі або місцевим органам влади (муніципалітету, владним органам штату)
interstate commerce	торгівля між штатами (у США)

Exercises on the text

I. Give Ukrainian equivalents for the following words and word combinations:

a great debate over monopoly; the debate has waxed and waned antitrust legislation; the public ownership; public utility regulation; to prevent monopoly from developing; far-reaching antitrust settlement; to prohibit conspiracies; to pay damage awards; ambitious effort; to consummate mergers; counter parts; to prevent the reemergence; contemplate the adoption of antitrust laws.

II. Fill in the blanks with noun, verb or adjective forms. Use your dictionary if necessary:

Noun	Verb	Adjective
design	designate	designed
regulation	–	–
–	create	–
–	–	authoritative
–	–	effective
prevention	–	–

III. Answer the following questions. Try to express your answers in your own words if possible:

1. What three alternative approaches were tried to limit monopolies?
2. When was a common antitrust law adopted and by what country?

IV. Give your opinion of this text. What problems are raised in the text?

PART II

CONTEMPORARY BUSINESS

Unit 1. SMALL BUSINESS AND ENTREPRENEURSHIP

Read and translate the text.

A small business is one that is independently owned and operated for profit and is not dominant in its field. More than half of all small businesses are retailing and service businesses.

Such personal characteristics as independence, desire to create a new enterprise, and willingness to accept a challenge may impel individuals to start small businesses. Various external circumstances, such as special expertise or even the loss of a job, can also supply the motivation to strike off on one's own. Lack of management experience and poor planning are the major causes of failure.

Small businesses have been responsible for a wide variety of inventions and innovations, some of which have given rise to new industries. Historically, small businesses have created the bulk of the new jobs and have mounted effective competition to larger firms. They have provided things that society needs, acted as suppliers of larger firms, and acted as customers of other businesses both large and small.

The advantages of smallness in business include independence, the opportunity to establish personal relationship with customers and employees, and the ability to adapt to changes quickly. The major disadvantages are the high risk of failure and the limited potential for growth.

The U.S. Small Business Administration was created in 1953 to assist and counsel the millions of small-business owners. The SBA offers management courses and workshops; managerial help; including one-to-one counseling; various publications; and financial assistance through guaranteed loans. It places special emphasis on aid to minority-owned businesses, including those owned by women.

Franchising is the granting of a license to operate an individually owned business as though it were part of a chain. The franchisor provides a known business name, a method of doing business, training, and assistance in merchandising and management. The franchisee contributes labor and capital, and she or he owns the individual franchise. Franchising has grown tremendously over the past twenty years.

A major advantage of franchising is fast and well-controlled distribution of the franchisor's products, with minimal capital outlay. In return, the franchisee has the opportunity to open a business with limited capital, to make use of the business experience of others, and to sell to an existing clientele. For this, the franchisee must usually pay both an initial franchise fee and a monthly royalty based on sales. He or she must also follow the dictates of the franchisor with regard to operation of the business.

Key Words and Phrases

retailing business	роздрібна торгівля
to impel	спонукати (спонукувати) фізичні особи
individuals	
franchise	пільга, привілей
franchiser	компанія або особа, що має патент на будь-яку діяльність
franchisee	торгове підприємство, що має право торгувати продукцією промислового підприємства на пільгових умовах
royalty on sales	ліцензійна плата (встановлена як відсоткове відрахування від обсягу продажу товару)

Exercises on the text

I. Suggest Ukrainian equivalents for the following word combinations and use them in sentences of your own:

small business, to create a new enterprise, to accept a challenge, effective competition, suppliers of firms, high risk of failure, franchis-

ing, limited capital, lack of management experience, royalty on sales, the major causes of failure, to create the bulk of new jobs, financial assistance, managerial help.

II. Make up an outline of this text.

III. Discussion questions:

1. Briefly explain what personal characteristics may impel individuals to start small business.

2. Discuss with your groupmates:

a) the relations among a franchise, the franchiser and the franchisee;

b) one major benefit of franchising for the franchiser and one major benefit for the franchisee.

IV. Write a short summary of the text.

Unit 2. BASIC CONCEPTS IN ECONOMICS

Read and translate the text.

Any change in the economic or political system has major influence on the success of the business system. To understand business, one must also understand basic economics and politics. Economic concepts are the basis for the most business decision making.

The subject matter of economics is society itself. But economics is concerned with studying those aspects of human society which are to do with the production and consumption of goods and services; wages and earnings; unemployment; inflation; government spending; taxation and regulation; international trade, and the distribution of material wealth in the country and throughout the world.

All economic questions arise from the fundamental fact of scarcity. Nature does not provide all of the things society wants. We must decide what, how and for whom to produce. To reduce scarcity human beings can apply their labour to manipulate nature, e.g. cultivating crops. If Human beings succeed in their efforts, they become better off

in terms of material wealth. This steady improvement is called economic growth.

The ability of producers to provide goods and services to individuals at various prices is broadly covered by the concept of supply. The desire by individuals to consume goods and services at various prices is broadly covered by the concept of demand. For each commodity produced in the economy the interaction between supply and demand leads to the determination of the price and the quantity of output that is produced or sold. Virtually, all areas of study in economics can be classified into those under the heading of supply, those under the heading of demand and those based on interrelationship between supply and demand.

There are two sides to the study of economics – microeconomics and macroeconomics. Microeconomics is concerned with individual products and decisions made by individual firms and consumers. Macroeconomics is concerned with the functioning of the overall economy.

Microeconomics is divided into several categories of decision making. With regard to the actions of consumers, microeconomics is first concerned with the choices individuals make in determining how to spend their income. Second, microeconomics deals with how individuals decide on the quantity of the labour or other resource endowments, such as capital, or land, that they wish to sell to firm in exchange for income.

With regard to the actions taken by firms, microeconomics is first concerned with how inputs should be used in the production of output. Second, based on production costs and the prices at which their goods will sell in the market, firms must decide how much output to produce.

Finally, combining the actions of individuals and firms, microeconomics is concerned with the determination of prices for both the inputs used in the production process and the outputs produced.

Macroeconomics is concerned with the problems of economic growth, unemployment and inflation. Each of these factors is an indication of the overall state of the economy and how fully resources are utilized. Higher economic growth generally implies higher living

standards. Lower unemployment suggests that society is making good use of its labour resource. Low rates of inflation reflect stable valuations of goods and services in terms of money.

So, the major distinction between micro- and macroeconomics analysis is in the groups that are the focus of study in each branch. In microeconomics, individuals and firms are the main agents whose actions are analyzed. In macroeconomics, the actions of broad groupings such as all consumers, government, and all investors – form the basis for analysis.

Key Words and Phrases

major	головний
decision making	прийняття рішень
allocation of resources	розміщення ресурсів
scarce	дефіцитний
competing	конкуруючий
economics	економіка
economy	господарство
consumption	споживання
wage	заробітна плата
earnings	прибуток
unemployment	безробіття
inflation	інфляція
distribution	розподіл
wealth	багатство
scarcity	нестача
to reduce	зменшувати
labour	праця
efforts	зусилля
economic growth	економічне зростання
supply	постачання
demand	попит
commodity	товар
output	випуск (продукції)
microeconomics	мікроекономіка
macroeconomics	макроекономіка
choice	вибір
income	прибуток

resources endowments	вклад ресурсів
exchange	обмін
production costs	виробничі витрати
rate	темп, норма, курс
valuation	оцінка
input	ресурси, що були використані у виробництві
the inputs used in the production process and the outputs produced	виробничі затрати, що були використані під час виробничого процесу,і вироблена продукція
low rates of inflation	низькі темпи інфляції

Exercises on the text

I. Suggest Ukrainian equivalents for the following word combinations and use them in sentences of your own:

macroeconomics, basic economics, scarce resources, business decision making, scarcity, to apply one's labour, economic growth, to provide goods and services, to consume goods, commodity, the overalls economy, to spend one's income, in exchange for income, inputs production costs, the determination of prices, living standards, unemployment, low rates of inflation.

II. Suggest English equivalents for the following:

дефіцит; прийняття рішень; розміщення ресурсів; господарство; заробітна плата; оподаткування; нестача; економічне зростання; споживати товари і послуги; випуск продукції; вклад ресурсів; виробничі витрати; темп інфляції; ресурси, що були використані у виробництві; трудові резерви.

III. Answer the following questions about the text. Try to express your answers in your own words if possible:

1. What is necessary for a person to know to understand business?
2. Are economic concepts important for most business decision making?
3. What is the subject matter of economics?

4. What does economics study?
5. What is economic growth?
6. What do we understand by the concept of supply?
7. What is demand?
8. What does the interaction between supply and demand lead to?
9. How can all areas of study in economics be classified?
10. What is microeconomics concerned with?
11. What does macroeconomics deal with?
12. What is the major distinction between micro- and macroeconomics analysis?

IV. Write a short summary of the text.

SUPPLY AND DEMAND

Read and translate the text.

Two important principles of economics are supply and demand. **Supply** refers to sellers' willingness and ability to provide goods and services for sale in a market. **Demand** refers to buyers' willingness and ability to purchase these goods and services.

The relationship between supply and demand determines another feature: price. As Figure 2.1 shows, as the quantity of a particular product increases, the supply goes up; as the price of that product increases, demand for it goes down. The law of supply and demand states that prices (P) in a market are set by the intersection of these supply (S) and demand (D) curves. The point where the curves meet, known as the **equilibrium price** (E), is the prevailing market price at which you can buy that item.

If the actual market price is different from the equilibrium price people tend to make economic choices that return the prevailing price to the equilibrium amount. For instance, if sellers lower their prices below equilibrium, buyers are likely to snap up all the available supply quickly. As sellers get more of the item, they are likely to mark up the price so they can increase their profits. On the other hand, if merchants mark their prices too high, buyers will purchase less of the

product. Sellers will end up competing with each other for customers by lowering their prices to the point where they sell all of their supply, which is the equilibrium price.

Microeconomics: How Do Supply and Demand Interact?

As we noted earlier, microeconomics refers to the economic activities of "small" units such as individuals, families, and firms. People's economic actions determine both the prices of goods and services and the amount sold. Microeconomic information is vital for businesses because their survival depends on selling enough of their products at a high enough price to pay expenses and earn a profit. It is also important to us as consumers, since our well-being may depend on the availability of these goods and services and how much they will cost.

The law of supply and demand is a dynamic concept, meaning it involves changes. The equilibrium price of a product does not remain constant. Changes in supply and demand will force the market price of a product to go up or down.

Table 2.1

Shifts in Demand Corves

Factor	The Demand Corves Shifts to the RIGHT if	The Demand Corves Shifts to the LEFT if
Customer Preferences	Increase	Decrease
Buyer's Income	Increases	Decreases
Price of substitute goods	Increases	Decreases
Price of competing goods	Decreases	Increases
Number of buyers	Increases	Decreases
Buyer's optimist	Increases	Decreases

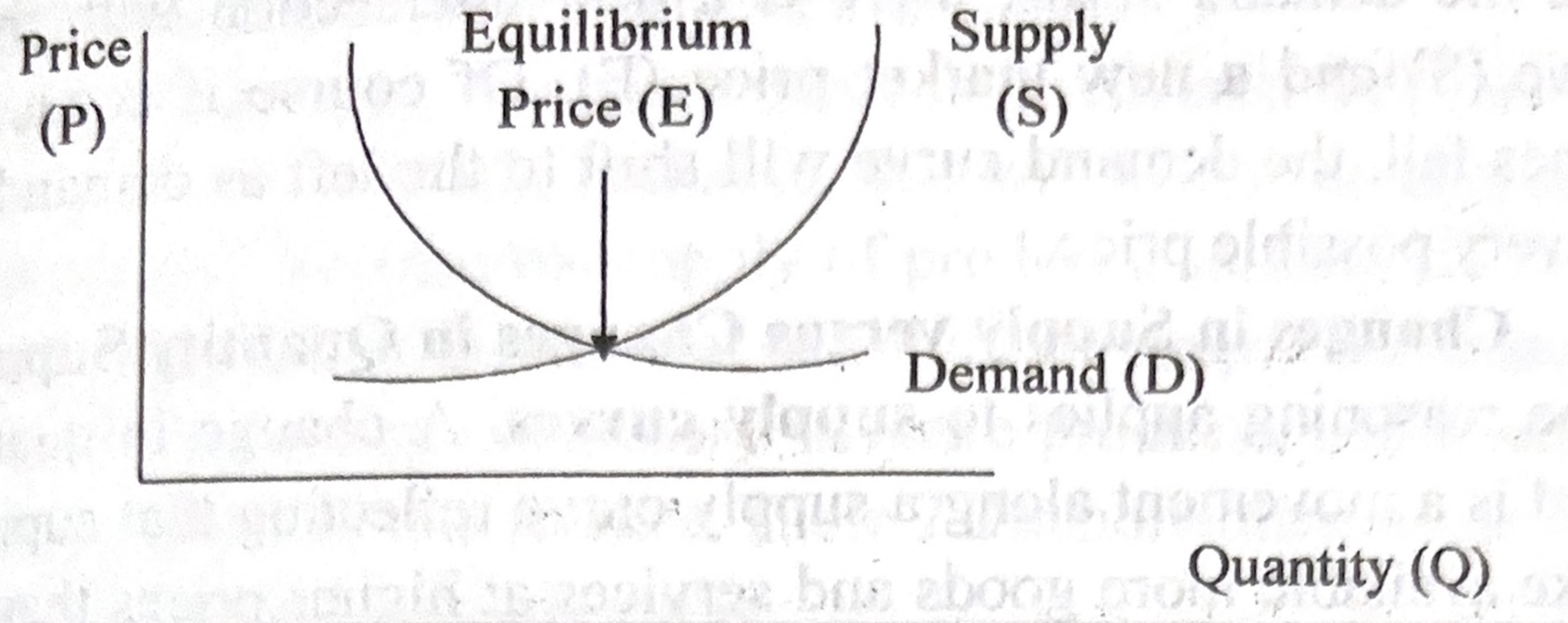


Figure 2.1. The Law of Supply and Demand

Changes in Demand versus Changes in Quantity Demanded. The **demand curve** shown in Figure 2.1 shows the relationship between the price of a product and the amount of that product that buyers will purchase. Economists make a clear distinction between changes in demand and changes in quantity demanded. Here is what they mean. A change in quantity demanded is simply a movement along the demand curve, while a change in demand results in an entirely new demand curve. Looking at the demand curve in Figure 2.1 note that when the price falls, the amount that is demanded by customers goes up. On the other hand when the price rises, quantity demanded goes down. In general, demand curves slope downward due to the inverse relationship between the price of a product and the quantity of it that buyers will purchase.

What, then, is a change in demand? Answering this question require examination of the different factors that combine to determine demand for a good or service. These include customer preferences, income, the prices of substitute and competing products, the number of buyers in a market, and their degree of optimism regarding the future. If changes occur in any of these factors, a new demand curve will result. Which direction will the new curve take? Table 2.1 supplies the answers.

Let us take a change in income as an example. If consumers' incomes rise more products may be sold at every price. This creates a whole new demand curve, one that has shifted to the right of the old one. Figure 2.2 shows the difference between the old demand curve

(labeled Dl) and the new demand curve (D2). As you can see, every time the demand shifts, there is a new intersection with the supply curve (S) and a new market price (E). Of course if consumers' incomes fall, the demand curve will shift to the left as demand declines at every possible price.

Changes in Supply versus Changes in Quantity Supplied. The same reasoning applies to **supply curves.** A change in quantity supplied is a movement along a supply curve reflecting that suppliers will make available more goods and services at higher prices than at lower ones. By contrast, a change in supply results in a new supply curve.

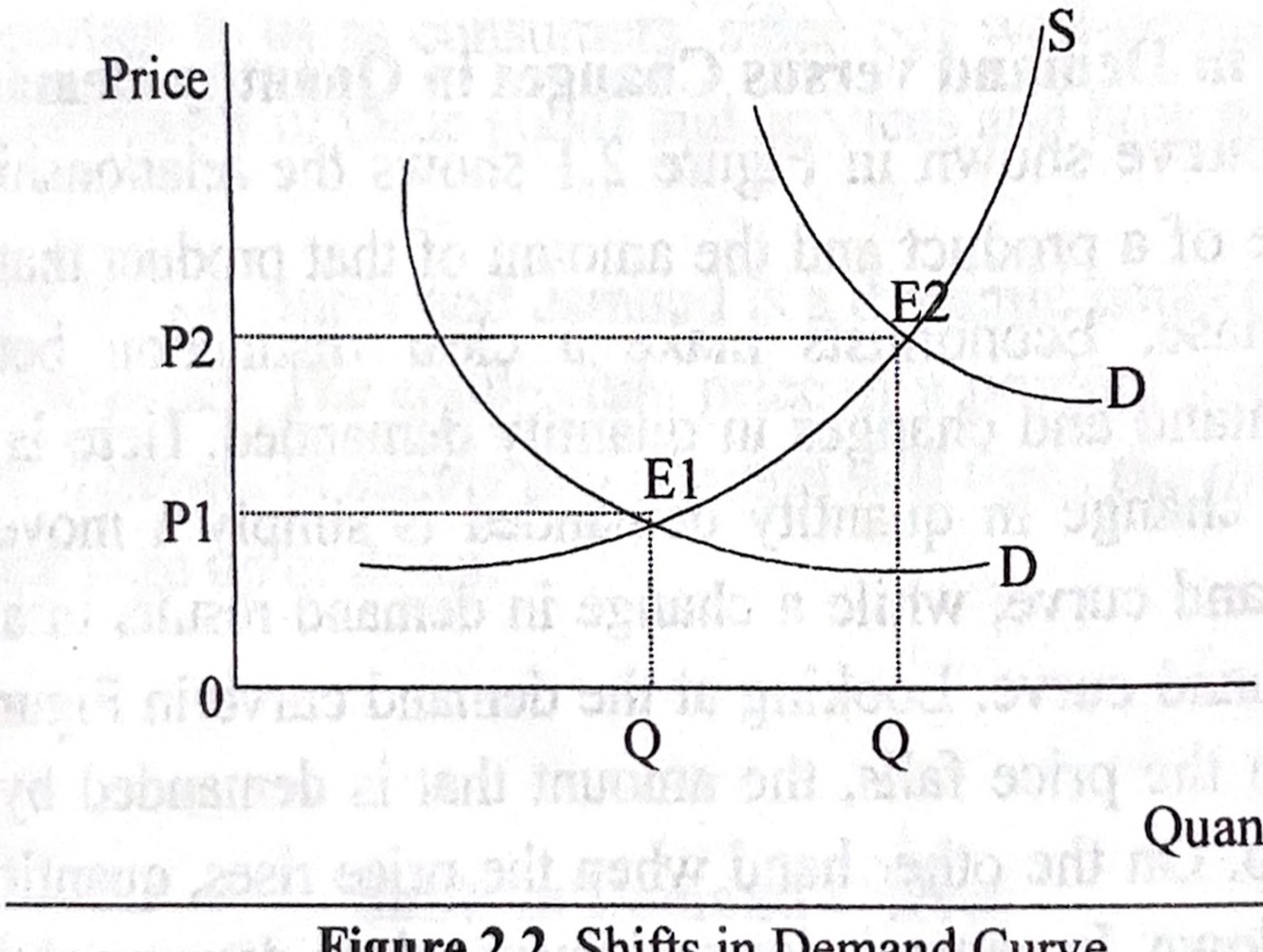


Figure 2.2. Shifts in Demand Curve

The supply curve in Figure 2.1 illustrates the relationship between different prices and the quantity of a product that would be supplied at each price. Like the demand curve, the supply curve can be affected by many different factors. There are four factors of production that help capitalism operate effectively (natural resources, labor, capital, and entrepreneurship). If the cost of any of these inputs changes, this can shift the supply curve.

For instance, if the cost of raw materials (natural resources) goes up, this could reduce the supply of products that are made from those raw materials. Figure 2.3 shows that this would shift the supply curve to the left (S2 and raise the equilibrium price E2); since there are fewer products, the ones that are made will command a higher price

(P2). This curve shows that (other things being equal), as prices rise, the quantity of a product that is supplied also rises.

On the other hand, if a new source is discovered that increases the amount of raw materials available, this will lower the cost of the raw materials and increase the supply of products, shifting the supply curve to the right. Other factors that can shift the supply curve include the cost of the technology necessary to make products, taxes, and the number of suppliers in that market. Table 2.2 summarizes how each of these factors affects the supply curve.

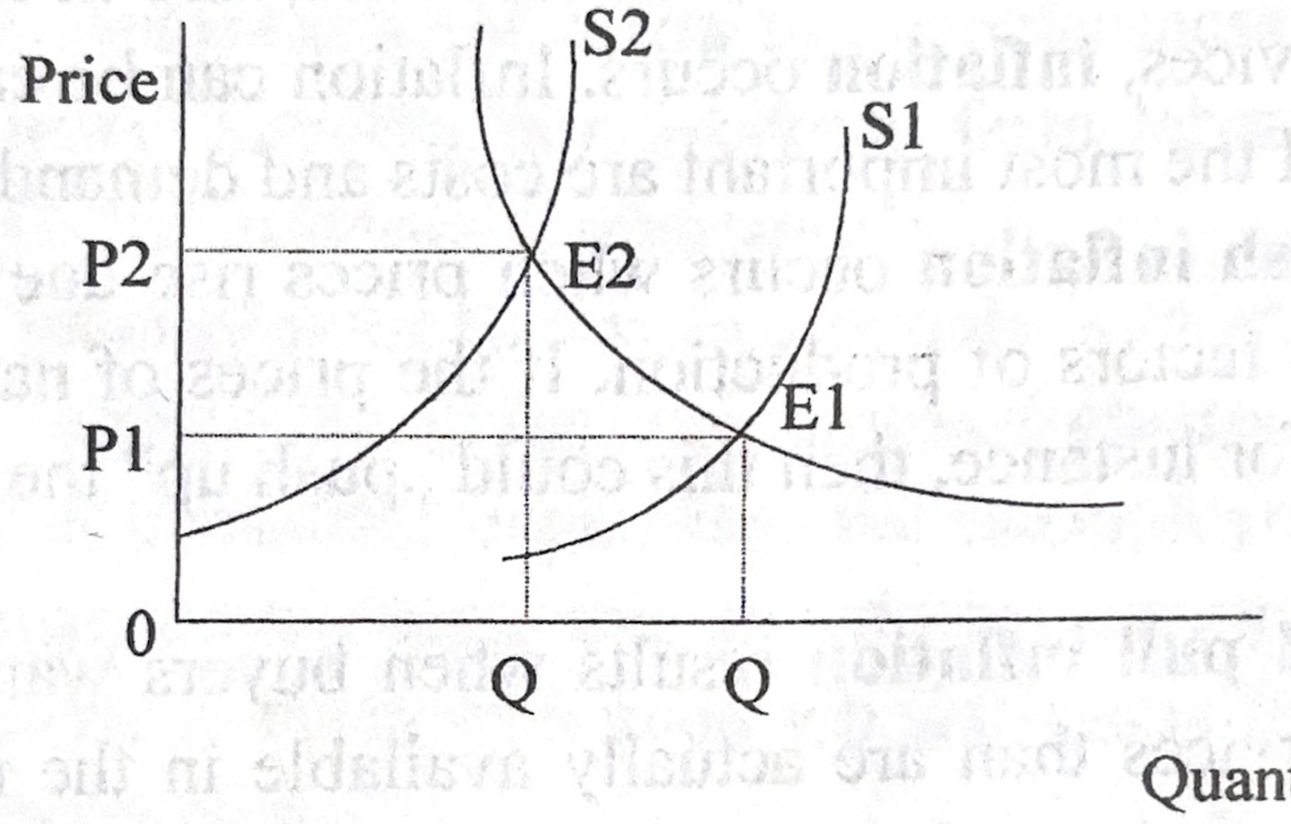


Figure 2.3. Shifts in Supply Curve

Table 2.3

Shifts in Supply Curves

Factor	The Supply Curve Shifts to the RIGHT if	The Supply Curve Shifts to the LEFT if
Cost of inputs	Decrease	Increases
Cost of Technology	Increases	Decreases
Taxes	Decreases	Increases
Number of Suppliers	Increases	Decreases

Changes in Both Supply and Demand. Clearly, individual shifts in supply or demand have obvious effects on prices and the availability of products. But in the real world, changes affecting sup-

ply and demand do not take turns. Several factors often change at the same time, and keep on changing.

Sometimes such changes in multiple factors will cause contradictory pressures on prices and quantities. In other cases the final direction of price and quantities is determined by the factor that has changed the most.

Macroeconomics.

Macroeconomics deals with the study of large-scale economic issues. Three issues that are especially important in macroeconomics are inflation, unemployment, and economic growth.

Inflation. When there is a sustained increase in the prices of all goods and services, **inflation** occurs. Inflation can be caused by many factors: two of the most important are costs and demand.

Cost push inflation occurs when prices rise due to rising costs of the various factors of production. If the prices of natural resources or labor rise, for instance, then this could „push up" the price of the finalproduct.

Demand pull inflation results when buyers want to buy more goods and services than are actually available in the market. As we have seen, when demand rises, so do prices. The overall demand for goods and services is linked to the amount of money in circulation; if the supply of money grows faster than the production of goods and services, this can lead to demand pull inflation.

Economic Growth. Another factor in macroeconomics is the economic growth of a country. A country's economy tends to follow a pattern of repeated expansion and contraction in economic activity. Its gross domestic product (GDP) may reach a peak, and then enter a period of contraction during which it falls. After a period of time the economy again begins to expand and the GDP begins to grow until economics reaches another peak, and the cycle begins all over again.

Unemployment. Still another issue in macroeconomics is how to maintain economic conditions in winch people who want jobs can find and keep them. **Unemployment** is defined as the joblessness of people who are actively looking for work. Official unemployment figures do not include people who are not looking for work outside the home, or people who have stopped trying to find jobs.

In financial terms, of course, unemployment is undesirable because it means lower production and less money being channeled into the economy. More importantly, perhaps, are the psychological costs of unemployment, since many people identify emotionally with what they do for a living.

There are four types of unemployment: frictional, seasonal, cyclical, and structural. **Frictional unemployment** refers to members of the labor force who are temporarily not working but are looking for jobs. This includes new graduates, people who have left one job for any reason and are looking for another, and former workers who have decided to return to the labor force.

Seasonal unemployment refers to thejoblessness of workers in a seasonal industry. Construction workers, farm laborers, and retail clerks often suffer from seasonal unemployment.

Cyclical unemployment involves people who are out of work due to cyclical contractions in the economy as discussed above. While during periods of economic expansion, the unemployment rate may fall below normal, during economic slowdowns unemployment rises. At such times even workers with good job skills may find themselves temporarily unemployed.

Structural unemployment describes a situation in which people are unemployed for long periods of time, often with little hope of finding new jobs. This may occur: because they lack the-necessary skills for available jobs, or because the skills they do have are no longer in demand.

Monetary and Fiscal Policy

The government can use monetary or fiscal policy, or both, to combat inflation and unemployment. Both have a significant impact on business. **Monetary policy** refers to government policy to control the size of the nation's money supply. An expansionary monetary policy puts more money into circulation. Business borrowing becomes easier and often less expensive; as businesses expand, unemployment is reduced. For example, bank interest rates were lowered during the 1991–1992 recession. By contrast, restrictive monetary policy reduces the money supply and helps reduce inflation.

Fiscal policy concerns government revenues and expenditures. Increased government spending can increase economic activity and

reduce unemployment. For example, highway construction was speeded up to combat the 1991–1992 recession. By contrast, a tax increase pulls money out of circulation if government spending does not also increase. Pulling money out of circulation can be used to lessen inflation.

What Is a Recession?

A recession is a cyclical economic contraction that lasts six months or more. During a recession businesses fail and unemployment rises. (A severe economic contraction is called a depression). The challenge for macroeconomics is to find ways to encourage economic expansions while dealing most effectively with recessions and other economic contractions.

During the early 1990s the U.S. economy experienced a recession. Unemployment rose to about 7.3 percent. GM announced that it would close down 21 plants over a three-year period and eliminate 74,000 jobs. Even firms with long-time traditions of no layoffs, such as IBM, were forced to eliminate jobs. While this recession was not as severe as many previous economic contractions, economists note several factors that made it different.

While traditionally manufacturing and "blue-collar" workers have been harder hit by economic contractions, the 1990s recession affected many "white-collar" workers too. To become more productive and competitive, service industries trimmed their payrolls. Another factor involved in the recession is the legacy of corporate debt from the 1980s, when many companies (and individuals) borrowed a lot of money. As consumers and businesses recovered their losses by spending less during the early 1990s, this slowed down the nation's recovery from the recession. During the 1980s many banks borrowed too much money – and ended up going out of business. The remaining banks tightened up their lending policies. which again slowed down recovery. And finally, there's the large federal budget deficit. In past years the federal government sometimes stimulated the U.S. economy by spending money; its own large debt restricted the amount of financial help it could give the economy.

Key Words and Phrases

equilibrium price	ціна рівноваги (ціна, що забезпечує рівновагу)
prevailing market price	ціна, що домінує на ринку
to mark up the price	робити націнку (на товар)
economic issues	економічні проблеми
sustained increase	стійке зростання; підвищення
frictional unemployment	фрикційне безробіття (тимчасове безробіття у зв'язку з переходом на іншу роботу)
seasonal unemployment	сезонне безробіття
cyclical unemployment	циклічне безробіття (викликане циклічним спадом або кризою)
structural unemployment	структурне безробіття (у зв'язку зі змінами галузевої структури економки)
fiscal policy	фіскальна політика; фінансово-бюджетна політика
recession	спад, зниження; економічна криза

Exercises on the text

I. Make up an outline of this text using the key questions given below:

1. What does supply refer to?
2. Define demand.
3. What does the relationship between supply and demand determine?
4. What will happen to the equilibrium price and quantity if a tax is imposed of the production of a certain product?
5. What is inflation? Explain the difference between cost-push inflation and demand-push inflation.
6. How the federal budget deficit might affect the following:

– Interest rates.

– The value of the dollar.
– Foreign trade.
– Employment.
7. What is the importance of quality and customer service?

II. Discussion questions:

1. What is a recession? Describe some of the causes how it affects a nations economy. If you were the president during a recession, what would you do?

2. Describe specific steps you can take to make yourself a more competitive employee in a global economy. What classes would you like to take? In what areas would you like to get more experience?

III. Speak on the content of the text freely, no more than in 15 phrases.

Unit 3. MARKETING

Read and translate the text.

Marketing is a total system of business activities designed to plan, price, promote and distribute want-satisfying products and services to present and potential customers.

According to the marketing concept an organization should try to satisfy the needs of customers through a coordinated set of activities that at the same time allows to organization to achieve its goals. In other words, marketing is a strategic management process; the business of marketing must be organized, directed, and controlled to be effective.

It has often been said that the key to successful marketing is having the right product at the right price in the right place with the right promotion. In the end, the person who decides the "rightness" of these four elements is the customer.

The daily activities of people who work in marketing departments revolve around designing, developing, and enhancing products,

setting the prices for those products, promoting the products' features and benefits to the target markets; and distributing the products to the markets. These activities, the core of any marketing system, constitute the four elements of what is known as the marketing mix. They are often referred to as "the four Ps" of marketing:

– product;
– price;
– promotion, and;
– place (a convenient synonym for distribution).

Each of the 4 Ps focuses on the customer and each is related to the other because a decision about one usually affects the others. The most effective combination of the 4 Ps is the right marketing mix for cash particular product or service.

Product is the first and most important element of the marketing mix. Product strategy calls for making coordinated decision on the product mix, product lines, individual product items, brands, packages and services.

As a product is developed and introduced and as it progresses through its life cycle, decisions must be made about the pricing of the product. Among the important factors considered when setting a price are (1) the costs and business expenses involved in the manufacture or distribution of the product, (2) its fashion and seasonal appeal, (3) the competition, (4) government price regulations, and (5) supply and demand. Marketers may choose to price above or below the average or current market price. If the price is above competitors' prices, the marketer must offer some unique advantages that are easily seen by the customers. If marketers price below the market price, they may attract more customers and increase sales. If the price is the same as others then the service must be better to attract the customer.

When a product comes off the production line, the manufacturer must select the best distribution channel to get that product to the consumer. No matter how good a product is, it can be a total sales failure if it arrives in the marketplace too late, if distribution costs are too high, or if it is not distributed as widely as a competing product. Producers of consumer goods have five channels to choose from in marketing their goods. The channels range from the simplest (manufactur-

ers to consumer) to the most complex (manufacturer to agent to wholesaler to retailer to consumer).

Promotion is the last element of the marketing mix. It consists of activities designed to bring a company's goods or services to the favorable attention of customers. It is certainly the most visible element and one to which consumers are exposed every time they pick up a newspaper or magazine, turn on the television, or radio. An attractive window display and an intriguing free sample are also examples of promotion.

Marketing is now seen as the central function of many organizations. It plays an important role in company policy making.

Key Words and Phrases

to execute	виконувати
to promote	просувати
marketing concept	концепція маркетингу
target market	цільовий ринок
marketing mix	асортимент товарів як маркетингова стратегія; маркетинговий асортимент; фактори маркетингу в компанії
product item	одиниця продукції
product line	група однакових товарів або призначених для подібних ринків
product mix	асортимент товарів
brand	марка
life cycle	життєвий цикл
costs	втрати
expenses	витрати
customer	покупець, клієнт, замовник
distribution channels	канали розподілу
consumer	споживач
consumer goods	споживчі товари, товари широкого вжитку
wholesaler	оптовий торговець
agent	агент, агентська фірма
retailer	роздрібний торговець
window display	оформлення вітрини

sample	зразок, модель
it has often been said...	часто кажуть...
the products' features and benefits	відмінності товарів та ті вигоди, які можна одержати при їх використанні
fashion and seasonal appeal	привабливість товару в зв'язку з модою та відповідністю до сезону
it can be a total sales failure	він зовсім не буде продаватися
free sample	безкоштовний зразок

Exercises on the text

I.Transcribe the following words and mind the stresses:

execute, distribute, satisfying, coordinate, effective, promotion, enhancing, features, referred to, decision, individual, progress, cycle, important, cost, expenses, manufacture, distribution, regulation, unique, attract, channel, failure, marketplace, competing product wholesaler, retailer, consumer, illustration, favorable, visible, intriguing, sample.

II. Suggest Ukrainian equivalents for the following word combinations and use them in sentences of your own:

want-satisfying products and services, through a coordinated set of activities, to achieve goals, the business of marketing, the daily activities, the core of marketing system, enchanting products, for each particular products, product strategy, life cycle, the pricing of the products, to set a price, the costs and business expenses, government price regulations, above competitors' prices, unique advantages, to increase sales, to attract the customer, the best distribution channel, distribution costs, competing product, the channels range, the most complex.

III. Suggest English equivalents for the following:

задовольняти потреби покупців, потенційний покупець, встановлювати ціни, продавець роздрібних товарів, оптовик, канали розподілу, одиниця продукції, асортимент товарів, товари широкого вжитку, оформлення вітрин, фактори маркетингу в компанії, кон-

цепція маркетингу, життєвий цикл, службові витрати, неспро-можність, ринкова ціна, відмінності товарів, торгова марка.

IV. Answer the following questions about the text. Try to express your answers in your own words if possible:

1. What is marketing?
2. What is marketing concept?
3. What is the key to successful marketing?
4. What do the daily activities of people who work in marketing departments revolve around?
5. What is marketing mix?
6. Is each of the Ps related to the others? Why?
7. What does product strategy call for?
8. What factors should be considered when setting a price of a product?
9. What is a distribution channel?
10. Why is it so important to select the best distribution channel?
11. How many channels can producers of consumer goods choose from?
12. What does promotion consist of?
13. What examples of promotion do you know?
14. Why is marketing now seen as the central function of many organizations?

V. Write a short summary of the text.

MARKETING COMMUNICATION

Read and translate the text.

Communication is one of the most vital of all marketing activities. The idea is to establish an open dialogue with all of the urbanization's publics. Communication is a dialogue (talking with) while promotion is a one-way influence attempt (talking to).

Who are the publics of an organization? Publics include any person or groups that have an actual or potential relationship with the or-

ganization, that includes employees, stockholders, suppliers, dealers, customers, potential customers, media representatives, and government regulators.

To establish an open dialogue with its various publics, an organization needs a marketing communication system (MCS). There are three parts of an MCS: (1) listening to the various publics through marketing intelligence and marketing research, (2) responding to that information, and (3) promoting, to those publics the fact that the organization is listening and now has or is doing what they want. The first step in implementing a MCS is listening. Usually, listening to employees is the best start. Internal marketing gets all the employees committed to the company and its programs.

Marketing intelligence is a constant stream of data from many sources, many of them unplanned. Marketing research is a formal system for gathering information to learn about specific problems or issues. Marketing intelligence is constant; research occurs only periodically. Information should be distributed to managers who should respond accordingly. It is responsiveness to market changes that makes a MCS effective.

Once an organization has listened to the various publics and has responded to that information, the next step in a MCS is to promote back to those publics. The various tools firms use to promote (advertising, selling, public relations, publicity, sales promotion, word-of-mouth) are collectively called the promotion mix. The product itself is part of the mix, along with packaging, branding, and pricing.

What do you need to know about advertising? It is limited to paid, nonpersonal communication through various media where the sponsor is identified. By definition, then, word-of-mouth is not advertising. The number one medium in total dollars spent by advertisers is newspapers. TV is second and direct mail third.

What makes promotion effective? The key to successful promotion is listening to customer wants and needs and responding to those wants and needs. Face-to-face communication through personal selling is often the most effective way to do this.

Publicity is more effective than advertising. Publicity is more believable. It can be placed on the front page or editorial page where it

is more likely to be seen. There are several disadvantages on publicity as well. Publicity releases may be thrown away and never used, or alter so that they are less effective. Furthermore, publicity is rarely repeated. Worst of all, publicity can be negative.

What is the secret of word-of-mouth promotion? It is providing products and services that are so good that people cannot help but tell their friends about them.

Sales promotion consists of those marketing activities that stimulate consumer purchasing and dealer interest by means of such things as displays, shows, exhibitions, and contests.

Other sales promotion tools include samples, coupons, bonuses, catalogues, exhibits, and rebates. Sales promotion is not the same as promotion. Promotion includes personal selling, advertising, and all other elements of the promotion mix. Sales promotion is just one part of the promotion mix. It is really a catch-all term used to describe all the sales promotion tools.

Personal selling is the face-to-face presentation and promotion of products and services plus the searching out prospects and follow-up service.

The seven steps in the selling process are: (1) prospects, (2) pre-approach, (3) approach, (4) make presentation, (5) answer objections, (6) close sale, (7) follow-up.

Key Words and Phrases

marketing intelligence	маркетингова розвідка
to implement	виконувати, здійснювати, приводити у виконання
internal marketing	внутрішній маркетинг
to commit	зв'язувати себе
responsiveness	здатність реагувати
to promote	сприяти продажу будь-якого товару, створювати сприятливі умови для продажу
branding	постачання товару торгової марки
publicity	публічність, гласність

display	виставка (товару), показ
rebate	знижка ціни
bonus	додаткова знижка, винагорода
catch-all-term	всеохоплюючий термін
follow up service	наступний сервіс

Exercises on the text

I. Make up an outline of this text using the key questions given below:

1. What role belongs to communication among all marketing activities?
2. What is the idea of communication?
3. Who are the publics of an organization?
4. What is needed to establish an open dialogue with various publics?
5. How many parts of marketing communication system do you know?
6. What can you say about marketing intelligence?
7. What system is marketing research?
8. What makes a MCS effective?
9. What is advertising limited to?
10. Is word-of-mouth advertising too?
11. What is more effective publicity or advertising? Why?
12. Are there any disadvantages of publicity?
13. What is the secret of word-of-mouth promotion?
14. What other sales promotion do you know?

II. Discussion questions.

Speak with your fellow students about:

a) the difference between marketing intelligence and research;
b) comparison of communication and promotion;
c) the difference between promotion and sales promotion;
d) personal selling.

III. Speak on the content of the text freely, no more than in 10 phrases.

Unit 4. MANAGEMENT AND MANAGERS

Read and translate the text.

Management is the process of coordinating the resources of an organization so as to achieve the primary goals of the organization. Managers are concerned with four types of resources – material, human, and informational. As they go about their jobs, is spend about 60 percent of their time in scheduled meetings, 22 percent at desk work, 10 percent in unscheduled meetings, and 6 cent on the telephone. Clearly, communicating with other people is the most important part of a manager's working life.

Managers perform four basic functions. The amount of time they devote to each depends on the situation of the firm and of the manager within the firm. First, managers engage in **goal setting** and **planning** (determining where the firm should be going and how to get there). Three types of plans, from the broadest to the most specific, are strategies, tactical plans, and standing plans. Next, managers **organize** resources and activities to accomplish results in an efficient and effective manner. Then, managers must **lead** and **motivate** others so as to inspire them to work in the best interest of the organization. Finally, managers must **control** ongoing activities, through continual evaluation and regulation, to keep the organization on course as it pursues its goals.

Decision making, an integral part of a manager's work, is the process of developing a set of possible alternative solutions and choosing one alternative from among that set. Managerial decision making involves four steps. Managers must accurately identify problems, come up with several possible solutions, choose the solution that will be most effective under the circumstances, and finally implement the chosen course of action. Manager's own effectiveness often depends on their **styles of leadership** – that is, their ability to influence others, either formally or informally.

Managers – or management positions – may be classified from two different perspectives. From the perspectives of level, there are **top managers,** who control the fortunes of the organization-**middle managers,** who implement strategies and major policies; and **lower-level managers,** who supervise the activities of operating employees. From the viewpoint of functional area, managers most often deal with **finance, operations, marketing, human resources and administration.**

Successful managers tend to possess a specific set of skills and to fill ten basic managerial roles. Technical, conceptual, interpersonal diagnostic, and analytic skills are all important, though the relative importance of each varies with the level of management.

Technical skills are the specific skills needed to accomplish specialized activities. They are the skills that engineers, lawyers, and machinists, for example, need to do their jobs. Lower-level managers (and to a lesser extent middle managers) need the technical skills that are relevant to the activities they manage. Although these managers may not have to perform the technical tasks themselves, they must be able to train subordinates, answer questions and otherwise provide guidance and direction. In general, top managers do not rely on technical skills as much as managers at other levels.

Conceptual skills encompass the ability to think in abstract terms. Conceptual skills allow the manager to see the "big picture" and to understand how the various parts of an organization or an idea can fit together.

These skills appear, however, to be more crucial for top managers than for middle or lower-level managers.

The **interpersonal skills** that managers need add up to the ability to deal effectively with other people both inside and outside the organization. When all other things are equal, the manager who is able to relate to people, understand their needs and motives, and show genuine compassion will be more successful than the manager who is arrogant and brash and who doesn't care about others.

Diagnostic skills are skills in assessing a particular situation and identifying its causes. The diagnostic skills of the successful manager parallel those of the physician, who assesses the patient's symptoms in

order to pinpoint the underlying medical problem. We this parallel one step further, too. In management as in can correct diagnosis is often critical in determining the appropriate action to take. All managers need to make use of diagnostic skills, but these skills are probably used most by top managers.

Analytic skills are used to identify the relevant issues (or variables) in a situation, to determine how they are related, and to assess their relative importance. Analytic skills often come into play along with diagnostic skills. The manager must analyze the problem of "too many problems" in order to determine which problems need immediate attention and which ones can wait.

All the key managerial roles can be classified as decisional, interpersonal, or informational roles. Candidates for management positions lean their skills and roles in lower levels within the organization, other organizations, and schools and universities.

Contemporary management theory features three interrelated concepts. Theory Z attempts to combine Japanese and American management practices. Corporate culture focuses on the rites, rituals, heroes, and values of the firm. Management excellence focuses on instilling a feeling of excellence in employees. All three approaches to management stress the prime importance of people in the organization.

Key Words and Phrases

goal	мета
to achieve	досягати
top management	вище керівництво
to devote	присвячувати
to be engaged in smith	займатися чимось
to inspire	запалювати; надихати
to accomplish	виконувати; досягати (мети)
subordinate	підлеглий
to rely on	покладатися на...
to be responsible for	відповідати за...
middle management	керівництво середньої ланки

efficiency	ефективність, продуктивність
to define	визначити; давати характеристику
decision	рішення
relevant	дочірній
to encompass	скопіювати, включити
to be arrogant	бути зарозумілим, зухвалим, пихатим
skill	майстерність, уміння
to pursue goals	мати на меті
managerial approach	керівний підхід
contemporary management theory	теорія сучасного керівництва
to assess	оцінювати
genuine compassion	щире співчуття
excellence	перевага
decisional	рішучий
to show genuine compassion	проявити щире співчуття
“to see the big picture”	бачити все в цілому

Exercises on the text

I. Transcribe the following words and mind the stresses:

resources, concerned, financial, scheduled, devote, engage, determining, strategies, accomplish, efficient, inspire, continual evaluation, pursue, solution, identify, effectiveness, employee, viewpoint, managerial, conceptual, interpersonal, diagnostic, varies, specialized, relevant, subordinates, encompass, genuine, appropriate, identify, compassion.

II. Suggest Ukrainian equivalents for the following word combinations and use them in sentences of your own:

to achieve the primary goals; scheduled meetings; the amount of time; to engage in goal setting; through continual evaluation and regulation; an integral part of manager’s work; be most effective under circumstances; to supervise the activity of operating employees; to accom-

plish specialized activities; to encompass the ability; to be arrogant and brash; skills in assessing a situation; to determine the appropriate action to take; as decisional interpersonal or informational roles; inter-related concepts.

III. Suggest English equivalents for the following:

головна мета; планування; бути зв'язаним з ...; вище керівництво; керівник середньої ланки; відповідати за щось; безпосереднє керівництво; направляти; розподіляти когось (на виконання якоїсь роботи); давати характеристику чомусь; бути зарозумілим та нахабним (зухвалим); раціональне прийняття рішень; стратегічне планування; мета; тактичне планування; підлеглий; теорія сучасного керівництва; щире співчуття.

IV. Answer the following questions about the text. Try to express your answers in your own words if possible:

1. What is management?
2. What activities are managers engaged in?
3. Define the term manager without using the word management in your definition?
4. What exactly does a manager organize, and for what reason?
5. What functions do managers perform?
6. What is decision making?
7. Discuss what happens during each stage of the managerial decision making process?
8. How many managers be classified from the perspective of level and from the viewpoint of functional area?
9. What are the key management skills?
10. What is ment by corporate culture?

V. Discussion questions:

1. What are the advantages and disadvantages of promoting from within, compared to hiring new managers from outside the organization?

2. Rate yourself on each of the five key management skills and your proven ability to perform each of the four management functions. Then based on your ratings, explain why you would or wouldn't hire yourself for lower-level management position.

VI. Write a short summary of the text.

MANAGING A SMALL BUSINESS

Read and translate the text.

Once president Jimmy Carter said: "The small business community constitutes the single most important segment of our lice enterprise system. It accounts for forty-eight percent of our gross national product more than half of the American labor force and continues to be the major source of inventions and new jobs. Small business is truly the backbone of the American economy".

The Small Business Administration (SBA) of the U.S.A. defined a small business as one that is independently owned and operated, not dominant in its field of operation, and meets certain standards of size in terms of employees (less than 100) or sales (depending on the size), of others in industry. For example, American Motors is considered small in the auto industry.

There are five classes of small businesses: (1) service businesses, (2) retail businesses, (3) construction firms, (4) wholesalers, and (5) manufacturers.

The future growth of American business in general, and small business as well, is in foreign markets. The pioneers of overseas small business growth were franchises of firms such as McDonald's and Hertz.

Most people have no idea how to go about starting a small business. First, learn from others. Take courses and talk with some small business owners. Second, get some experience working for others. Third, take over a successful firm. Since 67 % of small businesses fail within 5 years, if the business has succeeded that long it is doing something right. Finally, study the latest in small business manage-

ment techniques, including the use of computer for things like payroll, inventory control, and mailing lists.

Begin with a plan. The more effort you put into a business, plan the less grief you'll have later.

Get outside assistance in at least two areas; you need a good lawyer and a good accountant. It is best to have some assistant in selecting and installing a computer system as soon as money permits; in fact, it should be included in the business plan.

Key Words and Phrases

it constitutes for...	він складає...
labour force	робоча сила
backbone	основа
franchise	привілей
payroll	платіжна відомість
inventory control	управління запасами
mailing list	посильна відомість
to acquire knowledge	здобувати знання

Exercises on the text

I. Make up an outline of this text using the key questions given below:

1. How did Jimmy Carter characterize the small business community?
2. How did he call small business?
3. What is the definition of a small business by the SBA?
4. What are the classes of small business?
5. How should a person start a small business? List the four main steps.
6. What outside assistance does a small business owner need? Why?

II. Speak on the content of the text freely, no more than in 10 phrases.

III. Write a short summary of the text.

Unit 5. FINANCIAL MANAGEMENT

Read and translate the text.

Finance is that function in a business responsible for acquiring funds for the firm, managing funds within the firm (for example, preparing budgets, doing cash flow analysis), and planning for the expenditure of funds on various assets. What do finance managers do? They plan, budget, control funds, obtain funds, collect funds, audit, manage taxes, and advise top management on financial manors.

One of the important functions of a finance manager is to obtain long-term capital. Long-term financing is money obtained from the owners of the firm and lenders who do not expect repayment within 2 or more years. Long-term capital comes from two major sources:

1. Equity capital comes from the owners of the firm. Part of equity capital is venture capital. It is money raised from organizations that fund (give capital to) new businesses (new ventures).

2. Debt capital comes from borrowing money through the sale of bonds or from banks and other lending institutions.

Regardless of whether or not a new firm can obtain venture capital funds, there usually comes a time when even more funds are required. One way to obtain needed funds is to sell ownership shares in the firm (called stock) to the public.

The advantages of selling stock for long-term financing include fact that owners need not be repaid, there is no legal obligation to dividends (so income can be reinvested), it improves the financial condition of the firm, and it is relatively easy to do. The disadvantages include the fact that owners can vote and affect management, it is a relatively expensive form of fund raising, and it forces management to be short-term, stockholder oriented.

What are other kinds of stock? Common stockholders can vote. If a firm wants to maintain its control over management, it may sell preferred stock, which carries no vote. The way to encourage stockholders to buy preferred stock is by paying a larger, fixed dividend and assuring its payment.

A major source of long-term funds for a firm is income that it earns from its operations. Dividends are merely a share of that income given to stockholders. Retained earnings are profits retained by the firm rather than paid out in dividends.

There are two major forms of long-term debt financing: selling bonds and borrowing from banks and other, financial institutions.

What is a bond? It is a contract of indebtedness that promises to the owner a principal amount (the face amount of the bond) plus rest. A bond holder is a debtor of the firm whereas a stockholder is an owner.

You can probably guess at the advantages of bonds after reading about stocks. They include:

(l) unlike stockholders, bondholders have no vote on corporate affairs, thus management retains control over the firm, besides bondholders are creditors, not owners;

(2) bonds are also more flexible than stock; whereas stockholders have ownership forever, bondholders represent more temporary sources of funds that can be tapped when needed.

Bonds also have their drawbacks. Among the most significant are:

(1) bonds are an increase in debt and may hurt chances for other financing;

(2) interest of bonds is a legal obligation;

(3) the face amount of bonds must be paid when due, unlike stock, which carries no such obligation;

(4) and interest payment hurt cash flow. What are different kinds of bonds? Different bonds appeal different investors. Some investors want to pay no taxes on interest (municipal bonds); others want no interest, just appreciation in value (zero-coupon bonds); others want to be able to trade the bonds for stock (convertible bonds); and so on.

What is the problem with getting long-term funds from financial institutions You need good credit and most banks demand collateral.

Key Words and Phrases

funds	капітал; фонди; кошти
expenditure	витрати
to audit	перевіряти, проводити ревізію

equity capital	власний капітал (у формі акцій)
venture capital	капітал, вкладений у нове підприємство, пов'язане з ризиком
debt capital	залучений капітал
to borrow	отримати позику; позичати гроші
regardless of	не дивлячись на...; не рахуючись з...
stock	акція; акціонерний капітал, цінні папери
dividend	дивіденд; прибуток
to raise	підвищувати, збільшувати
preferred stock	привілейовані акції
to encourage	стимулювати
to assure	гарантувати
retained earnings	нерозподілений прибуток
retained	утриманий
rather than	швидше, ніж
indebtedness	заборгованість
interests	відсотки
bond holder	утримувач облігацій
corporate	корпоративний, акціонерний
to tap	починати
drawback	недолік
to hurt	завдавати шкоди
appreciate in value	повага до цінності
collateral	заклад

Exercises to the text

I. Transcribe the following words and mind the stresses:

to acquire, for acquiring, to obtain, to advice, long-term capital lender, to expect, repayment, to invest, to lend, to require, advantage, to include, own, obligation, disadvantage, to vote, to effect, regardless, dividends, relatively, expensive, short-term, stockholders preferred, encourage, assuring, source, earnings, borrowing indebtedness; bondholders, ownership, drawbacks, municipal bone appreciation, zero-coupon, convertible, collateral.

II. Suggest Ukrainian equivalents for the following word combinations and use them in sentences of your own:

finance is that function; to be responsible for; managing funds within the firm; preparing budgets; doing cash flow analysis; expenditure of funds; to obtain long-term capital; major sources; borrowing money through; lending institutions; owners need not be repaired; legal obligation; financial condition of the firm; to maintain its control over management; to sell preferred stock; dividends are merely a share; retained earnings; contract of indebtedness; corporate affairs; more temporary sources; an increase in debt; to hurt chances; to pay no taxes on interest; appreciation in value; banks demand collateral.

III. Suggest English equivalents for the following:

нерозподілений прибуток; короткостроковий; відсотки; дивіденд; капітал у формі акцій; капітал, вкладений у нове підприємство, пов'язане з ризиком; забезпечений займ; розгорнутий аналіз; залучений капітал; отримати позику; проводити ревізію; збільшувати фонди; привілейовані акції; стимулювати; утриманий (прибуток від розподілу); утримувач облігацій; корпоративний; завдавати шкоди; повага до цінності; заклад.

IV. Answer the following questions about the text. Try to express your answers in your own words if possible:

1. What is finance?
2. What are the main functions of financial manager?
3. What are the major sources of long term capital?
4. How a new firm can obtain needed funds?
5. What are the advantages and disadvantages of selling stock for long-term financing?
6. What are two major forms of long term debt financing?
7. What are the advantages of bonds?
8. What are different kinds of bonds do you know?

V. Discuss problems of "Financial Management".

SHORT-TERM FINANCING AND FINANCIAL PLANNING

Read and translate the text.

As in long-term financing, there are many sources for short-term financing including trade credit, family and friends, commercial banks, factoring, commercial paper, and internal sources.

Business use trade credit because even terms of 2/10, net 30 (the buyer can take a 2 % discount for paying within 10 days, the total bill due in 30 days if the discount is not taken) mean savings of about 36 % annually. At one point a bank gives the firm a line of credit. It is an agreement by a bank to loan a specified amount of money to the business at any time, if the money is available. A revolving credit agreement is a line of credit that guarantees a loan will be available for a free.

The most difficult kind of loan to get from a bank or other financial institutions is an unsecured loan. It is a loan that is not backed by any collateral. A secured loan is backed by something valuable, such as property. If the borrower fails to pay the loan, the lender may take possession of the collateral. That takes some of the risk out of lending money. Pledging is the term used for using accounts receivable as security.

One relatively expensive source of funds for a firms is called factoring Factoring is the process of selling accounts receivable for cash.

Sometimes a large corporation needs funds for a few months and wants to get lower rates than those charged by banks. One strategy is selling commercial papers. Commercial paper consists of promissory notes maturing at 270 days or less. Commercial paper is unsecured, so only the more financially stable firms can sell it. It is a way to get short-term funds for less than bank rates.

Financial planning involves short- and long-term forecasting, budgeting, and financial controls. Long-term and short-term forecasts eventually are used to establish yearly budgets for a firm. There are usually several budgets:

(1) an operating budget (it is the projecting of dollar allocations to various costs and expenses given various revenues);

(2) a cash budget (it is the projected cash balance at the end of a given period);

(3) a capital budget (it is the spending plan for assets whose returns take over a year).

The final step in funds management is to establish financial control. It is a process that periodically compares the actual revenue, costs, and expenses with projection.

What is spreadsheet analyses? It is a technique for determining the effect on one account (for example, profit) by a change in another account. For example, a business can quickly calculate the effect on profit of a change in interest rates, a lowering of products prices, or an increase in shipping charges.

Key Words and Phrases

trade credit	комерційний кредит
line of credit	домовленість надати позику на певну суму
revolving credit agreement	автоматичне поновлення кредиту
unsecured loans	незабезпечена позика
secured loan	забезпечена позика
pledging	заклад майна
factoring	факторні операції (перепродаж права на стягнення боргів)
commercial paper	короткостроковий комерційний вексель
long term forecast	довгостроковий прогноз
projected cash	заплановані гроші
spreadsheet analysis	розгорнутий аналіз

Key Words and Phrases

to increase	підвищувати; збільшувати
flexible domestic firms	гнучкі фірми всередині країни
to steal	красти
self-sufficient unit	економічно самостійна одиниця
layer	нашарування; шар; пласт
to eliminate	ліквідувати
staff position	штатна посада
safety inspector	інспектор з охорони праці
advisor	консультант
to accomplish a goal	виконати завдання
chart	таблиця; діаграма
spontaneously	мимовільно; спонтанно
power centre	керівний центр
relationship	взаємовідносини
obligation	обов'язок; зобов'язання
authority	влада посадової особи
unity of command	єдність влади
to follow (orders)	виконувати (накази)
division of labor	розподіл праці
communication channel	канал зв'язку
in the proper location	у належному місці
equity	справедливість
in addition	на додаток
to emphasize	підкреслювати; надавати особливого значення
rules	правила
regulations	інструкції
consistent organizational design	послідовна схема організаційної структури
flat/tall organization structure	плоска/висока структура організації
to flow	текти
to be hurt	зазнати збитків

span of control	норма керованості (кількість підлеглих у одного керівника)
issues *(pl.)*	питання *(мн.)*
line organization	організація виконавчого апарату
a line and staff organization	організація виконавчого та управлінського апарату
matrix organization	матрична організація
program director	керівник програми
staff personnel (advisors)	штатні консультанти; службовий персонал
legal advising	юридична консультація
to bring in	вводити в (діло)
corporate culture	загальна культура
concerned	зацікавлений
close supervision	посилений контроль; нагляд
joy	радість
self-motivated	той, хто спонукає себе сам; самоспонукаючий

Exercises on the text

I. Transcribe the following words and mind the stresses:

increase, domestic, layer, eliminate, accomplish, spontaneously, power, authority, division, labour equity, emphasize, design, hurt, issues, legal, culture, concerned, supervision, motivated.

II. Suggest Ukrainian equivalents for the following word combinations and use them in sentences of your own:

legal, positive effect, restructuring, efficiency, communication domestic, corporate culture, project, autonomous position, inspector centralized, analyst, decentralized, concentrate, personnel, matrix corporation, qualification, (to) dominate, complexity, ideal, procedure, loyalty, location, channels, definition, specialization, finance, subordination, balanced design, concept, command, hierarchy, person, division, detail, line, (to) form, theory, foundation.

Exercises on the text

I. Make up key questions to the text and ask your friends to answer them.

II. Discuss problem of "Short-Term Financing" and "Financial Planning" with your fellow students.

III. Write a short summary of the text.

Unit 6. ORGANIZING A BUSINESS

Read and translate the text.

One of the major movements in today's organizations, business and nonbusiness, is toward increasing efficiency and productivity. At one time the goal was to increase organization size. With size came economics of scale and greater productivity. Over time, however, organizations in the United States tended to become too big. Communication was slow to move up and down through level after level of management. Smaller, more flexible domestic and foreign firms began to steal markets. The result was the major restructuring of organizations now occurring.

What are some of the trends in restructuring? The most obvious trend is toward smallness. Large firms are breaking up into smallness. Large firms are breaking up into smaller, more self-sufficient (autonomous) units. Layers of middle management positions are being, eliminated. So are many staff positions (e.g. safety inspectors, advisors, analysts, etc.). This is making organization structures flatter' that is, there are fewer layers of management, but more wider, units.

An organization is a group of people working together to accomplish a goal. Decision making in an organization may be centralized or decentralized. What do these terms mean?

Centralization is the extent to which decision-making power is concentrated in the hands of one or a few people. Decentralization means that decisions are made at lower levels of the organization.

There are two lines of authority in an organization: formal and informal. A formal organization is the structure that details lines of authority, responsibility and position. It is what is drawn on the organization chart. The informal organization is the system of authority that form spontaneously as employees meet and form power centers.

What do the terms of authority and responsibility mean? Authority is the right to make decisions and take actions. Responsibility means that when a person is given a task to do, he or she has an obligation to do it.

There are several types of organization: line, line and staff, and matrix. What's the difference among systems? Line organizations have clear lines of authority with each person having one boss; there are no internal staff advisors. A line and staff organization brings in staff personnel (advisors) in areas such as personnel, legal advising, and quality control. A matrix organization is one where different specialists are brought together to work on a project while maintaining positions in the line or staff. A faculty member working with a program director is an example.

The key to organizational success is not just organizing, but the creation of a corporate culture that emphasizes excellence in customer service and quality.

The very best organizations have cultures that emphasize service to others, especially customers. The atmosphere is one of friendly, concerned, caring people who enjoy working together to provide a good product at a reasonable price. Those companies that have such cultures have less need for close supervision of employees, policy manuals, organization charts and formal rules, procedures, and controls. The ideas are as follows: organizational cultures are created by organizational leaders who create an atmosphere of shared values that have either a positive or negative effect on the relationship within the organization and with the various publics of the organization. Good organizational leaders create a culture that emphasizes cooperation and joy in serving customers, and that culture results self-motivated employees who need minimal supervision.

III. Suggest English equivalents for the following:

організація виконавчого апарату; норма керованості; керівник програми; неформальна організація; схема організаційної структури; матрична організація; організаційна культура; висока структура організації; лінійний персонал; формальна організація; відповідальність; організація виконавчого апарату; бюрократичний; плоска структура організації; службовий персонал; організація виконавчого та керівного персоналу; влада посадової особи.

IV. Answer the following questions about the text. Try to express your answers in your own words if possible:

1. How did economics of scale and greater productivity come?
2. What happened when organizations in the United State became big?
3. How was the way out found?
4. What are some of the trends in restructuring?
5. Define the term "organization".
6. Explain processes of centralization and decentralization.
7. What lines of authority do you know?
8. What kind of structure is a formal organization?
9. What do the terms authority and responsibility mean?
10. Enumerate the types of organization?
11. What is the difference among systems?
12. What does a corporate culture emphasize?

V. Discuss the problem of "Business Ownership".

SPAN OF CONTROL

Read and translate the text.

Span of control refers to the optimum number of subordinates a manager supervises or should supervise. There are many factors to consider when determining span of control. At the lower levels, where the work is standardized, it is possible to implement a wide span of

control (15 to 40 workers). However, the number should gradually narrow at higher levels of the organization, because work is less standardized and there is more need for face-to-face communication. Variables in span of control include:

* *Functional complexity.* The more complex the functions are, the narrower the span of control (fewer workers report to one supervisor).

* *Need for direction.* The more subordinates need supervision, the narrower the span of control.

* *Need for coordination.* The greater the need for coordination is, the narrower the span of control.

* *Planning demands.* The more involved the plan, the narrower the span of control.

* *Managerial help.* The more help the superior receives, the broader the span of control (more workers can report to one supervisor).

* *Functional similarity.* The more similar the functions are, the broader the span of control.

Geographical closeness. The more concentrated the work area is, the broader the span of control. Other factors to consider include the competence of superiors and subordinates, their degree of professionalism, and the number of new problems that occur in a day. In business, the span of control varies widely. The number of people reporting to the president may range from 1 to 80. Andrew Grove, one to the founders of Intel Corporation, says the following about his experience with span of control: "An important component of managerial leverage is the number of subordinates a manager has. If he does not have enough, his average is obviously reduced. If he has too many, he gets bogged down ... As a rule of thumb, a manager whose work is largely supervisory should have six to eight subordinates; three or four are too few and ten are too many ... two days a week per subordinate would probably lead to meddling; an hour a week does not provide enough opportunity for monitoring".

The tall organization with a narrow span of control might describe a lawncare service with two supervisors who manage four employees each (two of whom are more experienced). The flat structure with a wide span of control may work in plant where all workers are picking crabmeat.

– **span of control** – the optimum number of subordinates a manager should supervise;

– **tall organization structures** – one with many levels of management;

– **flat organization structures** – one with relatively few layers of management.

Exercises on the text

I. Make up an outline of this text.

II. Discussion statements.

1. Some organizations have the same number of workers (If level) and the same number of management staff (higher level). Do you consider it to be the optimum number of staff in an organization?

2. The more concentrated the work area is the broader span of control. Is for it easy a manager to supervise it?

3. Describe the tall and the flat organization structure in simpler words.

III. Write a short summary of the text.

Unit 7. RISK MANAGEMENT AND INSURANCE

Read and translate the text.

The term risk refers to the chance of loss, the degree of probability of loss, and the amount of possible loss. In business there are different kinds of risk: Speculative risk is the risk one takes with the hope of making a profit (for example, investing in stock, buying new equipment). Pure risk is the threat of loss with no chance for profit. Pure risk threatens the very existence of some firms. Once such risks are identified, firms have several options: reduce the risk, self-insure against the risk, avoid the risk, buy insurance to cover the risk. Risk reduction calls for safety programs, fire drills, health education, safety inspections, equipment maintenance, accident prevention programs,

and so on. Self-insurance losses setting aside funds for losses. Self-insurance is most appropriate when a firm has several widely distributed facilities. The risk from fire, theft or other catastrophe is then more manageable. Some businesses are stating mutual risk companies to cooperatively self-insure. Risk avoidance may mean not producing certain products, hiding hazardous sites, and leaving certain businesses entirely.

An insurance crises occurred in the mid- 1989s. It was caused by more lawsuits, higher court awards, and mistakes made by insurance companies.

There are two major types of insurance companies. A stock insurance company is owned by stockholders, just like any other investor-owned company. A mutual insurance company is owned by its policy-holders. These companies are more popular today as more firms join together to start new mutual companies. They do so because stock companies (which are investor-owned) cannot or will not sell policies at "reasonable" prices.

The factor that makes insurance an effective way to cover risk is the law of large numbers. It states that if a large number of people or organizations are exposed to the same risk, a predictable number of losses will occur during a given period of time.

What are some key terms used by insurance companies? An insurance policy is a written contract between the insured and an insurance company that promises to pay all or part of a loss. A premium is the fee charged by the insurance company. The rule of indemnity says an insured person cannot collect more than the actual loss. A deductible clause says that the insurance company will pay only the part of a loss that exceeds the deductible amount. A coinsurance clause requires businesses to carry insurance equal to 80 % of a building's value.

Business carries a variety of insurance coverage including fire auto and truck, liability, health, life criminal loss, and worker's compensation.

Property insurance includes fire insurance and its rider, which covers wind, hail, smoke and other damage. It also includes an insurance (including bodily injury, property damage, collision a comprehensive coverage), marine and aviation insurance.

Liability insurance provides protection against losses resulting from personal injuries or damage to the property of others. A variety of liability policies are available, including an umbrella liability policy that covers virtually everything. Workers' compensation is a form liability insurance for on-the-job injuries.

Key Words and Phrases

speculative risk	спекулятивний ризик
pure rik	чистий ризик
thrat	загроза
option	вибір
to avoid	уникати
theft	крадіжка
hazardous	небезпечний
site	ділянка; місцезнаходження
entirely	цілком
lawsuit	судовий процес
stock insurance company	акціонерна страхова компанія
mutual insurance company	страхова компанія на спільних засадах (замість акціонерного капіталу має пайовий капітал)
law of large numbers	закон великих чисел
to expose	піддавати
insurance policy	страховий поліс
premium	страхова премія; страховий внесок; страховий платіж
rule of indemnity	правило компенсації
deductible clause	стаття про вирахування
coinsurance clause	стаття соцстрахування
insurance rider	додаткові умови страхування
hail	град
injury	травма, пошкодження
liability insurance	страхування цивільної відповідальності
worker's compensation insurance	страхування працівників від нещасного випадку на виробництві

absolute liability	повна відповідальність
loss protection	захист від втрат, нанесених кри- мінальним шляхом
burglary	крадіжка (зі зламом)
robbery	грабіж; пограбування
violence	насильство
nonperformance loss protection	захист від збитків через невико- нання зобов'язань
fidelity bond	гарантія однієї особи іншій проти зловживання третьої особи, яка є утримувачем трасту
forgery	підробка
surety bond	гарантія за борговим зобов'язанням
credit life insurance	кредитне страхування життя
insolvency	неплатоспроможність, припине- ння платежів
default	невиконання обов'язків; несплати; дефіцит
business interruption insurance	страхування від припинення ді- яльності внаслідок стихійного лиха
peril	небезпека; ризик
livestock	домашня худоба; живий інвентар

Exercises on the text

I. Transcribe the following words and mind the stresses:

speculative, pure, insurance, mutual, law, premium, rule, identity, deductible, clause, coinsurance, liability, compensation, absolute, criminal, protection, nonperformance, fidelity, surety, interruption, require, fireinsurance, cover, executive, hazardous, existence, damage.

II. Suggest Ukrainian equivalents for the following word combinations and use them in sentences of your own:

loss, degree, equipment, pure risk, existence, to self-insure against the risk, to avoid the risk, to cover the risk, safety programs, equipment

maintenance, accident, to set aside, appropriate, facilities, fire, to occur, to cause, award, policyholders, to join together, mutual companies, at "reasonable" price, law, to be exposed to the same risk, predictable number, to promise, actual loss, to exceed, to carry, damage, smoke, umbrella, failure, to fulfill an obligation, dishonesty, key executive, environmental damage, to refer to.

III. Suggest English equivalents for the following:

правило компенсації; гарантія за борговим зобов'язанням; повна відповідальність; додаткові умови страхування; страхування від припинення діяльності внаслідок стихійного лиха; спекулятивний ризик; чистий ризик; стаття про соцстрахування; страхова премія; закон великих чисел; страхування цивільної відповідальності; стаття про вирахування; акціонерна страхова компанія; кредитне страхування життя; страхова компанія на спільних засадах; гарантія однієї особи іншій проти зловживання третьої особи, яка є утримувачем трасту; страховий поліс; страхування працівників від нещасного випадку на підприємстві; захист від збитків через невиконання обов'язків; захист від втрат, нанесених криміна-

НИМ ШЛЯХОМ.

IV. Answer the following questions about the text. Try to express your answers in your own words if possible:

1. What does the term risk refer to?
2. What kinds of risk are there in business?
3. What options do the forms have once the pure risk is identified?
4. What does self-insurance mean?
5. What may risk avoidance mean?
6. Which are two major types of insurance companies?
7. Who owns a mutual insurance company?
8. Can you name a factor that makes insurance effective?
9. Between whom is an insurance policy contract written?
10. What does the rule of indemnity say?
11. What does a coinsurance clause inquire?
12. What does property insurance include?
13. Can you disclose the meaning of liability insurance?

14. What does workers' compensation mean?

V. Write a short summary of the text.

THE CORTS AND THEIR CRIMINAL PROTECTION

Read and translate the text.

Few issues in the insurance field received more attention than that of product liability. The courts have fashioned a new policy that extends liability in ways unexpected by producers. The new standard is called absolute liability, and it means a manufacturer can be held liable for failure to warn of a hazard even if the hazard was scientifically unknowable at the time of sale. Absolute liability may even be undesirable for consumers, because they ultimately must pay for the added cost of insurance through higher-priced products.

Criminal loss protection is insurance against theft (stealing of unprotected property), burglary (forcible entry), or robbery (taking of property by threat of violence or actual violence). Nonperformance loss protection is insurance against failure of a contractor, supplier, or other person to fulfill an obligation.

A fidelity bond protects an employer from financial loss resulting form employee dishonesty such as theft or forgery. A surety bond protects against the failure of a second party to fulfill an obligation. Other coverage includes credit life insurance (losses if a debtor dies), crime insurance (non-employee theft, burglary, or robbery) and commercial credit insurance (losses from insolvency or default).

Business interruption insurance covers the operating losses from fire and other perils. Health and life insurance covers illness and the deaths of employees and key executives.

Farm insurance covers all farm property, including buildings, vehicles, machinery, livestock, and most crops.

A major risk of our days is that of environmental damage from business operations.

What is being done about such risks? The government is helping correct past damage, and firms are buying insurance to cover future losses.

access keyed to your preferences. Thus, efficient, low-cost, and interactive target marketing to an individual customer or prospect is a key business value of Internet technologies.

- **Collaboration.** The Internet, intranets, and extra-nets enable easy and efficient access to shared data and other network resources. For example, project information at Web sites can be easily shared using Web browsers. Other groupware tools help coordinate project and manage the information they store on servers at cross-linked Web sites. This enhances the collaboration process among teams, workgroups, and business partners, and thus provides strategic business value to a company.
- **Electronic Commerce.** The Internet has become the technology platform for electronic commerce. The Internet, along with intranets and extranets, links companies to their customers and suppliers, and thus enables them to electronically market, buy, sell, and support products and services. For many companies the business value of the Internet lies in electronic commerce applications, which open up new markets and/or make possible new products and services.
- **Integration.** The internetworked enterprise integrates its external online activities with its internal business process. For example, a company's Internet Web sites can be linked by extranets to selected operational databases stored on its intranet Web servers. This provides more detailed up-to-date information that can be used to support electronic commerce applications. In addition, intranets promote the integration of cross-functional business processes within a company. Thus, the business value of Internet technologies arises from efficiencies and innovations they make possible in internal and external business processes.

Exercises on text

I. Explain the meaning of the following word combinations and notions in written form. Use dictionary if necessary:

Global dissemination, interest profile, registration form, collaboration, customization, internetworked enterprise, up-to-date information, innovation.

II. Give Ukrainian equivalents to the following word combinations:

Increased cost savings; efficiency of global communications; expanded international markets; immediate E-mail responses; online queries; quick access to selective levels of Web site resources; intranets and extranets; to coordinate projects; business partner; low-cost interactive target marketing.

III. Give written answers to the questions below. Try to express your answers in your own words if possible:

1. What opportunities does Internet provide for business?
2. What is meant by "feedback"?
3. What are the peculiarities of target marketing?
4. What opportunities does electronic commerce open up?

IV. Make up an outline of the text under analysis.

Text 2. ELECTRONIC COMMERCE

Read and translate the text.

The Internet in redefining the model for electronic commerce to one that supports the complete seller-to-buyer relationship. This mode includes promoting and communicating company and product information to a global user base, accepting orders and payment for goods and services online, delivering software and information products online, providing ongoing customer support, and engaging in online collaboration for new product development.

So for internetworked enterprises in the age of the Internet, intranets, and extranets, electronic commerce is more than just buying and selling products online. Instead, it encompasses the entire online process of developing, marketing, selling, delivering, servicing, and paying for products and services purchased by intemetworked, global virtual communities of customers, with the support of a worldwide

Exercises on the text

I. Make up an outline of this text.

II. Discussion statements:

1. The courts have fashioned a new policy that extends liability in ways unexpected by producers. Explain it in your own words.

2. Compare criminal loss protection and nonperformance loss protection. What's the difference between them?

3. There are many cases of employee dishonesty or a debtor may even die. What criminal protection covers such losses?

4. Suppose your business firm accidentally started on fire. What protection should have been taken before?

5. A lot of citizens have cottages and even farms out of town. Suggest your way of criminal protection.

III. Write a short summary of the text.

PART III

INTERNATIONAL ECONOMIC RELATIONS

Text 1. BUSINESS APPLICATIONS OF INFORMATION TECHNOLOGY

Read and translate the text.

- **Global Dissemination.** Since most countries now have Internet connections, global communications has become a fact of life in business. E-mail, electronic mailing lists, World Wide Web sites, and other internet services have made international dissemination of information significantly faster, cheaper, and easier. This provides strategic business value in the increased cost saving and efficiency of global communications, and the ability to reach, sell, and provide customer service to new expanded international markets.
- **Interaction.** Interactive communications is another key capability of the Internet. This may take the form of interactive Web sites; discussion forums and chat groups; interactive forms for customer orders, feedback, and technical support; and immediate E-mail responses to online queries and comments. Fast, efficient feedback from customers and responses from customer support specialists provide multiple opportunities to demonstrate a company's responsiveness to its customers. Thus, Internet technologies help a business build customer value and loyalty.
- **Customization.** The ability to automatically provide information and services customized to an individual customer or user is a strategic business capability of Internet, intranets, and extra-nets. Information can be accessed and disseminated from network servers on an individual basis, depending on a variety of user factors. For example, you can fill out interest profile or registration forms that give you quick access to selective levels of Web site resources. Or software can "remember" your visits to a site and provide Web site

network of business partners. Electronic commerce systems rely on the resources of the Internet, intranets, extranets, and other computer networks to support every step of this process. For example, electronic commerce can include interactive marketing, ordering, and payment processes on the World Wide Web, extranet access of inventory databases by customers and suppliers, intranet access of customer records by sales newsgroups and E-mail exchanges.

The Internet provides vital electronic commerce links between the components of a business and its customers, suppliers, and other business partners. This allows companies to engage in three basic categories of electronic commerce applications: business-to-consumer, business-to-business, and internal business processes.

Business-to-Consumer Commerce. In this form of electronic commerce, businesses must develop attractive electronic marketplaces to entice and sell products and services to consumers. For example, companies may offer multimedia Web sites that provide virtual shopping malls, interactive order processing, and secure electronic payment systems.

Business-to-Business Applications. This category of electronic commerce involves both electronic business marketplaces and direct market links between businesses. For example, many companies offer the business community a variety of marketing and product information on the World Wide Web. Others also rely on electronic data interchange (EDI) via the Internet or extranets for direct computer-to-computer exchange of business transaction documents with their business customers and suppliers.

Internal Business Processes. All business functions and many business processes are affected by electronic commerce activities. For example, many inlernetworked enterprises are customer-driven and market-driven. They continually monitor and evaluate online information about their customers, suppliers, and competitors from their Web sites and discussion groups. This information is available via intranets to all business functions, and is used to shape a company's product development, marketing programs, customer service, and competitive strategies.

EC Technology Services	Examples
Application services	• Business-to-consumer • Business-to-business • Internal business processes
Brokerage and data management	• Interactive order processing • Secure payment systems • Clearinghouses for virtual malls
Interface services	• Interactive catalogs • Directory support functions • Software agents
Secure messaging	• Secure hypertext transfer protocol • Encrypted E-mail and EDI • Remote programming interfaces
Middleware services	• Hypermedia document management • Web/legacy systems interface
Network infrastructure	• The Internet, intranets, and extranets • Client/server and other networks

Exercises on text

I. Give written answers to the questions below. Try to express your answers in your own words if possible:

1. What is the role of Internet in the evolution of electronic commerce for companies doing business in today's networked global markets?
2. What are the three basic categories of electronic commerce applications?
3. How does Business-to-Consumer Commerce function?
4. What does Business-to-Business Commerce involve?
5. What information is available via intranets?
6. Is there any distinction between customer-driven and market-driven enterprises?

II. Find the following word combinations in the text and translate the sentences containing them into Ukrainian:

Seller-to-buyer relationship, attractive electronic marketplaces, business transaction documents, to evaluate online information, virtual storefronts.

III. Explain the meaning of the phrases given below. Use dictionary if necessary:

Virtual shopping malls, electronic payment systems, interactive order processing, to accept orders and payments for goods and services online, electronic business marketplaces, to entice and sell products to consumers, online collaboration for new product development.

IV. Speak on the content of the text freely.

Text 3. CUSTOMER VALUE AND THE INTERNET

Read and translate the text.

The driving force behind world economic growth has changed from manufacturing volume to improving customer value. As a result, the key success factor for many firms is maximizing customer value.

For many companies, the chief business value of the Internet lies in its ability to help them keep customers loyal, anticipate their future needs, respond to customer concerns, and improve customer service. This focus on **customer value** recognizes that quality, rather than price, has become the primary determinant in a customer's perception of value. From a customer's point of view, companies that consistently offer the best value are able to keep track of their customers' individual preferences, keep up with market trends, supply relevant information attractively, anytime, anywhere, in a variety of media, and provide customer services tailored to individual needs.

That is why so many companies have invested heavily in information technology and complex systems of interconnected computer

networks. But increasingly, businesses are finding that they can reach many of their customers and prospective customers via the Internet. This fast-growing group of customers want and expect companies to communicate with them and service their needs over the Internet. And so the Internet has become a strategic and comparatively low-cost opportunity for companies large and small to offer fast, responsive, high-quality products and services tailored to individual customer preferences.

Figure 1. illustrates how the Internet and Internet technologies can make customers the focal point of a business. The Internet, intranets, and extranets create new channels for interactive communications within a company, with customers, and with the suppliers, business partners, and others in the external environment. This enables continual interaction with customers by most business functions and encourages cross-functional collaboration with customers in product development, marketing, delivery, service, and technical support.

Typically, customers use the Internet to ask questions, air complaints, evaluate products request support, and make and report their purchases. Using the Internet and corporate intranets, specialists in business functions throughout the enterprise can contribute to an effective response. This encourages the creation of cross-functional discussion groups and problem-solving teams dedicated to customer involvement, service, and support. Even the Internet and extranet links to suppliers and business partners can be used to ensure the prompt delivery of quality components and services that a company needs to meet its commitments to its customers. This is how the internetworked enterprise demonstrates its focus on customer value.

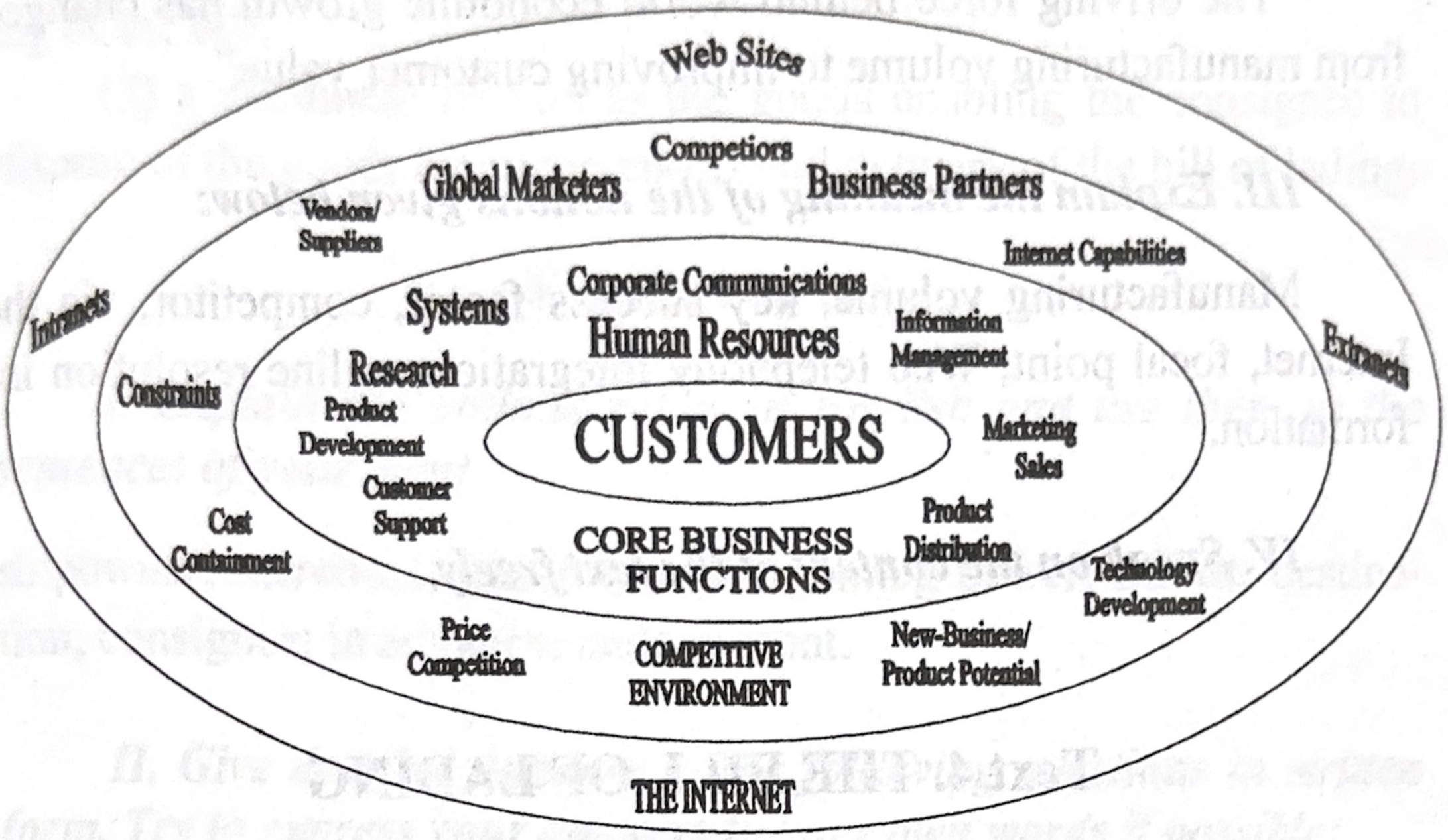


Figure II lists major business objectives that companies hope to achieve by using the World Wide Web to provide corner service.

Figure II

• Lower support costs by empowering customers lo solve issues independently
• Provide global access to critical customer service information and forums any lime
• Improve service by focusing internal customer support resources on complex issues
• Empower business partners with hot links to related online resolution information
• Create proactive service and marketing programs
• Seamless Web/telephony integration for priority responsiveness

Exercises on text

I. Find the following word combinations in the text and translate the sentences containing them into Ukrainian in written form:

Anticipate future needs, to invest in information technology, individual customer preferences, air complaints, internetworked enterprise.

II. Comment on the statement in your own words:

"The driving force behind world economic growth has changed from manufacturing volume to improving customer value".

III. Explain the meaning of the notions given below:

Manufacturing volume, key success factor, competitor, via the Internet, focal point, Web telephony integration, online resolution information.

IV. Speak on the content of the text freely.

Text 4. THE BILL OF LADING

Read and translate the text.

The principal purpose of the bill of lading is to enable the owner of the goods, to which it relates, to dispose of them rapidly although the goods are no longer in the hands of the owner but already in the custody of the shipowner. When goods belonging to a merchant in London are on the high seas in transit from London to Singapore, the bill of lading representing the goods enables their owner to pledge the goods with his bank in London or to sell them to a buyer in New-York. The bill of lading is a creation of mercantile custom, a typical institution of international trade. It came into use in the sixteenth century. A book on mercantile law, published in 1686, stated that "bills of lading are commonly to be done in print in all places and several languages".

From the legal point of view, a bill of lading is –

(1) a formal receipt by the shipowner acknowledging that goods of the stated species, quantity and condition are shipped to a staled destination in a certain ship, or at least received in the custody of the shipowner for the purpose of shipment;

(2) a memorandum of the contract of carriage, repeating in detail the terms of the contract which was in fact concluded prior to the signing of the bill;

(3) a document of title to the goods enabling the consignee to dispose of the goods by endorsement and delivery of the bill of lading.

Exercises on text

I. Explain the notions below in English and use them in the sentences of your own:

shipowner; merchant; negotiation; bargaining power; transit; destination; consignee; in advance; endorsement.

II. Give detailed answers to the following questions in written form. Try to express your answers in your own words if possible:

1. What is a bill of lading from the legal point of view?
2. When did bill of lading come into use?
3. Is there any distinction between a shipper and a shipowner? If there is, explain it.
4. What minimum responsibilities were imposed on the carrier by the Hague Rules?
5. What documents protects shippers against abuse of the bargaining power of the other party?

III. Make up a plan of the text covering the main ideas.

IV. Speak on the content of the text.

Text 5. THE LETTER OF CREDIT

Read and translate the text.

If a seller of goods trusts the buyer, the seller may ship the goods to the buyer and bill the buyer on open account. But in the interna-

tional trade transaction this mode of business is much riskier because of the various factors. A seller can minimize those risks in a number of ways: (1) require the buyer to pay in advance, although the buyer may refuse to pay before evidence of shipment is presented; (2) send an agent (or hire one already in the buyer's locale) to collect from the buyer at the time the shipment arrives and is turned over to the buyer, although if the buyer doesn't pay, the goods will have to be resold in a foreign country, perhaps at a loss; (3) require the buyer to deposit money with an acceptable bank with instructions to pay the amount to the seller on presentation of acceptable shipping documents, although this may be inconvenient and expensive for the buyer; or (4) require the buyer to arrange for a bank, which the seller is willing to trust, to promise the seller that the bank, on its own account, will pay the seller when the seller presents acceptable shipping documents. The last alternative describes the typical letter of credit transaction. When payment to the seller is made, the bank then collects from the buyer. Thus the bank becomes a sort of escrow agent for the trade transaction. The convenience and relative safety of this mode of dealing has made it the backbone of international commerce.

The steps involved in the typical letter of credit transaction are as follows: Seller (S) and Buyer (B) contract for S to ship widgets, and B to pay for them, and as part of this contract B promises to open an irrevocable letter of credit (L/C) in S's favor. The following occurs:

(1) B goes to his bank in Paris and asks it to open the L/C. If the bank does not trust B it may ask for a deposit, but usually B is a regular customer of the bank. The bank will then open the L/C and airmail or cable an "advice" to S that the credit is open.

(2) S, thus assured, ships the goods and prepares the documents.

(3) S will want to present the documents in his own locale. If B's bank has a branch there, fine. If not, B's bank can send the L/C to a correspondent bank in S's locale to handle the presentment. In this case only B's bank in Paris stands behind the L/C.

(4) If S prefers to trust only his local bank, B may open the L/C at a distance with S's bank. But often, S's bank doesn't know B. So B

opens the L/C at his own bank, and then B's bank opens a new L/C with S's bank, in favor of S. This is a "confirmed" letter of credit.

(5) S is called the "beneficiary" in this transaction.

(6) The banks involved charge a modest commission for their various services. The higher the risk that the bank assumes, the higher the commission (e.g., to confirm an L/C is riskier than merely transmitting an advice of credit).

Exercises on text

I. Find in the text English phrases corresponding to the following Ukrainian ones and try to explain them:

звести до мінімуму ризик; оплачувати авансом; докази відправки; бути перепроданим (проданим вдруге); торговельна угода; відносна безпека; міжнародна комерція; постійний клієнт банку; акредитив, який потребує підтвердження банку.

II. Give written answers to the following questions. Try to express your answers in your own words if possible:

1. Under what conditions the seller may ship the goods to the buyer and bill him on open account?
2. Why is paying on open account risky?
3. How can a seller minimize the risks of being cheated?
4. What is a typical letter of credit transaction?
5. What is the difference between revocable letter of credit and irrevocable one?
6. What is called a "commission"?
7. What is the meaning of a "beneficiary"?

III. Make up a plan of the text covering the main ideas. Discuss the text according to the plan with your fellow students.

IV. Discussion question:

Explain the ways of minimizing the risks.

Text 6. INCOTERMS: CIF

Read and translate the text.

CIF means "Cost, Insurance and Freight". This term is the same as C&F but with the addition that the seller has to procure marine insurance against the risk of loss or damage to the goods during the carriage. The seller contracts with the insurer and pays the insurance premium.

A. The seller must:

1. Supply the goods in conformity with the contract of sale.

2. Contract on usual terms at his own expense for the carriage of the goods to the agreed port of destination by the usual route.

3. At his own risk and expense obtain any export license or other governmental authorization necessary for the export of the goods.

4. Load the goods at his own expense on board the vessel at the port of shipment and at the date or within the period fixed.

5. Procure, at his own cost and in a transferable form, a policy of marine insurance against the risks of carriage involved in the contract.

6. At his own expense furnish to the buyer without delay a clean negotiable bill of lading for the agreed port of destination, as well as the invoice of the goods shipped and the insurance policy.

7. Provide at his own expense the customary packing of the goods.

8. Pay the costs of any checking operations (such as checking quality, measuring, weighing, counting).

9. Pay any dues and taxes incurred in respect of the goods up to the time of their loading, including any taxes, fees or charges levied because of exportation.

10. Provide the buyer, at the latter's request and expense with the certificate of origin and the consular invoice.

B. The buyer must:

1. Accept the documents when tendered by the seller, if they are in conformity with the contract of sale, and pay the price as provided in the contract.

2. Receive the goods at the agreed port of destination and bear, with the exception of the freight and marine insurance, all costs and charges incurred in respect of the goods in the course of their transit by sea until their arrival at the port of destination.

3. Bear all risks of the goods from the time when they shall have effectively passed the ship's rail at the port of shipment.

4. Pay the costs and charges incurred in obtaining the certificate of origin and consular documents.

5. Pay all customs duties as well as any other duties and taxes payable at time of or by reason of the importation.

6. Procure and provide at his own risk and expense any import license or permit which he may require for the importation of the goods at destination.

Exercises on text

I. Translate the following word combinations and phrases into Ukrainian and use them in the sentences of your own:

To procure marine insurance; insurance premium; port of destination; export license; to load the goods on board the vessel; negotiable bill of lading; to bear all risks; customs duties; secondhand cases; technical specification of the goods.

II. Answer the following questions. Try to express your answers in your own words if possible:

1. Who pays the insurance premium under CIF?
2. Whose responsibility is to load the goods at one's expense on board the vessel under CIF terms?
3. What is the certificate of origin?
4. Is CIF more favorable for the seller or the buyer?

III. Agree or disagree to the statements given below. Explain your answers.

1. The seller is liable for obtaining any export license or other authorization necessary for the export of goods.

2. The buyer must pay any dues and taxes incurred in respect of the goods up to the time of their loading.

3. The buyer is responsible for receiving the goods at the agreed port of destination.

IV. Give your own opinion of the text. What problems are raised in this text?

Text 7. TAXATION OF MULTINATIONAL ENTERPRISES

Read and translate the text.

The taxation of corporate income varies intricately from one country to another. The differences lie not only in the levels of the tax rates. They are found also in definitions of taxable profits, net royalties, interest, and other taxable items, and above all in the allocation of a firm's world-wide income among the taxing jurisdictions in which it does business, receives income, or engages in some other taxable activity. Home countries differ in the degree to which they make allowance for host country taxes. A separately incorporated foreign subsidiary is often, but not always, treated differently from a foreign branch of the home country corporation. A depressingly large number of possible different tax outcomes is therefore faced by any one multinational corporation. From a government's point of view there are a depressingly large number of more or less legal patterns from which a multinational corporation can choose, to try to minimize its world-wide tax bill.

Differences in the rates of tax on corporate profits are perhaps not so great as the layman might expect, though still large enough to cause trouble. In most countries, developed and developing, the rate of corporate income tax stipulated in the tax law seems to fall within a range of 35 to 50 per cent. The dispersion of rates, however, is somewhat greater among the developing countries than among the developed. A zero tax rate for the first few years of a new corporation's life is common in developing countries, for approved or "pioneer" indus-

tries. This is the so-called "tax holiday". The existence of only a few countries with very low corporate rates is enough to threaten the revenue of other countries, not to mention the influence of certain taxing jurisdictions that offer themselves as tax havens.

These differences in corporate income tax rates are sometimes exacerbated and sometimes softened by differences in rates of withholding taxes on dividends, interest, and other remittances by a subsidiary to a parent company elsewhere. They are termed "withholding" taxes because, although legally imposed on the recipient abroad, they are collected from the domestic corporation (the payer) by requiring it to withhold the tax when paying dividends, interest, and the like. The host country is of course unable to reach the foreign recipient directly, in contrast to the recipient who resides within its borders.

Exercises on text

I. Explain the meaning of the following phrases and word combinations in English. Use dictionary if necessary:

corporate income; taxable profits; net royalty; taxing jurisdiction; multinational corporation; to minimize one's world-wide tax bill; layman; dispersion of rates; a zero tax rate; to pay dividends.

II. Give written answers to the questions using the knowledge you've gained after reading the text under analysis. Try to express your answers in your own words if possible:

1. How does taxation of corporate income vary from one country to another?
2. What is the distinction between a foreign subsidiary and a foreign branch of the home country corporation?
3. What is called "tax-holiday"?
4. What is a "parent company"?

II. Explain the meaning of the following phrases and word combinations in English. Use dictionary if necessary:

corporate income; taxable profits; net royalty; taxing jurisdiction; multinational corporation; to minimize one's world-wide tax bill; layman; dispersion of rates; a zero tax rate; to pay dividends.

III. Make up a plan covering the main ideas of the text.

IV. Speak on the content of the text.

Text 8. THE ECONOMICS OF DUMPING

Read and translate the text.

Dumping is traditionally defined as selling at a lower price in one national market than in another.

The rationale for dumping products in a foreign market is analogous to that for price discrimination within a domestic market: the discriminating firm can maximize its profits by charging different customers different prices for essentially identical products. For example, if some customers are willing to pay no more than $ 7, when others will pay $ 15, for an item, it would be advantageous for the seller to be able to charge the higher price to those customers prepared to pay more. Only when sectorization of markets obtains, however, can goods be sold to the low-price customers without sacrificing the benefits to be obtained from the high-price customers.

The opportunities for profits from dumping will depend upon the interaction of three variables: the demand for the firm's product in its own country and abroad, the barriers to reentry into the exporting market, and the nature of the firm's cost structure.

The *firm* in the exporting country can profit from dumping under certain demand, reentry, and cost conditions. Whether or not a net benefit will accrue to the exporting country is, however, another matter. First, other firms in the dumping country may not benefit from the dumping situation, as foreign fabricators having received dumped goods can undersell the home price for finished goods and, thus, underbid home producers in third-country export markets.

In the importing country, the most obvious problem caused by dumping is the harm inflicted upon competing producers of the dumped goods. The degree of harm will depend largely upon the

quantity of dumped goods and the margin of dumping involved, i.e., the amount by which the dumped goods were underselling the home-market goods. Under the traditional Commission analysis, if a foreigner increased his U.S. market share by 5 percent through his less-than-fair-value (LTFV) exports, the domestic competitors normally would suffer a corresponding loss.Competing producers in third countries will be injured by dumping in the same manner as suppliers in the importing country. As the demand their goods declines, so will their profits. In contrast to importing countries, however, competing third countries receive none of the potential benefits of dumping, such as lower consumer prices and increased efficiency in the operations of domestic manufacturers. Indeed it would appear that it is the competing third countries that bear the brunt of the disadvantages caused by dumping.

Exercises on text

I. Find in the text the sentences containing the phrases and word combinations given below and translate them into Ukrainian (in writing):

price discrimination; low-price; customers; cost conditions; domestic competitors.

II. Answer the following questions in written form. Try to express your answers in your own words if possible:

1. How is dumping traditionally defined?
2. What are the common reasons for price discrimination within a domestic market?
3. Whom do we call low-price customers and high-price ones?
4. What problems are raised by dumping in the importing country?
5. Why is dumping so disadvantageous for third countries markets?

III. Comment on the following statements:

1. In the importing country, the most obvious problem caused by dumping is the harm inflicted upon competing producers of the dumped goods.

2. It is the competing third countries that bear the brunt of the disadvantages caused by dumping.

3. The firm in the exporting country can profit from dumping under certain demand, reentry, and cost conditions.

IV. Make up a plan of the text covering the main ideas. Discuss the text according to the plan with your fellow students.

Text 9. COUNTER TRADE

Read and translate the text.

Countertrade arrangements include government-to-govemment bilateral agreements transferring reciprocal market access privileges (beyond tariff treatment agreements) between two nations. These agreements, in the form of bilateral clearing agreements, trade protocols, or trade between two countries under preferential terms. They are intended to integrate economies of particular countries, recognize special relations existing among politically allied nations, or reflect trading interests for scarce raw material resources.

Offsets. Government acquisitions involving military and major civil procurements (e.g., commercial aircraft, telecommunication systems) are often tied to requirements by the importing country for domestic content, inclusive of co-production involving transfers of sensitive processes and advanced technology manufacturing; investments; as well as to long-term countertrade commitments for local goods and services. The range of these requirements is known as "offsets". Countertrade, local subcontracting and investment requirements are known as indirect offsets. Co-producer requirements based on production technology transfers to the importing country are known as direct offsets. Such practices have been used by importing governments as a tool of industrial development, domestic employment, as well as a means to finance payment balances.

Barter. A classical barter arrangement involves the direct exchange of goods between two trading parties. No cash changes hands

for the reciprocal exports which have counterbalancing values and which are usually governed by a single contract. Because of the limited flexibility of this type of arrangement, barter agreements are rare in international trade.

Direct and Indirect Compensation. Under these types of arrangements the value of a supplier's exports are partially or fully counterbalanced by imports from the client's country, normally under parallel contracts providing for separate cash settlements for each leg of the transaction. The contractual separation between the two contracts provides for flexibility in financing, guarantee coverage, maturity of payments, and deliveries. It also facilitates the transfer of the offsetting marketing obligation from the primary exporter to third parties designated by him. The proportion of the original export which is offset by counterdeliveries is known as the "countertrade ratio".

In "direct compensation" arrangements (also known as buy-backs) the counterdeliveries are related to, or result from, the origin export.

In "indirect compensation" arrangements (also known as counter-purchases), counterdeliveries may involve such products as manufactures, components, raw materials, foodstuffs, and machinery, which are not related to the primary export for which they constitute repayments.

Exercises on text

I. Translate the words and expressions given below into Ukrainian and use them in the sentences of your own:

to stipulate; bilateral agreement; under preferential terms; scare raw material resources; domestic employment; exports are counterbalanced by imports; counterpurchase.

II. Answer the following questions in written form. Try to express your answers in your own words if possible:

1. What does countertrade involve?
2. What do countertrade arrangements include? And what arc they intended lo?

3. What is known as "offsets"?
4. Are barter arrangements rare or frequent? Why?
5. Explain the difference between direct and indirect compensation.
6. Describe a classical barter arrangement.

III. Discuss the problem of "Countertrade".

IV. Give your opinion of the text. What problems are raised in this text?

Text 10. THE INTERDEPENDENCE PHENOMENON

Read and translate the text.

"Interdependence" may be an overworked word, but it accurately describes our world today. The United States depends on exports and imports for an increasing percentage of its national economy, and many other countries have a much higher dependence on trade. Under these conditions economic influences flow with great rapidity from one country to the next. Thus, despite all the talk about sovereignty, independence, and equality of nations, these concepts are fiction if used to describe today's world. What is the sovereignty of a country whose economy is so dependent on trade with other countries that its government cannot unilaterally determine its own domestic interest rate, or set its own tax policy, or establish its own program of incentives for business or talented individuals? As a result there is much frustration among governments and their leaders today because they find it difficult to carry out their program goals on behalf of their constituents, such as providing full employment or increasing economic welfare.

With the decline of tariffs almost to irrelevancy, however, other much more complex barriers or distortions of trade have become relatively more important. Non-tariff barriers are myriad, and the ingenuity of man to invent new ones assures us that the problem of trade barriers will never go away. This is why one of the most important prob-

lems facing the world today is institutional – the question of whether national and international governmental institutions (such as GATT) have the capacity to meet the challenges of private and governmental behavior which could undermine the inter-linked trade and investment world in which we find ourselves.

As the focus of international trade and economic policy has shifted from tariffs, enterprises troubled by foreign competition have been compelled to look for other ways to obtain protection from such competition. In particular, they have turned to laws designed to provide relief from unfair trade practices. In many cases it is appropriate that they do so. It has been recognized, however, that in some cases attempts are being made to respond to practices that are unfair only in the eyes of the domestic industries that would like freedom from the challenges that competition brings.

There is an increasing number of situations which involve very difficult balancing of contradictory economic, cultural, and political goals. The essential policy behind unfair trade practice rules is the notion of the "level playing field". This is the idea that enterprises should be able to compete in the open markets of the world on the basis of market economic principles which apply equally to all participating enterprises.

Beyond the traditional core subjects of trade in goods and monetary matters, international economic policies and legal problems have become increasingly complex and diverse. Subjects such as taxation, trade in services, application of antitrust rules, all have their impact on economic relations between nations.

Exercises on text

I. Translate the following expressions and word combinations into Ukrainian and use them in sentences of your own:

increasing percentage; economic influences; domestic interest rate; to set tax policy; talented individuals; to increase economic welfare; to provide full employment; market-oriented industrial countries; decline of tariffs distortions of trade; inter-linked trade and investment world; unfair trade practice; monetary matters.

II. Give written answers to the questions below Try to express your answers in your own words if possible:

1. Explain what is meant by "interdependence".
2. Why are complete sovereignty and equality of nations fiction in today's world?
3. What non-tariff barriers to trade do you know?
4. What do you know about the General Agreement on Tariffs and trade?
5. Explain the notion of "level playing field".

III. Comment on the statements from the text:

1. It is difficult for governments to provide full employment or increasing economic welfare.
2. With the decline of tariffs almost to irrelevancy much more complex barriers to trade have become relatively more important.
3. Subjects such as taxation, trade in services, application of antitrust rules, all have their impact on economic relations between nations.

IV. Discussion question:

What does the term "interdependence" mean in economic sphere today?

Text 11. COMPARATIVE ADVANTAGES AND GAINS FROM TRADE

Read and translate the text.

The classical economists asked what goods would be traded between two countries because they thought the answer for trade between countries was different from that for trade within a country. Within a country, a region produces the goods it can make cheaper than other regions. The value of a commodity within a country, moreover, is determined by its labo content. If the product of a certain in

dustry can be sold for more than the value of the labor it contains, additional labor will transfer into that industry from other occupations to earn the abnormal profits available there. Supply will expand until the price is brought down to the value of the labor it contains. Similarly, if a commodity sells for less than the worth of its labor, labor will move away into other lines until the gap is closed. The tendency of wages toward equality within a country results in prices of goods equal to their labor such as to equalize the return to labor in all occupations and regions. If wages are higher in California than in Massachusetts, labor will migrate to California. This will lower wages in California and raise them in Massachusetts, and the movement will continue until the return to labor is equated in the two regions. After labor has spread itself among several regions to equalize wages, these regions will produce and sell to each other what each region can make the cheapest. Its advantage in such commodities over other regions will be absolute. Therefore the theory of trade applicable to regions of a country is the theory of absolute advantage.

Classical economists thought that the labor theory of value valid in trade within a country cannot be applied between nations, since factors of production are immobile internationally. If wages are higher in the United States than in Britain, they stay higher, for migration cannot lake place on a scale sufficient to eliminate discrepancies. Under these circumstances, the classical economists asked, what will the United States sell to Britain and Britain to America?

Let us assume two countries and two commodities. If each country can produce one good cheaper (i.e., with less labor) than it can be produced in the other, as in the case of domestic trade, each will have an advantage in the production of one commodity and a disadvantage in the production of the other. Each country will then be anxious to export the commodity in which it has an advantage and import the commodity in which it has a disadvantage.

Trade cannot now follow the decree of absolute advantage and a new principle is needed to take its place. This was developed by David Ricardo more than 150 years ago, in the law of comparative advantage. He concluded that a country would export the product in which

it had the greater advantage, or a comparative advantage, and import the commodity in which its advantage was less, or in which it had a comparative disadvantage.

The classical economists conclude that international trade does not require offsetting absolute advantages but is possible where a comparative advantage exists. It goes without saying but must be said, as it is frequently forgotten, that a comparative advantage is always accompanied by a comparative disadvantage.

Exercises on text

I. Find English word combinations corresponding to the given Ukrainian expressions and use them in the sentences of your own:

внутрішня торгівля; абсолютна перевага; отримувати великі прибутки; знижувати заробітну плату; імпортувати товари; міграція робочої сили; аналогічний випадок.

II. Find in the text the sentences containing the following word combinations and translate them into Ukrainian (in writing) and use them in the sentences of your own:

the theory of absolute advantage; trade within a country; to eliminate discrepancies; offsetting absolute advantage.

III. Comment on the following statements in your own words if possible:

1. The value of a commodity within a country is determined by its labor content.

2. Each country tends to export the commodity in which it has an advantage and import the commodity in which it has a disadvantage.

3. International trade does not require offsetting absolute advantages but is possible where a comparative advantage exist.

IV. Discussion question:

What are the advantages and gains from trade?

Text 12. INTERFERENCE WITH FREE TRADE

Read and translate the text.

Economists generally believe that free international trade is beneficial to a nation because when each nation specializes in making the products that it can make most efficiently and trades for the other products it needs, overall welfare is increased in each nation. Economist Paul Samuelson once wrote: "There is essentially only one argument for free trade or freer trade, but it is an exceedingly powerful one, namely: Free trade promotes a mutually profitable division of labor, greatly enhances the potential real national product of all nations, and makes possible higher standards of living all over the globe".

It is important to understand, however, that there is a gain only in an overall sense. Within a national economy certain sectors, particularly those that produce goods made more efficiently abroad and that may be expected by economic theorists to shift from their present activities because of import competition are likely to pressure their governments to interfere with free trade in order to afford them protection from such competition. For example, if domestic consumption of widgets is 1 million units per year at $ 10 each, and foreign producers could sell widgets in the United States market at $ 8 each, a $ 2 per widget tariff will enable domestic producers to keep the U.S. market to themselves. Unless a consumer uses many widgets, his loss is only a small amount ($ 2 per widget) and he has little interest in organizing a lobbying effort against the tariff. In contrast, producers and labor unions can afford to make large campaign contributions to influence politicians to preserve the $ 2 tariff and protect their profits and jobs. Indeed, since such lobbying is relatively cheap compared to the gains that may be obtained, industries may lobby for protection even when import competition is not causing problems. In this subsection, we consider the general effect of tariffs and whether they may be justified in certain circumstances. The Effect of Tariffs.

The two most common types of restraints on imports arc tariffs (a tax levied on imports at the time of importation, which usually has

the effect of increasing the prices at which the imports are sold) and quotas (an upper limit on the quantity or value of imports allowed during a given time period).

The availability of imported goods limits the price that domestic producers can charge. If they charge more than the price of the imported goods, consumers will purchase more imports. Imposition of a tariff typically result in an increase in government revenue equal to the amount of the tariff collected and an increase in the consumer price of the import. A higher price for the imported product means domestic producers can increase their prices. Thus, imposition of a tariff on a product typically result in a number of effects: domestic consumption of the product will fall because of the higher price; domestic consumers will pay more for each unit of the product and thus will have less to spend on other products; the domestic producers will increase their revenues per unit of product; the government's revenue will increase.

Economists analyze quotas by comparing them to tariffs that have similar price effects. The main difference is that the benefits of the price increase go the foreign producer unless the government sells rights to use the quota. Economists generally prefer tariffs to quotas because quotas may have a more adverse effect on competition. Even if the government sells rights to use quotas so that foreign producers do not obtain monopoly profits, the existence of quotas may put industry in a position to reap such profits. Apart from these economic considerations, there are numerous practical considerations that influence the choice between tariffs and quotas. For example, it is argued that quotas tend to conceal from the public the degree of protection being afforded domestic producers. On the other hand, economic planning may easier if the precise amount of imports can he predicted – quotas may allow this, while tariffs make such prediction more difficult.

Exercises on text

I. Translate the given English word combinations into Ukrainian and use them in sentences of your own:

overall welfare; profitable division of labor; to enhance the potential national product; to interfere with free trade; domestic consumption; domestic producer; a tax levied on imports; availability of imported goods; imposition of a tariff; to increase revenues per unit of product; to obtain monopoly profits.

II. Give detailed answers to the questions below. Try to express your answers in your own words if possible:

1. Why do economists generally believe that free trade is beneficial to a nation?
2. What are the two common types of restraints on imports?
3. What do we call an upper limit on the quantity or value of imports allowed during a given time period?
4. What is tariff?
5. Explain what is import competition?

III. Comment on the saying by Paul Samuelson:

"Free trade promotes a mutually profitable division of labor, greatly enhances the potential real national product of all nations, and makes possible higher standards of living all over the globe".

IV. Give your opinion of the text.

Text 13. HOW DOES THE FOREIGN EXCHANGE MARKET OPERATE?

Read and translate the text.

It is generally not possible to go to a specific building and "see" the market where prices of foreign exchange are determined. With few exceptions, the vast bulk of foreign exchange business is done over

the telephone between specialist divisions of major banks. Foreign exchange dealers in each bank usually operate from one room; each dealer has several telephones and is surrounded by video screens and news tapes. Typically, each dealer specializes in one or a small number of markets (such as sterling/dollar or deutschemark/dollar). Trades are conducted with other dealers who represent banks around the world. These dealers typically deal regularly with one another and are thus able to make firm commitments by word of mouth.

Only the head or regional offices of the larger banks actively deal in foreign exchange. The largest of these banks arc known as "market makers" since they stand ready to buy or sell any of the major currencies on a more or less continuous basis. Unusually large transactions, however, will only be accommodated by market makers on more favorable terms. In such cases, foreign exchange brokers may be used as middlemen to find a taker or takers for the deal. Brokers (of which there arc four major firms and a handful of smaller ones) do not trade on their own account, but specialize in setting up large foreign exchange transactions in return for a commission (typically 0.03 cents or less on the sterling spread). In April 1983, 56 percent of spot transactions by value involving banks in the United States were channeled through brokers. If all inter-hank transactions are included, the figure rises to 59 percent.

Most small banks and local offices of major hanks do not deal directly in the inter-bank foreign exchange market. Rather they typically will have a credit line with a large bank or their head office. Transaction will thus involve an extra step. The customer deals with a local bank, which in turn deals with a major bank or head office. The inter-bank foreign exchange market exists between the major banks either directly or indirectly via a broker.

Exercises on text

I. Translate the given English word combinations and phrases into Ukrainian in written form. Use them in sentences of your own:

specialist division of major banks; to make commitments by word of mouth; to sell on continuous basis; on favorable terms; in return for a

commission; spot transactions; to have a credit line with a bank; head office; via a broker; to purchase goods overseas; to facilitate trade between nations; risk bearing.

II. Give written answers to the questions based on the information which the text contains. Try to express your answers in your own words if possible:

1. How is the vast bulk of foreign exchange business done?
2. How do foreign exchange dealers in banks usually operate?
3. What is meant by "market makers"?
4. What do brokers specialize in?
5. Whom do we call "speculators"?

III. Make up a plan of the text covering the main ideas. Discuss the text according to the plan with your fellow students.

IV. Give your opinion of the text.

Text 14. CORPORATE TAXATION

(Indian Institute of Management)

Read and translate the text.

Taxes may be divided into two broad categories: direct taxes and indirect taxes. A tax is referred to as a direct tax if the impact and incidence of the tax is on the same person or entity. Income tax, wealth tax, and gift tax are examples of direct taxes. A tax is regarded as an indirect tax if the impact and incidence of the tax is on different persons or entities. Excise duty and sales tax are examples of indirect taxes.

This material provides an elementary exposition of corporate taxation. It is divided into four sections as follows:

- framework for deriving taxable income;
- important provisions and considerations relevant for deriving taxable income;

- estimating the tax burden;
- indirect taxes.

The first three sections are concerned with the corporate income tax which represents the primary focus of this material and the last section covers the rudiments of indirect taxes. At the outset, it should be emphasised that taxation is a complex and highly specialised subject which is best handled by experts. The purpose of this text is to familiarise you with the basics of taxation and sensitise you to areas where tax planning is important so that you can communicate more intelligently with tax experts.

FRAMEWORK FOR DERIVING TAXABLE INCOME

Income tax is a charge on the taxable income of the assessee for a period called the 'previous year' and is calculated as per the rates prescribed annually by the Finance Act. Exhibit 24.1 shows the schematic diagram for determining the taxable income of a corporate assessee under the Income Tax Act (Act hereafter).

EXHIBIT 24.1

Schematic Diagram for Determining the Taxable Income for Corporate Assessees

Income from Business

+

Income from Other Heads Under Tax Law

=

Gross Total Income

−

Deductions from Gross Total Income

=

Taxable Income

Income from Business

This broadly consists of receipts less deductions associated with activities which can be attributed with the character of business/profession. The principal sources of receipts are sale proceeds, professional fees and labour charges.

The deductions can be classified as follows:

1) *actual business expenses incurred.* The major items included under this head are: (i) rent, rates, taxes, insurance, repairs and maintenance in respect of buildings; repairs, maintenance and insurance in respect of plant and machinery; expenditure on scientific research not being in the nature of capital expenditure; insurance premium paid in respect of insurance of stock or stores of the business; bonus, commission and contribution to provident fund and other recognised funds in respect of employees; interest on capital borrowed for the purpose of business; bad debt etc. Any other expenditure (not being in the nature of capital expenditure or personal expenses of the assessee) laid out or expended wholly and exclusively for the purposes of the business or profession;

2) *amortisation of certain expenses.* In respect of the following cases of lumpsum expenses incurred at one time, a percentage of such expenses is allowed to be deducted against the income over a number of years by way of amortisation: depreciation of fixed assets at the rates prescribed under Rule 5 of the Income Tax Rules; expenditure on patents and copyrights; expenditure on know-how; amortisation of preliminary expense; expenditure on prospecting of minerals; capital expenditure on family planning of employees;

3) *capital expenditures of certain types*. Though capital expenditures are not normally allowed as a deduction in computing the business income, the following capital expenditures can be deducted by virtue of certain provisions of the Act: capital expenditure on scientific research related to the business carried on by the assessee; capital expenditure incurred in connection with the business consisting of the prospecting for or extraction or production of mineral oils;

4) *certain contributions.* Payments made to (a) certain recognized scientific research institutions to be used for scientific research; (b) certain recognized institutions to be used for research in social science or statistical research; (c) approved public section company or

any other association/institution for promoting the social and economic welfare of, or the uplift of the public; and (d) certain associations and institutions for carrying out programmes of conservation of natural resources can be deducted for tax purposes;

5) *carried forward losses and allowances.* In computing the business income, losses and allowances carried forward from the previous years can be deducted (details pertaining to this are discussed separately).

Income from Other Heads Under Tax Law

The various other heads, the nature of income, and the deductions allowed under these heads by the Act are shown below:

Head	*Nature of Income*	*Deductions Allowed*
Income from house property	Income arising from building and land appurtenant thereto owned by the assessee	Deductions are specified under Section 23 and 24 of the Act
Capital gains	Full value of consideration on transfer of capital assets	Indexed cost of acquisition of the assets and improvements plus expenses on transfer and certain exemptions
Income from other sources	Interest, dividends and other incomes which cannot be taken under any other head	Expenses incurred to earn the income and depreciation where applicable

Gross Total Income. This represents the summation of income from business and income from other heads under the Act as described above, derived after setting off negative figures under one head against the positive figures under any other head(s).

Deductions from Gross Total Income. Chapter VI A of the Act deals with various deductions that are allowed from the gross total in-

come. The deductions under this chapter vary from those deductions discussed earlier in the sense that while those deductions are specifically linked to the head of income, the deductions under Chapter VI A are allowed regardless of the head from which the income is derived.

It should be noted that these deductions cannot make the gross total income a negative figure. Put differently, if the gross total income happens to be a negative figure, no deduction is available under Chapter VI A.

The important deductions under Chapter VI A are as follows:

1. Deduction in respect of profits and gains from projects outside the country.

2. Deduction in respect of profits from export business;

3. Deduction in respect of earnings in convertible foreign exchange.

4. Deduction in respect of profits from export of computer software etc.

5. Deduction in respect of profits and gains from new industrial undertakings after a certain date, etc.

6. Deduction in respect of profits and gains from business of poultry farming.

7. Deduction in respect of certain inter-corporate dividends;

8. Deduction in respect of royalties etc., from certain foreign companies.

9. Deduction in respect of profits and gains from the business of publication of books.

Taxable Income

This represents the difference between the gross total income and the deductions from the gross total income and is the base on which the tax rate is applied to arrive at the tax liability.

Exercises on the text

I. Find the following word combinations in the text and translate the sentences containing them into Ukrainian:

taxable income of the assesssee, sources of receipts, insurance of stock, capital expenditures, gross total income, fixed assets.

II. Explain the meaning of the phrases given below and try to use them in the sentences of your own:

income tax, income from business, actual business expenses, amortization of expenses, capital expenditures, gross total income, deductions from gross total income.

III. Give written answers to the following questions. Try to express your answers in your own words if possible:

1. What two broad categories of taxes do know?
2. Explain the notion "income tax".
3. What are the sections of a corporate taxation?
4. What deductions in taxation do know?
5. What's the difference between the gross total income and the deductions from the gross total income?

IV. Speak on the content of the text.

Text 15. IMPORTANT PROVISIONS AND CONSIDERATIONS RELEVANT FOR DERIVING TAXABLE INCOME

Read and translate the text.

In applying the framework for deriving the taxable income, discussed in the preceding section as well as for tax planning, certain provisions and considerations relating to the following must be borne in mind:

Depreciation

– deduction in respect of expenditure on scientific research;

– deduction in respect of profits from export business;

– deduction in respect of profits and gains from newly set up industrial undertakings;

– disallowances;

– set off, carry forward, and order of deduction for computing income from business.

Depreciation

Depreciation at prescribed rates on the actual cost in respect of buildings, plant and machinery and furniture and fittings used for business/professional purposes is a tax deductible expense. For claiming depreciation allowance the assets should be owned and used for purpose of business by the assessee.

Depreciation is charged on blocks of assets which represent a group of assets, within a class of assets, for which a common rate of depreciation is applicable. Depredation will be calculated by applying the prescribed rate (which varies between 5 % and 100 %) on the written down value (WDV) of the entire block. When an asset is sold the amount realised from the sale of any asset (after deducting expense on sales) will simply be deducted from the WDV of that block. If the amount realised is greater than the WDV of that block, then the difference will be taxed as short-term capital gain. In case all the assets in the block are disposed off, the resultant loss will be assessed as short-term capital loss.

Deduction in Respect of Expenditure on Scientific Research

The following expenses relating to scientific research incurred during the previous year are allowed as deduction in computing the income from business:

1. All expenses, both revenue and capital (not being land) incurred on scientific research relating to the business of the assessee. (Note: Any revenue or capital expenditure (not being land) incurred

with in three years before the commencement of business shall be deemed to be incurred in the year of commencement of business and accordingly deductible in that year).

2. Contribution to approved scientific research associations/-institutions to be used for scientific research.

3. Contribution to approved institutions to be used for research in social science or statistical research.

Deduction in Respect of Profits Derived from Export Business

Various conditions governing the grant of this deduction are as follows:

1. The assessee should be engaged in the business of export out of India of any goods and merchandise. Exports of mineral oils and minerals and ores (other than processed minerals and ores specified in the twelfth schedule to the Income-Tax Act) do not qualify for this deduction.

2. The sale proceeds from exports of such goods are receivable by the assessee in convertible foreign exchange within a period of six months or such extended time given by the Chief Commissioner of Income-tax from the end of the previous year in which the export took place.

3. The profits derived from export business (hereinafter referred to as exempted profits) is determined under 3 cases viz. Where the exported goods are manufactured or processed by the assessee, where the exported goods are trading goods and where the exported goods consist of both types.

Case 1. Export of manufactured goods:

Exempted profit = Profit of the business × Export turnover / Total turnover.

Case 2. Export of Trading Goods:

Exempted Profit = Export turnover of trading goods – Direct and indirect costs attributable to export of such goods.

Case 3. Export of both manufactured and trading goods:

a) for manufactured goods:

Exempted profit = Adjusted profit × Adjusted export turnover / Adjusted total; turnover of the business;

b) for trading goods:

Exempted Profit = Export turnover of trading goods – Direct and indirect costs attributable to export of such goods.

4. An assessee selling the eligible goods to an Export/Trading House holding a valid certificate issued by the Chief Controller of Imports and Exports is also entitled to the deduction as stated on the basis of a certificate of export turnover issued by such Export/Trading House and a Chartered Accountant. On issue of such certificate, the amount of deduction available to the Export/Trading House will be reduced correspondingly.

5. A certificate from a Chartered Accountant certifying that the deduction has been correctly claimed is to be furnished along with the return of income.

Deduction in Respect of Profits and Gains from Newly Setup Industrial Undertakings

A certain deduction is allowed from the profits and gains derived from an industrial undertaking, or a ship or the business of a hotel (as if such industrial undertaking, or ship or the business of the hotel were the only source of income). The allowable deductions:

1. *Industrial undertakings.* For initial assessment year and nine succeeding assessment years @ 30 % of profits and gains derived from such industries in the case of companies and @ 25 % of profits and gains in the case of other assessees. In the case of cooperative societies the period is eleven succeeding assessment years.

2. *Approved hotels.* 30 % of the profits and gains from such hotels for initial assessment year and nine succeeding assessment years. When the hotel is located in hilly area, rural area or place of pilgrimage or any other approved place, the deduction is allowed @ 50 % of the profits and gains.

3. *Ships.* 30 % of the profits and gains from the operation of the ships for the initial assessment year and nine succeeding assessment years.

For computing the profits of the industrial undertakings past losses and unabsorbed allowances relating to the undertaking shall be set off and the deduction will be allowed only on the balance amount, eventhough the past losses, etc., had already been absorbed by the other incomes in the past.

Disallowances

The Income Tax Act provides that though certain expenses were incurred by the assessee during the previous year, they will not be allowed as a deduction (partly or fully) in computing the income under the head "Profits and Gains of Business or Profession" under certain circumstances. The more important of these items are mentioned below:

1. The deduction on account of entertainment expenditure actually incurred is restricted to a sum of Rs. 10,000 plus 50 % of the excess of the actual expenditure over Rs. 10,000. Any actual expenditure incurred on account of entertainment up to Rs. 10,000 is allowed in full.

2. Expenditure on advertisement in the material published by any political party is disallowed in full.

3. Expenditure in the form of articles presented is disallowed in excess of Rs. 200 per article.

4. Expenses on stay during travel is disallowed in excess of the following limits: (a) Rs. 150 per day (Rs. 200 per day in case of stay at Madras, Bombay, Calcutta and New Delhi) for employees whose salary is not below Rs. 1,000 per month; (b) Rs. 75 per day (Rs. 100 per day in case of specified cities as above) for other employees; (c) In respect of persons other than employees the rate applicable to the highest paid employee.

5. Expenditures on the maintenance of the guest house including depreciation on guest house buildings, equipments, furniture, etc., are disallowed wholly.

6. Expenditures on account of supply of goods, services, or facilities by certain specified related persons/organisations, which in the opinion of the assessing officer is excessive or unreasonable can be disallowed.

7. Expenditures in respect of which payment is made in a sum exceeding Rs. 10,000, at a time, otherwise than by crossed cheque or bank draft (except in certain exempted cases) is disallowed in full.

8. Contributions to unapproved gratuity or other funds of employees are disallowed in full.

9. Expenditures of the following kind are disallowed if they are not paid for within the previous year or within a stipulated time after the previous year: (a) expenses on account of tax, duty, cess, or fees, (b) contributions to any provident/superannuation/gratuity/other welfare fund of employees and (c) interest on any loan or borrowing from public financial institution.

Set off, Carry Forward, and Order of Deduction for Computing Income from Business

Various deductions and allowances are considered in computing the income from business. If the result after providing for such deductions and allowances is a negative figure in any year, this is allowed to be set off against income from other heads and the remaining unabsorbed amount, if any, can be carried forward to the next year and set off against the income of that year and so on. In this connection, the relevant provisions can be discussed under (1) set off amongst various heads of income and carry forward, and (2) order of deduction for computing income from business.

1. Set off Amongst Various Heads of Income and Carry Forward. This may be discussed as follows:

1) Set off losses within the same head of income:

a) Losses from any source under a given "head of income" can be set off against income from any other source under the same "head of income", with two exceptions noted in (b) below;

b) Losses from speculation business (which falls under the head of income "profits and gains of business or profession") can be set off against profits from speculation business only. Likewise losses from owning and maintaining race horses can be set off against profits from similar activity;

2) Set off of losses from one head of income against income from other head/s and carry forward:

a) Subject to (1) above, losses under any head of income other than House Property (relating to let out property) and capital gains can be set off against the income from any other head/s of income;

b) Losses in respect of let out property under the head house property cannot be set off against income from any other head. Such loss, to the extent of interest payable on money borrowed for construction, purchase or repair of the property can be carried forward and set off against income under the head house property of subsequent years till it is fully absorbed;

c) Losses under the head capital gains that cannot be set off against income under the head capital gains can be carried forward and set off against capital gains of subsequent years and so on. Such carry forward can be done for a period of eight subsequent years from the year in which the loss was computed;

d) Unabsorbed business loss (other than speculation business loss) of any year can be carried forward and set off against income from business of subsequent years, provided the same business under which the loss was originally computed is continued to be carried on. Such carry forward can be done for eight subsequent years;

e) Unabsorbed loss from speculation business can be carried forward and set off against income from speculation business. Such carry forward can be done for eight subsequent years;

3) Unabsorbed depreciation can be carried forward and set off against the income from any other head of subsequent years without any limitation as to the number of years. In respect of assessment year 1998–1999, if the unabsorbed depreciation carried forward from previous years exceeds Rs. 1,00,000, only two-thirds of such unabsorbed amount will be allowed to be set off in the assessment year 1998–1999 and the remaining will be allowed to be carried forward and set off in the subsequent years;

4) Capital expenditure on scientific research which is not absorbed by available current profits is treated in the same way as unabsorbed depreciation.

2. *Order of Deduction for Computing Income from Business.*

In computing the income from business of the current year, the unabsorbed benefits from an earlier year falling under various categories are brought forward and are considered for set off, along with certain current allowances, in the order given below.

– current depreciation;

– carried forward business loss;

– unabsorbed depreciation and unabsorbed capital expenditure on scientific research;

– carried forward investment allowance.

Exercises on text

I. Find the following word combinations in the text and translate the sentences containing them into Ukrainian:

tax deductible expense, short-term capital gain, exempted profit, assessment year, unabsorbed allowances, account of entertainment expenditure, supply of goods and services, bank draft, losses from speculation business.

II. Explain the meaning of the phrases given below and try to use them in the sentences of your own:

depreciation, deduction in respect of expenditure on scientific research, profits derived from export business, industrial undertakings, expenditure on advertisement, capital expenditure, order of deduction.

III. Give written answers to the following questions. Try to express your answers in your own words if possible:

1. What is called "depreciation"?
2. What expenses are allowed as deduction in computing the income from business?
3. Name three cases of profit derived from export business.

4. What deductions are allowed from the profits and gains derived from an industrial undertaking?

5. Speak about set off, carry forward and order of deduction for computing income from business.

IV. What problems are raised in the text? Try to discuss them with your fellow students.

Text 16. ESTIMATING THE TAX BURDEN

Read and translate the text.

Once the taxable income of the company is derived, the next step is to estimate the tax burden. For this purpose, we need to know: (a) tax rates for companies, and (b) provision for payment advance tax and filing of returns.

Tax Rates for Companies

Different tax rates are prescribed for different categories of companies as given hereunder:

a) Domestic companies in which the public are substantially interested – 45 %;

b) Domestic companies in which the public are not substantially interested – 50 %;

c) Non-domestic companies (foreign companies) – General rate 65 %. (Special tax rates varying from 20 % to 55 % are applied in respect of incomes of certain categories as technical knowhow fee received, dividends etc.).

Note: If the total income of a domestic company includes long term capital gains then such gains shall be taxed at 40 % (20 % for venture capital companies in respect of long term capital gains arising from transfer of shares of venture capital undertakings). The tax rates prescribed above are applied on the total income exclusive of long term capital gains.

The tax amount calculated as above is to be increased by an amount equal to 15 % of the income tax towards surcharge, when the taxable income including long term capital gains exceeds Rs 75000.

Provision for Advance Tax and Filing of Return

Advance Tax: Advance tax is payable on the current income of the company in three instalments during the financial year as follows:

On or before	*Advance tax that should have been paid by the due date (as percentage of the total tax liability)*
15th September	30
15th December	60
15th March (succeeding)	100

Filing of Return. The return of income is required to be filed voluntarily in respect of companies having a taxable income by 31st December of the relevant assessment year.

Exercises on text

I. Find the following word combinations in the text and translate the sentences containing them into Ukrainian:

to estimate the tax burden, total income, transfer of shares, long term capital gains, advance tax, total tax liability.

II. Explain the meaning of the phrases given below and try to use them in the sentences of your own:

non-domestic companies, tax burden, venture capital companies, to increase the tax amount, advance tax, filing of returns.

III. Give written answers to the following questions. Try to express your answers in your own words if possible:

1. What steps do we need to know in order to estimate the tax burden?

2. What categories of companies do you know?

3. Explain the notion "advance tax".

4. What does "filling of return" mean?

IV. Discussion question:

Explain your fellow students how to estimate the tax burden.

Text 17. INDIRECT TAXES

Read and translate the text.

The three most important indirect taxes are the excise duty, the sales tax, and the customs duty.

Central Excise Duty

The principle source of revenue for the central government, the central excise represents a levy on goods manufactured in the country. Central excise duties are governed by the Central Excise Act, Central Excise Tariff Act, and Central Excise Rules. The key provisions of these legislations are discussed briefly hereunder:

Excisable Goods. Excise duty is leviable on all goods, other than salt, which are produced or manufactured in India. It should be noted that (a) the duty can be levied only on "goods", and (b) the duty can be levied only when there is manufacture or production.

Classification of Goods. The new Central Tariff Act is based on a system of classification derived from the international convention of harmonised commodity description' and "coding system". The classification has been made very scientifically such that goods of the same class have been grouped together to ensure parity of treatment.

Types of Excise Duties. There are two types of excise duties: (a) specific, and (b) ad valorem. A specific duty is related to the quantum

of manufacture. For example, the excise duty on cement is Rs. 225 per tonne. An ad valorem duty, on the other hand, is based on the value of goods manufactured. For example, the excise duty for cement clinker is 12 per cent ad valorem. (Basically, the manufacturer's wholesale price for delivery of goods at the time and place of removal is deemed to be the assessable value for determining the ad valorem excise duty).

MODVAT Scheme. The famous Modified Value Added Tax Scheme (MODVAT Scheme) essentially enables manufacturers of excisable goods to reduce the final burden of excise duty by claiming credit for the excise duty component on raw materials, components, consumables, and packing materials. This credit may be set off against the final amount of excise duty payable by the manufacturer. The MODVAT Scheme, of course, is inapplicable where the finished goods are exempt from whole of the excise duty or are chargeable to nil rate of duty.

Sales Tax

A major source of revenue for state governments, sales tax is an important indirect tax. The salient features of sales tax are briefly described below:

Purview of Sales Tax. Sales tax is leviable on "sale of goods". Originally goods were regarded as tangible, movable property. However, it was found, through experience, that the legislature intent was subverted through the conversion of actual sales of goods (a taxable transaction) into various kinds of tax free transfers. To plug this loophone, the 46th Constitutional Amendment of 1998 enlarged the definition of sales. As things stand today, in addition to the usual sale of goods, the following transactions attract sales tax: (a) works contract, (b) hire purchase and lease transactions, and (c) supply of foodstuffs by hotels and restaurants.

Jurisdiction. The Constitution of India has laid down that taxes on the sales or purchases of goods, other than newspapers, will come under the jurisdiction of the state governments. Hence, every state has its own general sales tax law. Article 206 of the Constitution, how-

ever, imposes a restriction on the tax to be levied by the states on the sale or purchase of goods outside the respective states (or in the course of import or export of goods). For this purpose the Central Sales Tax Act was enacted by the Parliament in 1986. The purpose of this Act is (a) to formulate principles for determining when the sale or purchase of goods takes place in the course of inter-state trade or commerce or outside the state or in the course of importing into or of exporting from India, (b) to provide for levy, collection, and distribution of taxes on sale of goods in the course of inter-state trade or commerce; and (c) to declare certain goods to be of special importance in inter-state trade or commerce and to specify certain restrictions and conditions subject to which state laws imposing taxes on the sales or purchases of such goods shall be subject.

Customs Duty

Customs duty is an important indirect tax levied by the central government on the import of goods into India or exports of goods out of India. The rates of customs duty applicable to various goods are specified under the Customs Tariff Act, 1995 (Act hereafter). This is based on a system of classification, derived from the international convention of "harmonised commodity description" and "coding system", which is quite rational.

Valuation of Goods. Where duties are charged ad valorem, the value of goods is deemed to be the price at which such or like goods are ordinarily sold in the course of international trade in transactions which are at arms length (this means that the buyer and the seller do not have any interest in each other's business). The rate of exchange prevalent on the date of the bill of imports or the bill of exports shall apply for purposes of valuation.

Concessions. Concessional treatment for purposes of levy of duty and partial/full refunds are available in the following cases: (a) pilfered/destroyed/abandoned goods, (b) damaged goods, (c) re-imported goods produced or manufactured in India, and (d) exempt goods as per notifications issued under Section 25 of the Act.

Prohibited Goods. The central government has been empowered under Section 11 of the Act to notify goods the export/import of which is prohibited.

Procedural Aspects. Detailed procedures have been prescribed for payment of duties, presentation of bills of entry, etc. Powers have been conferred on the authorities with regard to search, seizure, arrest, confiscation of goods, conveyances, and imposition of penalties.

Exercises on text

I. Find the following word combinations in the text and translate the sentences containing them into Ukrainian:

source of revenue, to ensure parity of treatment, excisable goods, a taxable transaction, inter-state trade, rates of customs duty, international trade in transactions, abandoned goods.

II. Explain the meaning of the phrases given below and try to use them in the sentences of your own:

the central excise duty, the sales tax, the customs duty, specific duty, valorem duty, tangible property, the value of goods.

III. Give written answers to the following questions. Try to express your answers in your own words if possible:

1. What the most important indirect taxes do you know?
2. What is the central excise duty?
3. In what cases can the excise duty be levied?
4. What is the new Central Tariff Act based on?
5. How many types of excise duties do you know? Try to characterize them.
6. How can manufacturers of excisable goods reduce the final burden of excise duty?
7. What is sales tax?

IV. Discussion question:

What taxes are regarded as indirect? Compare them with the indirect taxes in Ukraine.

PART IV

READING PLUS

I. EUROPE IS HEADING FOR A SINGLE MARKET

Text 1. NO APPETITE TO CHANGE THE MIX

The report from the European Commission shows some startlingly good results from bringing down the barriers that stop the free circulation of goods, services, people and capital.

The report also identifies considerable obstacles that remain before the 15 member states can describe the EU as a truly single market.

More than 90 per cent of the legislation needed to establish the single market is in place. Goods are no longer stopped and checked at frontiers, nor do they have to comply with different laws in each member state. Important business sectors such as transport, telecoms, banking and broadcasting are being opened up to competition, and EU citizens can more easily move to other member states.

Some of the remaining obstacles are small: British-trained ski instructors are not permitted to teach in France; Danish lifesaving equipment manufacturers have had trouble gaining approval for their products in Germany.

Others are more serious: companies operating in several member states must still cope with a daunting variety of tax rates and legal systems, for example. And travelers are still subject to tedious border checks.

Yet it is more important for member states to concentrate on getting what is already in place to work, and using sanctions more effectively to enforce the existing regulations.

In some areas, there is scope to do more to enforce existing laws. In public procurement, for example, legislation to promote competi-

tion from businesses in other member states has yet to make much impact.

Governments are still slow to recognize the certification and test results of other member states – often for dubious reasons. The Spanish Industry Federation, for example, has found that pearls passed for export under Spanish rules failed French tests because of unacceptable levels of lead. Unlike the Spanish testers, the French analyzed the insides of the pearl where small amounts of lead occur naturally.

The consequences of overenthusiastic regulation are most acute on environmental issues, where member states are free to set higher standards than those specified by Brussels.

This is actually posing a risk to the single market. There are hundreds of complaints from Finnish exporters who cannot operate effectively in Germany because of German laws requiring packaging materials to be recycled.

The single market has developed much more slowly for services than for goods and one important reason for it is the absence of tax harmonization. National tax systems – in particular rules relating to financial services – obstruct the sale of services in other member states.

With life assurance, for example, many member states give tax relief on premiums only on policies issued by a domestic insurer.

In the absence of a single VAT rate across the EU, companies must still distinguish between goods for the home market and those destined for other EU countries.

And in a true single market, a company should be able to offset losses in one member state against profits in another – paying tax only on net profits. This remains impossible in the EU without tax harmonization.

However, the majority of member states is firmly opposed to any EU interference in their tax systems.

Another important gap is the absence of a European company statute. Businesses with operations all over the Union cannot organize themselves as a single European company but have to tailor their operations to comply with up to 15 different sets of company laws. It is a cost that adds no value.

Perhaps the most disappointing failure is the absence of progress on the free movement of people. This has mainly been because of resistance to relaxing border controls among member states, particularly the UK. People don't believe in the single market until they can float around in it as they would from New York to Los Angeles.

And at last the single currency will make the market much more transparent. Consumers and businesses will find it much easier to compare prices and costs and will start to become more vociferous about their rights *("Financial Times")*.

Notes:

public procurement	державна закупівля
to be recycled	бути перероблением
to obstruct	завадити
tax relief	пом'якшення податків
premium	страхові внески
VAT (value-added tax)	податок на додану вартість
to offset losses	компенсувати збитки
will start to become more vociferous about their rights	почнуть гучніше домагатися своїх прав

Exercises on the text

I. Make up an outline of the text.

II. Brief your colleagues on the difficulties of completing Europe's single market.

III. Give your view of the problem of Europe's single market.

II. FOREIGN TRADE

Text 1. WHY CONSIDER FRANCHISING?

If you have long cherished a dream to run your own business but are hesitant about going it alone, then franchising could be for you. Franchising is a way of going into business for yourself but with the support and guidance of people who are already successful.

As a franchisee, you own and run a business. You pay the owner of the franchise an initial fee for the right to use the brand and for the training which will enable you to get started. You are an independent business person, but you have the advantage of ongoing support and advice from your franchisor.

You benefit from their experience and knowledge.

Buying a franchise gives you access to the franchisor's expertise and business acumen, and, of course, you start with an abolished concept and a proven business system. You buy a brand, product or service that has already been accepted in the marketplace and which has been thoroughly researched by the franchisor.

As a franchisee, you are five times more likely to succeed and if you started a comparable venture entirely from scratch, and on your own. You will not risk making expensive mistakes because all the research and market trials have been done for you. Replication is the key to successful franchising. If you follow the system that the franchiser has developed and refer to the manual that your franchiser provides, you should achieve projected targets at predetermined stages of your trading.

But don't make the mistake of thinking that when you buy a franchise, you are buying a job. You are buying a business of your own and, just like any other new venture, you will have to work your to get it off the ground.

Every franchise company develops their sales and mark for programmers differently, according to the needs of the customers and the market place. Being able to sell is a major requirement in man franchises, whatever the business or industry that the franchise operates in.

Like every other kind of business, sales strategies for franchises are dependent on a variety of different factors and are tailored to meet individual requirements. In the food industry, for example, sales will be successfully increased by thorough product knowledge and understanding of what the customer wants to eat. In technology-based franchises, competence in understanding and using equipment is fundamental to be able to provide what the customer needs for his particular business.

Understanding the customer's business and what he or she aims to achieve through using your product or service is also an important element in your sales process.

Because franchisees invest their own money in their businesses and they are not employed, the responsibility for growth, with corresponding increased sales and profitability, rests squarely on their shoulders.

It is the commitment of franchisees and their determination to succeed that makes franchising so successful. The continued growth of franchising is dependent on the mutual success of franchisees and franchisors: neither party will succeed without the success of the other *("Sales and Marketing Management")*.

Notes:

an initial fee	перший внесок
on-going support	постійна підтримка
business acumen	ділова промисловість
to start from scratch	починати на пустому місці, з самого початку
replication	копіювання (досвіду)

Exercises on the text

I. Make up an outline of the text.

II. Discuss with your groupmates benefits of buying a franchise.

III. Speak on the problem of franchising in great detail.

Text 2. AMERICAN FRANCHISES GO OVERSEAS

Business franchisors are going north, south, east, and west to expand their operations; and they are not stopping at the Atlantic or Pacific, the Rio Grande, or the Canadian border. They are moving en masse to such faraway markets as Europe, the Middle and Far East, Australia, and Canada.

In many cases, franchisors provide the same services to their foreign franchisees as to their domestic ones. They analyze potential building sites and provide lease or purchase assistance, building design, equipment layout, and purchasing plans. They also provide management training programs, chain wide advertising, centralized purchasing, financial assistance, merchandising counseling, and the use of the company's good name. At times, however, foreign laws and customs make providing these services more difficult abroad than it is in the United States.

U.S. franchisors must adhere to local law governing all franchise Durations. In Great Britain, this means that the franchisor must receive accreditation from the British Franchise Association. Without it, newspapers could refuse to carry franchise advertisements, which would destroy any possibility the business has of succeeding. In Quebec, local regulations require that all printed materials be written in French as well as in English, a requirement that adds tens of thousands of dollars in start-up costs to any franchise operation. Frank Baker, director of franchise marketing for Temporarily Yours in Toronto, explains the need to meet these requirements in this way: "People there will not deal with you if you're English and is way: make any attempt to adapt to their culture".

Import laws can also affect U.S. franchisors, especial involved in the restaurant and food business. When the Long John Silver's seafood restaurants moved into Japan, management imported learned that the oil they used to deepfry fish could not be imported vise- into Japan. "We used their oil instead", said Gene Getchell vise- president of franchising. "We buy the food locally when we can". California-based Fosters Freeze faced similar obstacles when it expanded its ice cream operation to the Far East. Agricultural regulations in certain Far East-

ern countries prohibited the company from using its liquid ice cream mix. The company had to use a powdered mix instead. Even when these problems are overcome U.S. franchisors may still face cultural obstacles that make selling a made-in-America concept difficult abroad unless changes are made. For example, when the Sizzler Steak House opened in Japan, company executives knew that its traditional U.S. fare – the baked potato – would not sell, so it substituted rice instead *("Contemporary Business")*.

Notes:

lease	оренда
chain wide advertising	реклама, що розповсюджується по всій сітці (магазинів)
merchandising counseling	консультація щодо асортименту товарів

Exercises on the text

I. Make up an outline of the text.

II. Speak on American franchises and their problems.

III. Discuss the services American franchises provide to the franchisees.

Text 3. TEN GOLDEN RULES FOR EXPORTERS

For any business considering exporting, here are ten golden rules which should be thoroughly learned and applied:

1. Set out a clear mission statement before you send even a parcel overseas.

2. Get plenty of advice. This comes in many guises but check the following to find out what help they can provide: Institute of Export (membership body). Chambers of Commerce and Trade Associations.

3. Do your homework and research the markets thoroughly and continuously. Visit the markets and leam from first-hand experience. Check the competition.

4. Concentrate initially on just a few markets. Spreading your efforts too thinly is a recipe for a costly failure.

5. Try to build long-term relationships and work with those agents, end-users and distributors with whom you feel most comfortable.

6. Make sure you can meet the needs of the market: plan properly and recruit the right-calibers staff.

7. Consider the risk of overseas trade and regularly monitor your progress against your plan.

8. Make sure training programmers for staff are held regularly and reflect what your business needs.

9. Understand the cultures and customs of the markets countries where you plan to do business, thereby avoiding making gaffes.

10. Never take short cuts. Lay down procedures for everything and stand by them, control costs and risks and cut out costly waste and errors *("Sales and Marketing Management")*.

Notes:

end-users	кінцеві споживачі
to make gaffes	робити невірні кроки

Exercises on the text

I. Make up an outline of the text.

II. Give your opinion of the article. Do you think it is important for an exporter to apply these rules?

III. Your friend is about to start exporting. He has only a small company but wants to get it right. What advice would you give him?

III. INVESTORS AND INVESTMENTS

Text 1. THEIR SUCCESS IS OUR SUCCESS

The venture capital industry reflects the fortunes of a vital area of the economy: small and medium-sized enterprises. These businesses play a key role in wealth creation and job creation in the UK, in the European Union, in the United States and in the "tiger economies" of South East Asia.

In the UK, X is the leading specialist investor in such businesses, which are

in the main private and unquoted companies. Increasingly they also invest in this type of business in continental Europe.

Their goal is not only to respond to the investment needs of small and medium-sized businesses but to inspire entrepreneurs to take on the challenge of building independent businesses.

Principles

In seeking to do this X adopts a number of principles: a long-term approach to investment; a commitment to support but not to direct the management of the businesses in which they invest; and involvement in the local business community through their regional net-work of offices. These principles have proved successful through differing economic circumstances in the UK and are proving successful outside the UK. They have put X at the leading edge of the venture capital industry.

Investment in small businesses always carries special risks – as well as special rewards. Assessing these risks and rewards and managing them is an integral part of business.

X invests in enterprise, at any point in the life cycle of a business. They back start-up and early-stage businesses, what they call "emerging businesses".

Management

This is very much a people business. In all their investments they are making judgements about the ability of management. Whatever the stage in the life cycle of a business their aim is always to

bring together two valuable resources – management skills and risk capital. X is proud of its leading role in the development of both management buy-outs and management buy -ins. They were a pioneer of these in the UK. Their skills are being exported to continental Europe and beyond.

Their overall objective is to back high quality management teams which will grow their businesses successfully, thus creating wealth. 3i today has investments in over 3,200 businesses ranging from new companies which started last month to established businesses looking for acquisitions. Their success is X's success *("Investing in Enterprise").*

Notes:

"tiger economies"	економіка Південно-Східних Азіатських країн (країн "тигрів")
unquoted companies	компанії, акції яких не зареєстровані на біржі
entrepreneur	підприємець
differing economic circumstances	різні економічні обставини
management buy-out	купівля менеджерами і службовцями контрольного пакета акцій своєї компанії
management buy-in	купівля менеджерами контрольного пакета акцій іншої компанії
acquisition	придбання (інших компаній)

Exercises on the text

I. Give your opinion of the article. What problems are raised here?

II. Discuss with your groupmates the main principles of 3i investment policy.

III. Express your opinion of X as the leading specialist investor in UK.

Text 2. RATING BONDS

When most people think of investing, they immediately think of the stock market. But it's by no means the only kind of investment arena available. In particular, if you're looking for safe instruments in which to put your money, the bond market may be for you.

What goes into the price of bonds? The first factor is the degree of risk. Will the company or government entity issuing it be able to pay the principal when due? Is it able to make the interest payments? Is the bond already in default? These questions roughly define increasing degrees of risk for a bond. One thing to note about bonds is that since the bondholder is a creditor of the company, rather than an owner, he or she has first claim on the company's assets in the event of liquidation. For this reason, bonds are generally less risky than stocks. Still, some bonds are very risky, and this is reflected in their price. For example, some bonds issued by the Washington Public.

Power Supply System (WPPSS) are in default because the participating utilities persuaded the state courts to annul their obligation to underwrite the bonds. These bonds are now selling for 10 to 15 percent of their face value, reflecting the chances that bondholders may successfully appeal the state court decisions.

In general, the level of risk is reflected in a bond's rating, provided by the two bond-rating services, Standard and Poor's (SAP) and Moody's. The most risk-free bonds are rated AAA (S&P) and Aaa (Moody's), and the scale descends to the most speculative bonds, usually in default. In general, the safer the bond, the higher the price and the lower the interest rate the issuer can afford to pay.

The second factor affecting the price of the bond is, of course, the interest rate.

Other things being equal, the higher the interest rate, the higher the price. But when choosing between two or more bonds, usually everything else isn't equal – they may not be equally risky, or one requires tying up your money for longer periods of time. Thus, investors must learn to evaluate the tradeoffs. Another important rule is that when interest rates go up, bond prices go down. This is because bondholders are locked into relatively lower interest rates on their

money. Even if a bond is still paying more than the market interest rate, it is not paying much more than it was before interest rates went up. Thus, its price should still go down.

While this is by no means an exhaustive introduction to the bond market, an understanding of it is certainly necessary when you decide what sort of investment strategies to undertake in the future *("Contemporary Business")*.

Notes:

entity	юридична особа
principal	основна сума
claim	претензія
to underwrite	гарантувати розміщення (цінних паперів)
face value	номінальна вартість
trade-off	альтернатива

Exercises on the text

I. Make up an outline of the text.

II. Give your opinion of the article. What problems are raised here?

III. Speak about the factors affecting the price of the bond.

IV. State your views on the bond market.

Text 3. PRIVATE INVESTORS FACE SELL-OFF HURDLE

Private investors hoping to take advantage of big share offers across Europe are finding that barriers to cross-border integration still remain.

Foreign institutional investors, such as big insurance companies and pension funds, are being encouraged to buy shares in these initial public offerings, but retail investors face restrictions.

The Deutsche Telecom share offer, billed as Europe's largest ever initial public offering, illustrates the difficulties faced by ordinary

investors trying to buy shares in a foreign company. Around 20 per cent of the company is to be offered worldwide, raising an estimated Dm 15 billion ($ 9.8bn), but unless you are German, have a german bank account or are an institutional investor, the chances of buying the piece of the action are slim?

Retail investors can operate through their existing broker but they still need an account in a German bank which can take delivery of share certificates and transfer money.

A BZV broker who has closely studied the Deutsche Telecom offer said: "One of the reasons why these shares are not more accessible to the general public outside Germany is a matter of logistics. It is such a mammoth offer that it could very easily get out of hand and it is easier if the offer is restricted to the bigger, institutional players".

"It is still very difficult to buy shares in a company in another country. A single currency would go a long way towards reducing these difficulties".

Deutsche Telecom's German prospectus provides the latest detail of the company's "global" offering of 500 million new shares. But these are really aimed at tempting German retail investors who traditionally prefer stashing their money in German government bonds, with promises of Dm3bn in dividends next year. Also targeted are institutional investors outside Germany, particularly in New York, Tokyo and Sydney.

For the private investor in London, Paris or Milan, the task of buying shares in Deutsche Telecom is far more difficult.

The same is true of the secondary offering of shares in ENI, the Italian energy company.

A spokesman for CS First Boston, which is handling the institutional offers, said: "Under EU rules, in theory anyone with an Italian bank account can buy shares, and be entitled to the discounts available. In reality, however, the retail offering is aimed at Italians, just as Deutsche Telecom is aimed at Germans" *("The European")*.

Notes:

face sell-off hurdle — стають перед проблемою (перешкодою) розпродажу

initial public offering — первинна пропозиція нових цінних паперів інвесторам

to stash money... — вкладати гроші

institutional investor — установа-інвестор

Exercises on the text

I. What can you say about the Deutsche Telecom share offer? Why are these shares not accessible to the general public outside Germany?

II. Imagine you must brief your manager on private investors problems before a forthcoming negotiation. What would you say?

Text 4. UKRAINE GAINS SOME LEEWAY, BUT AT A PRICE

The Ukrainian government has won approval from the International Monetary Fund to run a higher budget deficit next year if it can persuade parliament to swallow a deregulation and tax cuts package to stimulate growth.

Ukraine will ask western donors for an extra $ 1 bn in loans to back the plan, which Ukrainian officials claim as a breakthrough in the country's hesitant transition to a market economy.

"The strategy carries some of the greatest hope for real reform" the central bank governor said. "I might even call it a small revolution". However, western officials have voiced skepticism about whether the government can muster sufficient political support to carry the package through parliament.

The aim is to create conditions for growth in a low savings, high interest rate economy.

Ukraine will draw up a deregulatory package, affecting about 97 laws. This would include making business regulation simpler and closing tax loopholes. Serious spending cuts would be put off until next year.

Investors welcomed the measures. It's more realistic for the IMF to accept a lower budget deficit.

The central bank chairman said that the domestic debt market could be another revenue source. But western officials believe the net $ 2.8bn figured in next year's budget may already be too ambitious.

He also added that a planned eurobond could bring in $ 200m. Some western investment banks have urged Ukraine to consider a bigger issue.

The country's reserve position had recently strengthened nearly $ 3bn, which means Ukraine could manage without temporary IMF support, but could not afford a lengthy delay.

A western official said this pressure could help overcome the formidable political opposition in both the cabinet and parliament to the proposed reforms *("Finansal Times")*.

Notes:

deregulation	дерегуляція
tax cuts package	пакет законів щодо зменшення податків

Exercises on the text

I. Make up an outline of the text.

II. Say what this article is about. Express your own opinion on the matter.

III. Discuss with your groupmates the plan which Ukrainian officials claim as a breakthrough in the country's transition to a market economy.

Text 5. HARDEST PART TO COME FOR EAST EUROPE

The hardest part of the task of transition to a market economy is still to come for 450m people in countries of the former Soviet bloc. That is the message from the report of the European Bank for Reconstruction and Development (EBRD).

Great strides have been made by most countries in the region – but the challenges that remain are persistent and difficult. Some of the more difficult tasks at the heart of transition have yet to be tackled.

A few laggards, including Belarus and some of central Asian countries, have hardly embarked upon systemic change. But most communist countries have liberalized prices and foreign change, carried out extensive privatization and started on the longer institutional and structural reforms.

Some, such as the Czech Republic, Poland and Hungary, have gone so far along the transition path that they have been accepted into he Organization for Economic Co-operation and Development (OECD).

But all still face a "core of difficult tasks" which must be tackled to create functioning financial, legal, banking and other institutions needed to encourage long-term savings through I pension and other fluids which are non-existent or exist in embryonic form.

For although foreign direct and portfolio investment is rising fast, the investment needed to stimulate private economic development and revamp the distorted and largely worn out infrastructure inherited from Soviet times will have to be financed mainly from domestic savings.

The scale of the task of infrastructural renewal is daunting.

The legacy is tragic. But a well functioning infrastructure with good transport links and telecommunications is essential for a market-orientated economy.

Roughly one third of the EBRD's investments go info infrastructure investment and another third into the financial sector. The aim is not only to encourage privatization but above all to ensure that utilities are run on commercialized lines, even if they remain state-owned.

Foreign investors have been most attracted by the profit potential in upgrading telecoms. The most neglected area under communism has become the highest priority for the new business class spawned by the reforms which have placed well over 50 per cent of the economy into private hands in most of the region.

Privatization and foreign investment have been slower in other sectors, apart from in Hungary, which has played a leading role opening its utilities to private investors. Over the last two years Hungary has sold off gas and electricity generators and distribution companies, water companies and telecoms and attracted foreign investors to help finance new motorway toll road construction.

The scope for such investment is huge. Poland alone plans to invest over $ 8 bn in new motorways over the next 15 years.

But the key point is the need to mobilize household savings and move to funded life and health insurance and pension funds.

The author highlights such reforms as the key to developing financial markets and banking institutions and the stream of saving required to finance the rising investment on which future growth will depend. They could also help to create the economic underpinnings for what is still a fragile democracy in many of the countries *("Financial Times")*.

Notes:

Utilities — комунальні підприємства

Exercises on the text

I. Make up an outline of the text.

II. Brief your colleagues on the report of the European Bank for Reconstruction and Development.

III. Give your view of the problem of East Europe transition to a market economy.

IV. MARKETING AND MANAGEMENT

Text 1. AUDI

Audi had built a comfortable niche for itself in the luxury car market. The Audi 5000 was hailed as a styling masterpiece. Many of the other automobile manufacturers looked at the Audi when making style changes to their models. Then consumers became concerned because some Audis, for some unknown reason, began suddenly accelerating. As a result, sales began falling. To offset the decline, Audi even went as far as to offer a $ 5,000 rebate to purchasers of a new Audi 5,000.

Owning an Audi was beginning to look very foolish. The customers who had leased Audis were basically stuck with the vehicles. Resale values had dropped so low that many leaseholders could not afford to return the cars to the dealership. The problem facing Audi management was how to regain the satisfaction of the current customers. Compounding Audi's problems was the introduction of luxury cars by Honda, Nissan, and Toyota. Audi had a significant price advantage over its German counterparts, but the Toyota Lexus LS400 was almost $ 5,000 cheaper than an Audi V-8 Quattro. This increased competition made it more difficult for Audi to regain its market share.

In an attempt to win back previous customers and to attract new customers, Audi is offering an innovative leasing program. By knocking $ 6,000 off the price of each car, Audi can offer its customers a three-year lease at the same payment as the five-year lease agreements of some other companies. All the customer has to do is put gas in the car for three years. Audi pays the rest.

Audi also guarantees the resale value of its cars after two years. Lack of consumer confidence in Audi automobiles has caused a significant reduction in resale values. Resale value is typically a big selling point for the luxury car buyer. Audi promises its customers that their Audis will be worth as much as the average value of comparable BMW, Mercedes, and Volvo models. This guarantee can cost Audi between $ 754 and $ 3,314 per car. The company considers this a cost of buying back consumer goodwill.

Audi has improved not only the financial incentives of owning an Audi but also the quality of its cars and its customer relations. In a recent customer satisfaction survey, Audi ranked twelfth. Audi appears to be turning the declining sales around *("Principles of Marketing").*

Notes:

Lease оренда

resale value ціна товару при його перепродажу

Exercises on the text

I. Say what this article is about.

II. Speak about the problems facing Audi management.

III. Explain how Audi tried to win back previous customers. Do you think the company's actions were effective? What suggestions would you give to Audi?

Text 2. PORSCHE AG

Founded in 1930 by Dr. Ferdinand Porsche, the company known today as Porsche AG began as a research and development firm. The original company accepted contracts from individuals and firms to design new automobiles, airplanes, and ships. The company built prototypes of each design and thoroughly tested them. If the firm that commissioned the work approved the design, the product was then produced by one of the large manufacturing companies in Germany. After World War II, the Porsche family experienced a period of hardship, disappointment, and personal tragedy but in 1948 Porsche's son. Dr. Ferry Porsche, began a company to manufacture family-designed sports cars. Despite depressed economic conditions, the company persevered and prospered.

Porsche today is organized into three divisions located in three suburbs of Stuttgart. The company holds more than two thousand patents, and innovations developed by Porsche are in several manufacturers' car models.

The popularity of Porsche cars stems from their reputation for outstanding performance. Not only are the cars produced in a painstaking fashion, but Porsche AG also takes maintenance and repair very seriously. Porsche mechanics receive five days of classroom instruction each year at the Porsche marketing center in Ludwigsburg, more training than any other car company provides. U.S. Porsche mechanics also flew to Germany for training, but now they receive instruction at Porsche training centers at home. In its advertising, the company encourages customers to rely only on Porsche experts for repair and maintenance of their cars to avoid having unsatisfactory experiences with unqualified mechanics. This action further differentiates Porsche automobiles from the competition.

However, despite Porsche's reputation for excellence, the company has fallen on hard times. It was forced to raise prices on cars sold in the United States because of changes in the dollar-market exchange rate, and a recently implemented tax on luxury cars has also damaged sales. Because of the price increases, the tax, a weakening U.S. dollar, and competitors such as the Chevrolet Corvette and the Japanese Acura NSX, Porsche sales in the United States dropped. The decrease in sales is particularly serious for the firm as roughly 60 percent of all Porsches are sold in the United States. Overdependence on the shrinking U.S. market has caused Porsche AG to implement an austerity program, including laying off 22 percent of its U.S. employees, lowering production output, reducing costs, revamping all three model lines, lowering prices, and pulling out of the lower end of the luxury car market. The company is also trying to enter new markets, including Spain and Japan, to boost sales and increase profits.

Porsche is successful in markets in which the social climate favors people who want to demonstrate their success and the economic climate is conducive to the entrepreneur. Porsche management believes that its customers have high personal goals and a drive to achieve, do not like to compromise, and give their best efforts every time. Although not averse to risk, they prepare thoroughly for new ventures. Porsche customers are goers and doers. To succeed, Porsche AG must exhibit some of its customers' traits. Customers must be able to identify with the firm, to see in the company the same characteris-

tics they see in themselves. Unless Porsche can successfully convey, through the company's marketing efforts and in a difficult economic environment, what sets their cars apart the competition, harder times are ahead *("Marketing")*.

Notes:

in a painstaking fashion	тут, докладати великих зусиль для виробництва
an austerity program	жорстка програма

Exercises on the text

I. Read and translate the article, discuss the problems raised in it.

II. Speak about the company's strengths and weaknesses.

III. Discuss obstacles which Porsche must overcome to be successfully selling Porsche automobiles in the USA.

Text 3. MARKETING HAS HELPED COCA-COLA OVERCOME INITIAL BUYER RESISTANCE

Mr. John Farrell, president of Coca-Cola China, likes to attribute Coca-Cola's success in China to the magical properties of the American soft drink, though its achievements have not come easily.

"It's a unique product. There's nothing like it", says Mr. Farrell of the brown elixir which many Chinese thought tasted like cough mixture when it was launched on the market.

By the end of next year, Coca-Cola aims to have 23 plants operating in China, with a total investment of $ 500m and access to about 80 per cent of the country's 1.2bn consumers.

To overcome initial buyer resistance to the "strange-tasting" product, Coca-Cola's main investment has been in marketing. "The real investment in this type of business is marketing, advertising and promotion", says Mr. Farrell.

Spending on advertising has doubled this year, and will double again next year, but Coca-Cola executives are coy about details. Television has been one of the most effective ways of promoting Coke or "Ke Kou Ke Le" as it is known in Chinese (which translated literally means "Delicious and Happiness"). The company's biggest success has been in Shanghai, where annual per capita consumption of Coke is 45 bottles, and Coca-Cola expects to pass the 100 mark within a few years. In the US, average annual consumption is 300 bottles per person.

Coca-Cola tailors its products for different parts of China. In big cities, the company markets the fill range of Coca-Cola products – including Fanta, Diet Coke and Sprite. Elsewhere, the focus is on Coke itself – and the bulk of sales are in the form of returnable glass bottles, rather than the more expensive aluminum cans.

However, a bottle of Coke is within reach of a large percentage of consumers, including those from poor inland provinces. Nationalist rumblings in China do, however, cast a shadow over Coca-Cola's ambitious plans. The company's success in displaying its distinctive logo around the country and its leading share of the carbonated soft drinks market has made it a target for campaigns against Chinese home-grown products being swamped by foreign companies.

In response, the company has complied with a government request that it should do more to help the Chinese soft drinks industry. It now has about eight local brands – through joint ventures in China. "We have a goal that about 30 per cent of our products should be indigenous Chinese products", Mr. Farrell says *("Financial Times")*.

Notes:

promotion	сприяння (збуту)
per capita distinctive	споживання на душу населення
distinctive logo	індивідуально виразний логотип

Exercises on the text

I. Make up an outline of the text.

II. Select the statement which best expresses the main idea of the text.

III. Sum up what is the marketing policy.

IV. Write a short summary of the text.

Text 4. HOW DO I ASK FOR A RAISE?

There are certain things to keep in mind whenever you seek a bigger salary or a promotion.

The first thing to remember is that, like most situations between people, there is always room for negotiation including a discussion of salary. This holds true for individuals about to start a new job, as well as for those already employed and seeking a salary increase.

I assume that when you do have your conversation with your superior about wanting more money, you'll enter into that meeting armed with tangible, verifiable reasons for not only wanting a raise but why you should be given it. Too many employees view a change in their personal lives as justification for a salary increase. They have another child, or buy a house, or run up medical bills. While these are of serious concern for the individual employee involved, they are not reasons for any employer to increase salaries.

I've always advocated that each employee keep his or her own "personal personnel file". In it should go reminders of positive contributions made to the employer, letters of commendation, notes on speeches given and papers written, cost-saving ideas adopted by the company, and any other memory joggers to help you build a solid case for promotion or an increase in salary. Unless you do this on a regular basis, you'll undoubtedly forget many of your individual successes over the course of a long tenure with an employer. These items should form the basis for any request for a raise. You also should know the market. What are others in your field with similar skills and experience earning?

At the same time, the more you know about your company, your industry, and yourself, the better prepared you'll be to make your case intelligently for more money.

If your supervisor says that a raise for you is out of the question because of the company's stagnant growth, you can still come out of that meeting having established that your performance has been ex-

cellent and that you are a valued employee. If you present your case forcefully based upon a solid and documented track record, you'll be in a better position the next time you seek enhanced compensation.

If being given more money is out of the question, you might seek other alternatives to a fatter pay-check. When squeezed financially, some companies are willing to offer such considerations as enhanced stock options, loftier titles, and increased responsibility in lieu of money. Explore these options.

A final bit of advice. There is a natural temptation on the part of many people seeking better pay to lay down an ultimatum: "If I don't get a raise, I'll quit!" The problem with this bit of bravado is that your superior might quickly take up on it.

If you're going to draw the proverbial line in the sand, be certain you have another job lined up. More than that, a rigid approach to any negotiating situation usually proves counterproductive. Those who are skilled in what's been called the "art of gentle persuasion" generally prevail more often than not. As Mark McCormack put it in his best-selling book, What They Don't Teach You at Harvard Business School, "A lot of times you can push someone to the wall and you still reach an agreement, but his resentment will come back to haunt you in a million ways".

The next time you seek a raise, bring to the negotiating table a tangible list of reasons why you deserve it, based upon your past contributions to the company's success and your future potential. Present your case calmly and reasonably. And always bear in mind that every negotiation has long-term, as well as short-term, ramifications.

I wish you all the best *("Management Accounting")*.

Notes:

promotion	просування (підвищення в посаді)
cost-saving ideas	ідеї щодо зменшення собівартості
tenure	тут, займання посади
in lieu of money	замість

Exercises on the text

I. State briefly what, according to the text, helps an employee to be promoted and express your opinion on the subject.

II. Say what are tangible reasons for an employer to increase salaries.

III. Imagine you feel you are due for a salary increase. What approach would you take?

Text 5. ARE WOMEN BETTER MANAGERS?

Not so long ago, women's magazines counseled career-oriented readers to "act more like men". Women who wanted to rise in America's corporate ranks were told to wear dark suits, speak with authority, and act decisively. Female managers were often criticized if their bosses felt they were too flexible and open with subordinates. In sort, women were expected to behave like the autocratic-style managers that men supposedly were.

Now here's a twist: a new management theory claims that men should leam to act more like women. This idea states that there is a characteristically "female" management style – one that is stronger on teamwork, negotiation, and consensus-building. Further-more, this type of leadership is supposed to be more effective in the flatter business organizations. Proclaims respected business author Tom Peters, "Gone are the days of women succeeding by learning to play men's games. Instead the time has come for men on the move to leam to play women's games".

Do women really manage differently from men? Some researchers would say yes. One study finds that men and women manage in very different ways and that women do it better. Another indicates that leadership traits are actually more common in female executives than in their male counterparts. Still other studies claim that women are better team players than men. One female entrepreneur points up the advantages of motherhood in teaching management skills: "If you can figure out which one gets the gumdrop, the 4-year-old or the 6-year-old, you can negotiate any contract in the world".

But the women-do-it-better theory has its critics too. Some worry that this kind of talk, flattering though it may be to females, is just another way to stereotype them. Says sociologist Cynthia Epstein

"The notion at the base of this debate is that women have a single personality. That doesn't capture the rich variation in people". Jeffery Sonnenfeld, head of the Center for Leadership and Career Studies at Emory University, agrees: "There's a scary orthodoxy about this new wave of feminism. It dictates that all women should behave in a certain way". Other critics disagree with the implication that men and women are somehow born to be different. Notes Tomas Kirchhausen, a molecular biologist at the Harvard medical school: "Speaking as a scientist, the human brain is genderless".

The fundamental question, of course, is whether there is really one "best" way to manage. A democratic leadership style does seem to be more effective in today's flatter organizations. However, this does not necessarily mean that a looser, style is exclusively "feminine" (or, for that matter, that an autocratic approach is "masculine"). The most successful managers are those who can adapt to the needs of the organization – and both men and women are capable of doing this.

"I didn't feminize Ford", says Nancy Bandore, a psychologist who helped Ford's mostly male managers modify their autocratic approach to a more democratic style. She found that even the most domineering managers she coached could loosen up when they realized that the new technique was more effective. "Even with their highly autocratic background, they opted for a more participate approach when they could see the payoff on the bottom line".

In fact, says management professor Gary Powell of University of Connecticut, similarities among men and women managers far outweigh the differences. "Managers are a self-select I population", he says. "Those who choose managerial careers, firefighters, have a lot in common. The best embody stereotype both genders". Managers, like everyone else, should be judged according to their abilities, not their genes. As Jeffrey Sonnenfeld puts it, "We ought to concentrate on trying to get different races and sexes to work together, without adding to the stereotypes" *("Contemporary Business")*.

Notes:

the gumdrop	льодяник
a looser style	тут, демократичний, вільний стиль керівництва

Exercises on the text

I. Give your opinion of the article. What problems are raised here?

II. Read the article critically, and state your agreement (or disagreement) with the author's arguments and conclusions.

III. Your friend believes that women are better managers. What do you think?

Text 6. JAPANESE MANUFACTURERS IN AMERICA

From 1981 to 1987, the number of manufacturing plants owned by Japanese companies in the United States has more than doubled. Many large companies, especially car makers, have establish plants here not only in order to avoid import quotas and tariffs, to better supply the American appetite for Japanese goods. The weakening dollar makes such investments look very attractive, and the trend will probably continue. However, the Japanese companies that run factories in the U.S. have not been bestowed with unmitigated blessings. Although the majority of these Japanese ventures are successful, a number of plants are experiencing severe problems.

Most of the successful ventures have been newly built and newly staffed plants and are usually equipped with the latest technology. By employing fresh labor forces, they avoid having to deal with unions and have more freedom to establish policies that suit Japanese management style. In addition, they are frequently located in small towns where the local population is grateful for the job opportunities and capital influx. The Honda plant in Maryville, Ohio, is a good example of such a success story. It recently began shipping cars made in the United States back to Japan.

The plant's top management is Japanese, and the plant itself runs on largely according to Japanese management style. Workers participate in "quality circles" to find improvements in manufacturing techniques and cost control. Most workers had little experience in building

cars when they were hired, but extensive training has made them extremely productive. Since opening the Maryville plant, Honda has expanded its capacity by 50 per cent and built two additional plants.

Unfortunately, the Sanyo factory in Forest City, Arkansas, has not experienced the same sort of success. Sanyo bought the factory from American owners – and inherited its problems at the same time. Principal among these was a heavily unionized work force that has refused to adapt to the Japanese way of doing things. Quality circles have failed here, as has the practice of consensus management. Part of the problem may have been that few of the Japanese managers spoke fluent English, and communication headaches were common. Plant production has been severely cut, and many local employees expect that it will soon cease altogether.

Another problem that all Japanese companies face is Happiness among its own management personnel. Japanese Managers sent to oversee American plants find the transition difficult, and their families often fare worse. Language and cultural barriers make integration into a community difficult, especially in larger where altruistic behaviour toward foreigners is not an everyday activity. Those families located in small towns often fare better the to helpful neighbors. The difference between Japanese and Amen schools also worries Japanese parents, since a good education essential for success in Japan. The stress faced by these makes often makes them less effective simply by distracting their attention.

As Americans continue to demand Japanese goods, and American property continues to be a good investment, Japanese companies will continue to open factories and businesses here. Some of them will find success where others will not. The keys seem to be a cooperative labor force, helpful local populations, and Japanese managers able to find the compromises necessary to overcome cultural differences *("Managemen")*.

Notes:

have not been bestowed with unmitigated blessings...	тут їм не давали "зеленої вулиці"
a heavily unionized work force	робітнича сила дуже прониклася ідеями профспілок

Exercises on the text

I. Give a summary of this text. Express your opinion of the problems raised here.

II. Speak about the problems that Japanese companies face in the USA.

III. Discuss with your groupmates how a foreign firm can find success in the international environment.

V. ELECTRONIC MONEY AND CREDIT CARDS

Text 1. ELECTRONIC MONEY

What is this "electronic purse" I keep hearing about? It's a plastic card, the same size as a credit card, with a little computer chip embedded in it. You load it up with money – some people call it a "stored value card" – and use it instead of cash.

Sounds like some kind of debit card.

Not quite. Because money is loaded in advance, the shop or restaurant does not have to check every purchase with a phone call to a central computer. That makes it cheap enough even for small transactions. It's also a boon for people on wheels, such as taxi drivers or bus conductors.

What are the main brands?

Most electronic purses are still in the experimental stage. The UK's home-grown contestant is Mondex, which was developed by NatWest and is now on trial in Swindon. Visa, the credit card group, has its own prototype – Visa Cash – which will be tested in Leeds. Most European countries have their own projects. Portugal's is probably the most advanced.

What is wrong with cash?

Don't throw away your banknotes yet. Cash still has years of life in it. But shops and transport companies are keen to cut down on cash: it costs a lot to handle and it makes them a target for robbers.

So it is good for the shops. Whiffs in it for the consumer?

Some consumers may love it. It saves carrying around loose coins. If enough places accept the card, it also solves the problem of exact change for parking meters, bus fares and the like.

Will I have to pay for an electronic purse?

Most pilot schemes are giving the cards out for free. It will k hard to persuade consumers to pay for an electronic purse when cash is free. The banks would love to charge for the card even though the save money out of anything loaded on the purse because it is essentially a free deposit until spent.

Where will I be able to use the cards?

Shops don't want to put in new terminals until enough consumers are using the card and consumers won't take to the electronic purse unless they can use it where they want. The target is to have it widely accepted in places that do not take a debit card. such as newsagents or fast food restaurants.

I won't be able to pay my brother that fiver?

Most functioning electronic purses can only be used in conjunction with a full-sized terminal. Mondex money, however, can be transferred from one card to another using a terminal the size of a large pocket calculator. It can even be sent down a telephone line. Try that with a £5 note.

Sounds like a winner.

MasterCard, Visa's credit card rival, certainly thinks so. It has just taken 51 per cent of the Mondex consortium and plans to use the chip for all its cards, not just electronic purses.

So what's the catch?

One possible problem is that Mondex is a closer replica to cash than its rivals. Money is actually held on the chip and when a payment is made there is no central record. Most other electronic purses run a central computer system that records all transactions. The lack of an audit trail worries some police and tax officials.

Me, too. What if I lose my card?

If you lose your card you have lost your money. But that is also true for Visa Cash, even though it does keep a central record. The only difference is that Visa Cash will replace the money on a damaged card.

Any other problems?

The big problem for any electronic purse is acceptance: will it work via your local newsagent's terminal? Mondex says its cards work fine in standard terminals, but rivals say it doesn't comply with EMV norms.

EMV?

It stands for Europay, Master Card, Visa. The three big credit and payment card consortia have been trying to work out a common standard for smart cards because shopkeepers don't want to install a

battery of different terminals for each type of card. One of the big problems is ensuring backward compatibility.

We're really getting into jargon.

If you have tried to use one of British Telecom's old phone cards in its new payphones, you'll appreciate the problem. Electronic purses ought to work not only via a smart new terminal that can read their computer chip, but also via older machines which read magnetic stripes *("Financial Times")*.

Notes:

a boon	зручність
fiver	розмовне, п'ятірка, тобто банкнота вартістю п'ять фунтів

Exercises on the text

I. Brief your colleagues on electronic money.

II. Discuss with your groupmates if electronic money is good both for the shops and consumers.

III. Speak about advantages and disadvantages of electronic money.

Text 2. CREDIT CARD GROUP SET TO TAKE CONTROL OF MONDEX

MasterCard International, the credit card consortium, has stepped up its efforts to take a leading position in the embryonic cash card business by agreeing to acquire a majority stake in Mondex International of the UK.

Mondex is a leading developer of "electronic purses" – plastic cards with memory chips that can be "loaded" with cash and used for small purchases.

The deal is expected to give MasterCard 51 per cent of Mondex, set up by National Westminster and Midland of the UK but now Jointly owned by 17 banks.

Under the agreement, Master card would promote the Mondex electronic cash card through banks that carry its franchise.

The Mondex system has been tested in Swindon, Wiltshire, and Hong Kong.

It works by storing cash on a microchip card, which can be loaded using automatic telling machines or specially equipped telephones. Cards – including credit, debit and store cards – are used for payments worth an estimated £2,000bn a year.

MasterCard believes Mondex could give it a greater share of that market, although some industry observers doubt the appetite for such electronic cash cards.

The acquisition could exacerbate tensions between MasterCard and Visa, its main rival, in attempts to establish an industry-wide standard for chip cards. Visa has already done pilot tests of its electronic purse at the Atlanta Olympic Games and in Spain, Australia and Argentina.

It is understood Mondex would become a free-standing subsidiary of MasterCard, and its existing management is expected to remain *("Financial Times")*.

Notes:

to acquire a majority stake	одержувати контрольний пакет акцій компаній
chip cards	карточки з чіпом (мікропроцесором)
a free-standing subsidiary	незалежне дочірнє підприємство

Exercises on the text

I. Give your opinion of the article. What problems are raised here?

II. Speak about a new MasterCard deal.

III. Discuss the problem of Credit Cards with your fellow students.

Text 3. WORLD TRIES OUT NEW ELECTRONIC PURSE SYSTEMS

Ever since investors figured out how to implant a miniature computer chip in the thickness of a standard payment card, banks have been toying with the possibilities opened up by this extra memory and processing power.

Top of most lists is the electronic purse: a way of loading money on to the card so that it can be used as a direct substitute for cash in small transactions such as buying a newspaper or a bus ticket. Mondex is among a host of electronic purses now on trial around the world. Originally piloted in Swindon, England, it is also being tested in Canada and in Hong Kong.

The arrival of MasterCard, the international payment card consortium, as its prospective shareholder will give Mondex the opportunity to move beyond local and national trials to worldwide use.

But Mondex is not alone in the electronic purse contest. Visa, MasterCards great rival, piloted its Visa Cash electronic purse at the Atlanta Olympics, and in such countries as Spain, Australia, and Argentina. Europe, despite being MasterCards partner in Europe, has already launched its own purse called the Clip.

The most heavily used electronic purse so far, and the only on that can yet claim to be a commercial success, is the PMB card in Portugal. No winner has yet emerged.

Banks generally like the idea of electronic purse, which cuts out the risk they run on a credit card payment of not getting paid. It is also cheaper to operate than a debit card: because the money is already loaded on the card, there is no need for each transaction to be authorized by a central computer.

Many retailers are also enthusiastic in principle. Cutting down on cash can reduce their handling costs and reduce the danger of robbery – an argument that weighs particularly with late night shops and with bus and taxi drivers who do not want to have to carry change around with them.

But they do not want to install new card terminals until they are sure what the standard will be.

The gains are much less obvious for consumers. To compete with cash, an electronic purse has to be not only free but very widely accepted.

Mondex's technological features make it a closer replica of cash than most competitors. Mondex money moves anonymously from one person to the next, and can even be transferred to another individual's Mondex card.

But Mondex's biggest shortcoming has been that it stood alone, raising questions on whether it would gain acceptance beyond the confines of Swindon. Rivals say it does not conform technically to the international standards for chip cards developed by Visa, MasterCard and Europay, although Mondex officials have demonstrated its cards will work in standard terminals.

Mondex took a big step towards wider acceptance, when National Westminster Bank, its creator, sold control to a broad international consortium of banks. With MasterCard expected to take control, the Mondex card will move toward worldwide acceptance *("Financial Times")*.

Notes:

a closer replica of cash – найбільш вдала копія готівки

Exercises on the text

I. Make up an outline of the text.

II. Brief your colleagues on prospects for a direct substitute for cash.

III. Speak about advantages and shortcomings of an electronic purse.

Text 4. CRACKS IN THE PLASTIC

Credit cards aren't what they used to be. When they were first sold, they were marketed to financially sound bank customers. Their relatively high interest rates reflected not so much risk as the fact that

they weren't intended to be used for long-term loans. They were unsecured, but banks chose customers carefully. But credit cards turned out to be money-spinners for the issuers. That meant more banks scrabbling for market share. In turn, this implied less discrimination about customers and lower interest rates – but also a frightening increase in defaults.

The result is that credits cards now head the banking risk list. Credit cards represent a risk so severe that defaults could create a debt crisis as significant as property loans in the 1980s. Loans on cards are showing rapid growth: in the US it has averaged 20 % annually for the past three years, with some banks expanding their portfolios 500 % in that period. Not surprisingly, as the quality of borrowers diminishes an increasing proportion of them are going bankrupt. Bankruptcies have reached record levels. At a time when the US economy is healthy, loan losses are almost as high as they were at the height of the 1991 recession.

So if the economy takes a nose-dive, losses are likely to get completely out of hand. The banks whose only line of business is credit cards are likely to be hit first. The crisis will then engulf n major banks.

"Credit cards are the number one risk in banking... and the pressure can only intensify if we have an economic recession" says a report by US brokerage Gerard Klauer Mattison.

Individual banks have no clear picture of their borrowers' fall debt position; the loans are without collateral. Half the net losses of large card issuers result from bankruptcies.

Under extreme conditions, securitization of credit card debt may make banks more vulnerable to losses. If losses were to rise dramatically, the terms under which cards are securitized would force them back onto the banks' balance sheets. No capital has been set aside to cover such losses. On the contrary: a prime reason for securitization on the part of card issuers is to reduce their capital and loan-loss reserve requirements.

If it comes, the US credit card crunch will expose banks to large loan losses. Banks wishing to avoid disaster should review their portfolios now (*"Euromoney"*).

Notes:

financially sound bank customers	клієнти банку, які мають стабільне фінансове становище
money-spinners	прибуткові
recession	рецесія, спад
collateral	застава
securitization of credit card debts	гарантування боргів по кредитних картках

Exercises on the text

I. Make up an outline of the text.

II. Discuss with your groupmates why credit cards now head the banking risk list.

III. Give your opinion of the article. Do you think banks can avoid large loan losses?

Text 5. DEBIT CARDS

Banks are pushing debit cards to replace paper checks. Debit cards basically are automated teller machine (ATM) cards that also can be used to make point-of-sale (POS) payments. Banks desperately need debit cards to work so they can reduce their transaction processing costs. Banks profit margins have been squeezed in recent years as financial services firms offer products and services once available only through banks.

The potential market for point-of-sale debit cards is enormous. According to Bank Network News's Electronic Funds Data Book, there were 331 million credit cards and 210.5 million debit cards in the hands of consumers in 1995. These cards accounted for 6.3 billion credit card transactions for VISA, Master Card, American Express, and Discover and 8.3 billion debit transactions for banks. The advantages of debit cards include instant customer verification and immediate and automatic bank deposits. Debit cards usually also are less ex-

pensive than credit cards. Credit card companies charge merchants 2 %-3 % of the transaction amount, but banks expect to charge only about $ 0.25 per transaction regardless of the amount of the transaction. Also, banks may allow merchants to charge fees to advance customers cash against their debit cards. What remains to be seen is whether banks can convince customers to give up the 30-day float that often accompanies the use of credit cards. Furthermore, debit card users must remember to record their debit transactions in their check registers to avoid embarrassing no sufficient funds (NSF) situations *("Management Accounting")*.

Notes:

automated teller machine cards	пластикові картки для банкоматів
point-of-sale payments	платежі, що здійснюються в розрахункових пунктах (магазинів тощо)
profit margin	прибуткова маржа
the-30-day float	30-денна відстрочка погашення боргу

Exercises on the text

I. Imagine you must brief your manager on such bank innovation as debit cards. What would you say?

II. Speak on the potential market for point-of-sale debit cards.

III. Discuss with your groupmates advantages and disadvantages of debit cards.

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