

English

for economists

Ж.Г. Аванесян

АНГЛИЙСКИЙ ЯЗЫК

для экономистов

Учебное пособие
3-е издание



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КУРС ИНОСТРАННОГО ЯЗЫКА

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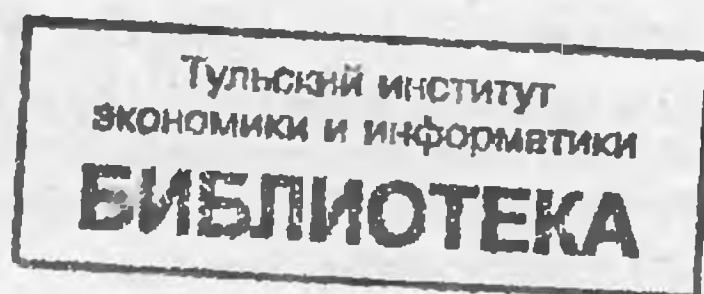
Ж.Г. Аванесян

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для студентов экономических специальностей

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Целью учебного пособия является развитие навыков и умений чтения, аудирования, двустороннего перевода, расширение лексического запаса студентов в области профессиональной терминологии. Кроме того, пособие нацелено на развитие навыков ведения дискуссии и профессионально ориентированной устной речи. Пособие содержит 10 глав, каждая из которых включает 4 раздела с активным словарем, упражнениями и практическими заданиями. Глоссарий и ключи к упражнениям позволяют использовать пособие для самостоятельной работы.

Предназначено для студентов 2–3 курсов факультетов и институтов, готовящих специалистов в области рыночной экономики и свободного предпринимательства.

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Предисловие

Данное пособие составлено в соответствии с требованиями Государственного образовательного стандарта Российской Федерации по специальности «Английский язык — профессиональный» для студентов экономических специальностей. Оно нацелено на развитие языковых навыков и коммуникативных умений студентов, таких, как говорение, аудирование, чтение и перевод.

Пособие рассчитано на 280 часов аудиторной работы. Оно состоит из 10 глав, построенных по единому принципу. Каждая глава включает 4 раздела, содержащих материалы и систему упражнений, нацеленную на решение определенных задач.

Раздел 1 (Reading and Translation Practice) ставит своей целью развитие навыков чтения и двустороннего перевода путем расширения активного и пассивного словаря и развития навыков грамматических трансформаций. В нем представлены тексты газетно-публицистического и специального характера по экономической тематике. Раздел содержит список слов и сочетаний тематического характера, подлежащих активному усвоению (Essential Vocabulary), и систему упражнений рецептивно-репродуктивного характера, в том числе подстановочные и трансформационные.

Раздел 2 (Listening) нацелен на развитие умений и навыков аудирования, а именно: умение выделять общий объект высказываний в диалогическом общении, определять точку зрения каждого из собеседников, определять последовательность аргументов каждого из собеседников, восстанавливать пропущенное звено диалога, а также определять коммуникативное намерение каждого из собеседников. В раздел включены два диалога и упражнения, обеспечивающие контроль понимания аудиоматериала.

Раздел 3 (Reading Comprehension) нацелен на развитие навыков и умений понимания основного содержания прочитанного и нахождения в тексте конкретной информации. Раздел содержит активный словарь и упражнения на контроль понимания текста и развитие навыков двустороннего перевода.

Раздел 4 (Discussion) ставит своей целью развитие навыков устной речи, в том числе ведения профессионально-ориентированной беседы на английском языке, что осуществляется с помощью упражнений коммуникативного характера (подбор адекватных речевых формул, обсуждение высказываний известных людей на экономическую тему).

Упражнения, помеченные звездочкой, снабжены ключами, что позволяет использовать данное пособие для самостоятельной работы.

Апробация данного пособия проходила на факультете международных экономических отношений Московского государственного открытого университета (МГОУ) и показала эффективность его применения в учебном процессе.

Chapter ONE

MASTERING ECONOMICS

Unit 1. READING AND TRANSLATION PRACTICE

BASICS OF ECONOMICS

The study of the choices people make in an effort to **satisfy** their wants and needs is called **economics**. **Wants** and **needs** refer to people's desires to consume certain **goods** and **services**. In economic terms, a **good** is a physical object that can be **purchased**. A record, a house, and a car are examples of a good. A **service** is an action or activity done for others for a **fee**. Lawyers, plumbers, teachers, and taxicab drivers perform services. The term **product** is often used to refer to both goods and services.

The people who wish to buy goods and services are called **consumers** and the goods that they buy are called **consumer goods**. The people who make the goods and provide services that satisfy consumers' wants and needs are called **producers**.

Economists generally classify as **needs** those goods or services that are necessary for **survival**. Food, clothing, and shelter are considered needs. **Wants** are those goods or services that people consume beyond what is needed for survival.

The need for making choices arises from the problem of **scarcity**. Scarcity exists because people's wants and needs are greater than the resources available to satisfy them. Thus people must choose how best to use their available resources to satisfy the greatest number of wants and needs.

A **resource** is anything that people use to make or obtain what they want or need. Resources that can be used to produce goods and services are called **factors of production**.

Economists usually divide these factors of production into three categories: (1) natural resources, (2) human resources, (3) capital resources. Today many economists have added technology and entrepreneurship to this list.

Natural Resources

Items provided by nature that can be used to produce goods and to provide services are called natural resources. Natural resources are found in/or on the earth or in the earth's atmosphere. Examples of natural resources on the earth are fertile land, vegetation, animals, and bodies of water. Minerals and petroleum are examples of natural resources that are found in the earth. Atmospheric resources include the sun, wind and rain. A natural resource is considered a factor of production only when it is used to produce goods and to provide services.

Human Resources

Anyone who works is considered a human resource. Any human effort that is exerted in production process is classified as a human resource. The effort can be either physical or intellectual. Assembly-line workers, ministers, professional sports figures, physicians, store clerks, and sanitation engineers are all human resources.

Capital Resources

The money and capital goods that are used to produce consumer products are called capital resources. **Capital goods** include the buildings, structures, machinery, and tools that are used in the production process. Department stores, factories, industrial machinery, dams, ports, wrenches, hammers, and surgical scalpels are all examples of capital goods.

Economists make an important distinction between capital goods and consumer goods. Capital goods are the manu-

factured resources that are used in producing finished products. Consumer goods are the finished products – the goods and services that consumers buy.

Some products can be either capital goods or consumer goods, depending on how they are used. A bicycle purchased for personal use is a consumer good. The same is not true when the bicycle is purchased by a New York messenger service. Because the messenger service will use the bicycle to make deliveries – to provide a service – the bicycle is considered a capital good.

Technology

The use of science to create new products or more efficient ways to produce products is called technology. Technology makes the other factors of production – natural, human, and capital resources – more productive. **Technological advances** in the computer industry, for example, have increased efficiency in the workplace.

Entrepreneurship

The risk-taking and organizational abilities involved in starting a new business or introducing a new product to consumers are called entrepreneurship. The goal of entrepreneurship is to create a new mix of the other factors of production and thereby create something of value. **The entrepreneur** is a person who attempts to start a new business or introduce a new product.

Essential Vocabulary

capital goods – основные средства, средства производства

capital resources – капитал компании, собственные фонды

consumer *n* – потребитель

consumer goods – потребительские товары, товары народного потребления

- economics** *n* – экономика, народное хозяйство
entrepreneur *n* – предприниматель
entrepreneurship *n* – предпринимательство
factor of production – движущая сила производства
fee *n* – вознаграждение, гонорар, **for a fee** – за плату
goods *n* – товар, товары
human resources – кадры, персонал, людские резервы
natural resources – природные богатства
need *n* – первостепенная необходимость, жизненная потребность
producer *n* – производитель
product *n* – продукт, продукция
production *n* – производство
purchase *n* – покупка, закупка, *v* – покупать закупать
resource *n* – ресурсы, возможности
satisfy *v* – удовлетворять (кого-л.; чьи-л. требования, запросы)
scarcity *n* – нехватка, дефицит
service *n* – оказание услуг, обслуживание
survival *n* – выживание
technological advances – технический прогресс
technology *n* – техника, технические и прикладные науки
want *n* – необходимость, потребность, нужда

Exercises

1* Translate the following words and word combinations or find Russian equivalents.

1. to make delivery
2. wide range of goods
3. existing resources
4. necessary for survival
5. beyond what is needed for survival
6. to provide a service
7. to increase efficiency in the workplace

- 8. to take the risk
- 9. to start a new business
- 10. to introduce a new product

2* Translate the following sentences into Russian.

1. In economic terms, a good is a physical object that can be purchased.
2. The need for making choices arises from the problem of scarcity.
3. Resources that can be used to produce goods and services are called factors of production.
4. A natural resource is considered a factor of production only when it is used to produce goods and to provide services.
5. Economists make an important distinction between capital goods and consumer goods.
6. Technological advances in the computer industry, for example, have increased efficiency in the workplace.

3* Fill the gaps in the sentences below with the words and expressions from the box. There are two expressions which you don't need to use.

producers, factors of production, human resource, technology, wants, service, capital resources, consumer goods, entrepreneur, economics

1. The study of the choices people make in a effort to satisfy their wants and needs is called _____.
2. A _____ is an action or activity done for others for a fee.
3. The people who make the goods and provide services that satisfy consumers' wants and needs are called _____.
4. _____ are those goods or services that people consume beyond what is needed for survival.

5. Resources that can be used to produce goods and services are called _____.
6. The money and capital goods that are used to produce consumer products are called _____.
7. The use of science to create new products or more efficient ways to produce products is called _____.
8. The _____ is a person who attempts to start a new business or introduce a new product.

4* Find English equivalents for the following Russian expressions and words.

1. движущая сила производства
2. природные богатства
3. кадры
4. выживание
5. открыть новое дело/бизнес
6. за плату
7. товары народного потребления
8. средства производства
9. технический прогресс
10. внедрить новый продукт

5* Translate the following sentences.

1. Термин «продукт» часто используется для названия как товаров, так и услуг.
2. Экономисты обычно классифицируют товары и услуги, которые необходимы для выживания, как жизненно необходимые.
3. Любое человеческое усилие, прилагаемое в производственном процессе, рассматривается как людские резервы.
4. Цель предпринимательства – создать новый продукт или новые факторы производства и таким образом создать что-либо, имеющее ценность.

5. Поскольку посыльный использует велосипед для доставки, чтобы обеспечить услуги, велосипед рассматривается как средство производства.
6. Дефицит существует потому, что потребности и желания людей больше, чем имеющиеся в наличии ресурсы для их удовлетворения.

Unit 2. LISTENING

APPLYING FOR A JOB

- 6*** Before you listen to Dialogue No 1 use Glossary to match the words below with their definitions.

1. interview	a. a public notice, usually printed in a newspaper, of goods for sale or services offered; or of goods or services wanted.
2. advertisement	b. a letter of an employer asking for employment.
3. experience	c. an office for which a person has been chosen.
4. appointment	d. something such as a degree or a diploma that you get when you successfully finish a course of study.
5. qualification	e. a formal meeting in which someone asks you questions to find out if you are suitable for a job, course of study, etc.
6. application	f. knowledge and skill gained through time spent doing a job or activity.

7 Listen to Dialogue No 1 between two speakers and answer the questions below. Then listen again and check your answers.

1. How do most companies recruit new staff?
2. What kind of information is usually given in job advertisements?
3. Do the employers try to attract as many people as possible by job advertisements?

8* Complete the dialogue using the words from the box. There are two words which you don't need to use.

experience, advertisement, interview, appointment, qualifications, applicant, specification

JAMES: Hello, James Brown speaking.

BRIAN: Good morning. My name is Brian Carpenter. I've just seen an _____ (1) _____ in the 'International Herald Tribune'. It said you were looking for a Sales Manager. I'm very interested in this _____ (2) _____.

JAMES: Well, would you please give me some details about yourself. What did you say your name was?

BRIAN: Brian Carpenter.

JAMES: Fine. And what about your _____ (3) _____, Mr. Carpenter?

BRIAN: I got my BSc in Management. I went to Columbia University.

JAMES: OK. Then tell me please about your work _____ (4) _____.

BRIAN: My last position was a Sales Manager for Brown & Brown. Before that I worked for Cornway Motors for 8 years.

JAMES: Good. I think, we can invite you for an _____ (5) _____ on Tuesday morning, 10 a.m.

BRIAN: Thank you. Good-bye.

JAMES: Good-bye. Thank you for calling.

9* Before you listen to Dialogue No 2 match the expressions in the left column with their translation in the right one.

1. job opportunities	a. терять работу
2. job interview	b. предлагать кому-л. работу
3. to offer someone a job	c. выполнять работу
4. to take a job	d. подавать заявление о приеме на работу
5. to leave a job	e. поступать на работу
6. job satisfaction	f. собеседование при приеме на работу
7. to apply for a job	g. увольняться с работы
8. to do a job	h. вакансия
9. to lose a job	i. резюме
10. CV (curriculum vitae)	j. удовлетворение от работы

10* Complete the sentences using the expressions from the previous task.

1. I've _____ for several jobs without success.
2. My son has been _____ a job in Tokyo.
3. I've _____ a job at a hotel in the city centre.
4. _____ is a document giving details of your qualifications and the jobs you have had in the past.
5. I've _____ in this job for five years now.
6. Dan _____ his job after an argument with his boss.
7. Many steelworkers are worried that they'll _____ their jobs.
8. He's attending a job _____ this morning.
9. There are not many job _____ in this part of the country.
10. Workers questioned rated job _____ as more important than high salary.

- 11** Listen to dialogue No 2 between two speakers and answer the questions below. Then listen again and check your answers.

1. Who are talking?
2. What company does the candidate want to join?
3. What position does the candidate apply for?
4. Why does the candidate want to leave her present job?
5. What opportunities attract the candidate in the new job?

Unit 3. READING COMPREHENSION

ECONOMIC INTERDEPENDENCE AND INTERNATIONAL TRADE

International trade is the voluntary exchange of goods and services between people in different nations. For thousands of years people have benefited from international trade, which provides them with products not available in their homeland. By the mid-1980s international trade amounted to about \$2 trillion annually.

At the basis of international trade are the concepts of **specialization** and **economic interdependence**. When individuals or businesses produce a single or very narrow range of products, it is called specialization. Many individuals and businesses specialize because by concentrating their efforts on the production of a **narrow range of products** they are able to **increase productivity**.

Specialization, however, leads to a **decrease in self-sufficiency**. If individuals and businesses concentrate on the production of specific goods and services, they must rely on other people to furnish the remaining products that are needed to satisfy their wants and needs. Economists call such dependence **economic interdependence**.

The same process of specialization and economic interdependence takes place on a national level in international

trade. As people in various nations specialize to use their resources better, the nations become less self sufficient. The political and business leaders of these nations turn to international trade to fulfill some of their wants and needs.

Absolute and comparative advantage. The world's resources are unevenly distributed. Each nation has a different quantity and quality of natural, human and capital resources. The **unequal distribution of resources** affects what and how much goods and services a nation can produce.

Two concepts help people to decide which goods and services to produce for export. The two concepts are: absolute advantage and comparative advantage.

Absolute Advantage

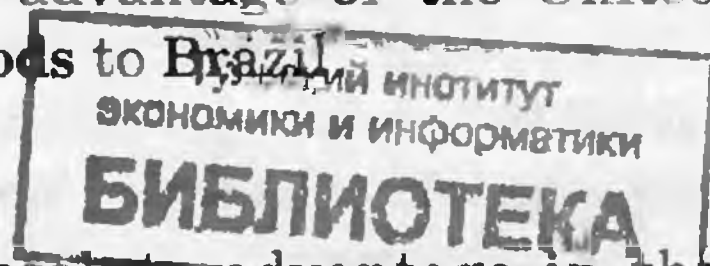
The distribution of resources often gives a nation an absolute advantage in the production of a particular product. Absolute advantage means that using the same resources one nation can produce a product at a lower cost than a second nation.

Brazil, for example, enjoys an absolute advantage over the United States in coffee production. Brazil's resources – especially its land, climate and inexpensive labor force – enable it to produce large quantities of coffee at a relatively low price compared to the costs for coffee production in the United States. Thus, it is to Brazil's advantage to export coffee to the United States.

The United States, on the other hand, enjoys an absolute advantage over Brazil in many other areas, particularly in the production of manufactured goods. The United States has **well-tapped natural resources**, a highly skilled labor force and **well-developed means of production** for consumer and capital goods. Thus, it is to the advantage of the United States to export manufactured goods to Brazil.

Comparative Advantage

Although nations have an absolute advantage in the production of numerous goods and services, they generally



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specialize in the production of those items in which they have a comparative advantage. A comparative advantage is the advantage that arises from being able to produce a product at a lower opportunity cost relative to other products.

A nation determines its areas of comparative advantage by **calculating the economic benefits** received from producing various goods and services. The nation then chooses to specialize in the production of those goods and services that provide the greatest economic benefits. In other words, the nation specializes in those products that can be produced at the least expense relative to the other products that the nation might produce.

Difference Between Absolute Advantage and Comparative Advantage

A nation's absolute advantage is measured in relation to other nations. A nation has an absolute advantage in the production of a product any time it can produce that product at a lower cost than can other nation. A nation's comparative advantage is measured in relation to all of the goods and services the nation produces. A nation has a comparative advantage in those products that have the lowest opportunity costs.

By specializing in the production of the product it can produce most efficiently, each nation is able to make the best use of its available resources. International trade then allows each nation to enjoy the most products at the lowest opportunity costs.

Words and Expressions

absolute advantage – абсолютное преимущество

calculate the economic benefits – подсчитывать экономическую выгоду

comparative advantage – сравнительное преимущество

cost *n* – стоимость

decrease in self-sufficiency – уменьшение экономической самостоятельности

economic interdependence – экономическая взаимозависимость

international trade – международная торговля

manufactured goods – промышленные товары

narrow range of products – ограниченный ассортимент продукции

productivity *n* – производительность

specialization *n* – специализация

unequal distribution of resources – неравномерное распределение ресурсов

voluntary exchange of goods – добровольный обмен товарами

well-developed means of production for goods – хорошо развитая база средств производства товаров

well-tapped natural resources – хорошо разработанные природные ресурсы

12 Answer the questions.

1. What does the term 'international trade' denote?
2. What concepts are at the basis of international trade?
- 3 What does absolute advantage mean?
4. What does comparative advantage mean?
5. Can you explain the difference between absolute and comparative advantage?

13* Say if the statements are true or false. Prove your point.

1. The term international trade denotes the voluntary exchange of goods and services between people in different nations.
2. Absolute advantage means that using the same resources one nation can produce a product at a higher cost than can a second nation.

3. At the basis of international trade are the concepts of specialization and economic interdependence.
4. Comparative advantage is the disadvantage that arises from the inability to produce a product at a lower opportunity cost relative to other products.
5. By specializing in the production of the product it can produce most efficiently, each nation is able to make the best use of its available resources.

14* Complete the following sentences by choosing the one correct variant (a, b or c) that best completes the sentence.

1. At the basis of international trade are the concepts of _____.
 - a. well-developed means of production
 - b. specialization and economic interdependence
 - c. well-tapped natural resources
2. A nation's absolute advantage is measured in relation to _____.
 - a. natural resources
 - b. means of production
 - c. other nations
3. A nation's comparative advantage is measured in relation to _____.
 - a. all the goods and services the nation produces
 - b. voluntary exchange of goods
 - c. labor force
4. Brazil enjoys an absolute advantage over the United States in _____.
 - a. coal production
 - b. coffee production
 - c. steel production

5. The United States enjoys an absolute advantage over Brazil in the production of _____.

- a. manufactured foodstuffs
- b. convenience goods
- c. manufactured goods

Unit 4. DISCUSSION

15 Study the expressions in the Useful Language box, which are used to express different language functions. The list of expressions in each function can be continued. Think of expressions which can be added to each function.

Useful Language

Expressing agreement That's true. I agree. I totally agree. I quite agree with that point of view.	Expressing disagreement I don't agree. I'm afraid I don't agree. Quite the contrary. I can't agree with that point of view.
Expressing certainty It is obvious (that)... I am certain (that)... I am sure (that)...	Expressing doubt I doubt that... It is hardly likely (that)... It's questionable (that)...
Developing the idea There is one more thing to be noted... More than that... In this connection I'd like to add... What is more...	Giving opinions My point is that... It is my belief that... I believe that... I really think...

16* Match the function in the left column with the appropriate expression in the right one and complete the Useful Language box with these expressions accordingly.

1. giving opinions	a. It is clear (that)...
2. expressing certainty	b. I might as well add that...
3. expressing doubt	c. That's right.
4. expressing disagreement	d. In my opinion,
5. expressing agreement	e. I really can't agree with you there.
6. developing the idea	f. It is most doubtful (that)...

17 Read what famous people said about economy and economics. Discuss the position of the authors. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box to develop your idea and express your opinion.

1. People do not understand what a great revenue economy is.

Marcus T. Cicero (c. 106–43 BC), great Roman orator, politician

2. There can be economy only where there is efficiency.

Benjamin Disraeli (1804–1881), British statesman, Prime Minister

3. Profit is the ignition system of our economic engine.

Charles Sawyer

4. The economy depends about as much on economists as the weather does on weather forecasters.

Jean-Paul Kauffmann

5. In economics the majority is always wrong.

John Kenneth Galbraith, American economist

18 Read what famous people said about job and production. Discuss the extent to which you agree or disagree with the opinion stated below. Support your point of view with reasons and examples from your reading, your observations or

your own experience. Use the expressions from the Useful Language box to develop your idea and express your opinion.

- 1. The tougher the job, the greater the reward.**

George Allen, American football coach

- 2. I've met a few people who had to change their jobs in order to change their lives, but I've met many more people who merely had to change their motive to service in order to change their lives.**

Peace Pilgrim (1908-1981), American peace activist

- 3. The society based on production is only productive, not creative.**

Albert Camus (1913-1960), French existential writer

- 4. Productivity is being able to do things that you were never able to do before.**

Jim Manzi, American businessman

- 5. Work harder on yourself than you do on your job.**

Jim Rohn, American businessman, philosopher

Chapter TWO

DOING BUSINESS

Unit 1. READING AND TRANSLATION PRACTICE

TYPES OF BUSINESSES

Objectives of Business Organizations

Business organizations are **established** to meet wants in society. **Private businesses** are formed mainly to provide for **material wants** (i.e. goods and services) and **commercial wants** (i.e. banking, insurance) in society. **Government Organizations**, on the other hand, tend to satisfy society's desire for defence, law and order, education and **social welfare**.

Organizations are thus established to meet wants in society. In meeting these, organizations will **set** very definite and clear **aims**, e.g. a manufacturing firm will want to stay in business and **make a profit**. The aims of an organization are normally decided by the board of directors, or in the case of **public organizations** by government ministers.

The most common forms of private business organizations are **sole proprietorships**, **partnerships** and **corporations**.

Sole Proprietorships

A business owned and controlled by one person is a sole proprietorship. Sole proprietorships are the oldest, simplest, and most common of all types of businesses.

Because the financial resources available to one person often are limited, sole proprietorships tend to be enterprises

that require small amounts of capital to start and operate. Many doctors, dentists, lawyers, bakers, and beauticians organize as sole proprietors to provide professional services. Other services offered by sole proprietors include plumbing, carpentry, dry cleaning and lawn care. Many construction companies, small grocery stores, florists, other small retail stores, farms, real estate firms and insurance firms are also organized as sole proprietorships.

Partnerships

A partnership is a business that is owned and controlled by two or more people. As in the case of sole proprietorships, partnerships are concentrated in businesses that require relatively small amounts of money to start and operate. Small retail stores, farms and construction companies are often organized as partnerships. People in service occupations, such as doctors, lawyers, accountants, and photographers, also form partnerships. Many of these partnerships may have started as sole proprietorships. A partnership begins when two or more people agree to operate a business together. Partnership can be **general** or **limited**. In order to avoid later conflicts, the partners usually formulate a written agreement called a **partnership contract**. A partnership contract outlines the **distribution** of profits and losses. It details the specific responsibilities of each partner and includes **provision** for adding or dropping partners and dissolving the partnership.

Corporations

A corporation is a business organization that is treated by law as if it were an individual person. A corporation can do everything that a sole proprietorship or a partnership can do. It can, for example, buy property and resources, hire workers, make contracts, pay taxes, **sue** others and be sued and produce and sell products. A corporation, however, is owned by **stockholders**. Stockholders are individuals who **invest** in a corporation by buying **shares of stock**. **Stocks** are the certifi-

cates of ownership in the corporation. Stockholders invest in a corporation in order to make a profit.

Types of Corporations. A corporation may be either publicly owned or closed. A publicly owned corporation allows its shares to be purchased by anyone who chooses to invest in the business. Most corporations today are publicly owned. A closed corporation is owned by a limited number of shareholders. People outside of this limited group may not buy shares in the corporation.

Aims of Private Organizations

Profitability is the main aim of private organizations but it is important to realise that a business will have other aims. These include:

1. **Survival:** most of the time firms will not be worried about this. However, particularly in times of economic difficulty – such as recession – surviving will become an important short-term aim of the firm. In order to survive, the firm may have to make workers redundant and close some of its factories.

2. **Growth:** not all firms want to grow continually but growth is closely associated with survival. Very often, particularly for firms in highly competitive situations, e.g. computing and electronics, growth and development are the only way to ensure survival. Furthermore, shareholders and employees may benefit from the growth of the company.

3. **Image:** how the public at large views a company can be particularly important, and to this end a number of companies have public relations departments that have specific responsibility to improve the image of the company. A tarnished image can very often lose the company business.

Essential Vocabulary

aim *n* – намерение, цель; **to set an aim** – ставить цель
business organization – коммерческая организация

commercial wants – коммерческие потребности

competitive *adj* – конкурентоспособный

corporation *n* – акционерное общество; корпорация

distribution *n* – распределение

establish *v* – основывать, учреждать

general partnership – компания/товарищество с неограниченной ответственностью

government organization – правительственная организация

growth *n* – рост, развитие

invest *v* – инвестировать, вкладывать деньги, капитал

limited partnership – компания/товарищество с ограниченной ответственностью

make a profit – получать прибыль

material wants – материальные потребности

meet wants – удовлетворять потребности

partnership contract = partnership agreement – договор/соглашение о сотрудничестве

partnership *n* – товарищество, партнерство

private business – частное предприятие

private organization – частная организация

profitability *n* – рентабельность, прибыльность, доходность,

provision of a contract – условие договора

public at large – широкий круг людей

public organization – общественная организация

shareholder *n* – акционер

shares *n pl* – акции

social welfare – социальное обеспечение

sole proprietorship – единоличное владение

stock *n* – акционерный капитал; основной капитал; фонды

stockholder *n* – акционер, владелец государственных ценных бумаг; пайщик

stocks *n pl* – государственные ценные бумаги

sue *v* – подавать в суд, возбуждать иск, предъявлять иск

survival *n* – выживание (на рынке)

to this end – с этой целью

Exercises

1* Translate the following words and word combinations or find Russian equivalents.

1. to provide for material wants
2. to satisfy society's desire for social welfare
3. to set very definite and clear aims
4. to provide professional services
5. small retail stores
6. real estate firms
7. to formulate a written agreement
8. the distribution of profits and losses
9. specific responsibilities
10. to hire workers
11. to pay taxes
12. to invest in the business
13. short-term aim
14. public relations departments
15. board of directors

2* Translate the following sentences into Russian.

1. Organizations are established to meet wants in society.
2. The aims of an organization are normally decided by the board of directors.
3. A business owned and controlled by one person is called a sole proprietorship.
4. A partnership is a business that is owned and controlled by two or more people.
5. A partnership contract outlines the distribution of profits and losses.
6. A corporation is owned by stockholders.
7. Stockholders invest in a corporation in order to make a profit.
8. Profitability is the main aim of any business organization.

9. Shareholders and employees benefit from the growth of the company.
10. A number of companies have public relations departments to improve the image of the company.

3* Fill the gaps in the sentences below with the words and expressions from the box. There are two expressions, which you don't need to use.

public at large, shares, closed corporation, distribution, material wants, invest, social welfare, make a profit, limited, provision, commercial wants

1. Private businesses are formed mainly to provide for _____ (i.e., goods and services) and _____ (i.e., banking, insurance) in society.
2. Government organizations, on the other hand, tend to satisfy society's desire for defence, law and order, education and _____.
3. Every organization has very definite and clear aims: to stay in business and _____.
4. Partnership can be general or _____.
5. A partnership contract includes _____ for adding or dropping partners and dissolving the partnership.
6. A _____ is owned by a limited number of shareholders.
7. A publicly owned corporation allows its _____ to be purchased by anyone who chooses to invest in the business.
8. The image of the company which means how the _____ views a company can be particularly important.

4* Find English equivalents for the following Russian expressions and words.

1. удовлетворять потребности
2. социальное обеспечение

3. получать прибыль
4. правление (совет директоров)
5. распределение прибылей и убытков
6. вкладывать деньги в бизнес
7. извлекать пользу из
8. широкий круг людей
9. отдел по связям с общественностью
10. конкурентоспособный

5* Translate the following sentences from Russian into English.

1. Организации создаются для того, чтобы удовлетворять потребности общества.
2. Правительственные организации удовлетворяют потребности общества в защите, законе и порядке, образовании и социальном обеспечении.
3. Организации ставят перед собой определенные и четкие цели, например – получать прибыль.
4. Акции – это сертификаты на право собственности в корпорации.
5. Акционеры – это лица, которые вкладывают средства в корпорацию путем приобретения пакета акций.
6. Многие врачи, юристы, пекари, дантисты организуют индивидуальные частные предприятия для предоставления профессиональных услуг.
7. Товарищество – бизнес, которым владеют и управляют двое или более человек.
8. Чтобы избежать конфликтов, партнеры обычно заключают письменное соглашение, называемое договором о сотрудничестве.
9. Корпорации имеют право приобретать собственность и ресурсы, нанимать рабочих, заключать контракты.
10. Рост и развитие фирмы – это единственный путь, чтобы гарантировать ее выживание.

Unit 2. LISTENING

FINDING OUT ABOUT COMPANY PROFILE

6* Before you listen to Dialogue No 1 use Glossary to match the words below with their definitions.

1. capital	a. amount of sales of goods or services
2. investment	produced by a company in a particular period of time
3. dividends	b. one of the equal parts of a company that you can buy as a way of investing money
4. share	c. the money that remains after the costs of doing business have been paid
5. profit	d. the profit made by a company
6. earnings	e. payments corporations make to their shareholders
7. turnover	f. placing of money so that it will increase in value
	g. money needed to start or grow a business

7 Listen to Dialogue No 1 between two speakers and answer the questions below. Then listen again and check your answers.

1. What are management trainees supposed to do?
2. What are the keys to company's success according to Managing Director?
3. How can the company keep up its image?

- 8*** Complete the dialogue using the words from the box. There are two words which you don't need to use.

investment, earnings, shares, management, profit, dividends, turnover, capital, image

RICHARD: What does one need to start a business?

FRANK: To start a business, you need _____ (1) _____ – that is, money. You can borrow it; or you can sell parts of your company – equal parts, of course. These are called _____ (2) _____ and the people who buy them become shareholders.

RICHARD: Why do the shareholders buy the shares?

FRANK: They expect to get something in return for their _____ (3) _____. If the company does well, it pays _____ (4) _____ on each share. The value of the shares (of a public company) can rise, so that their market price is often much higher than the amount printed on the share certificate – though it may fall below it if the company does badly.

RICHARD: Why do serious investors read the financial press?

FRANK: They want to know not only the share prices but the company's _____ (5) _____, and the company's _____ (6) _____, and the result of dividing that amount by the number of shares which is called _____ (7) _____ per share.

RICHARD: You seem to know everything about company business. Thank you for information.

- 9*** Before you listen to Dialogue No 2 match the expressions in the left column with their translation in the right one.

1. Managing Director	a. директор по вопросам обу-
2. General Manager	чения персонала
3. Financial Director	b. плановый отдел
4. Personnel Manager	c. директор предприятия
5. Training Manager	d. председатель

6. administrative department	e. производственный отдел
7. research and development department	f. финансовый директор
8. production division	g. отдел научно-исследовательских и опытно-конструкторских работ
9. finance department	h. бухгалтер
10. planning department	i. нанимать на работу
11. purchasing department	j. административный отдел
12. accountant	k. финансовый отдел
13. chairman	l. начальник отдела кадров
14. report to	m. генеральный директор
15. employ	n. отчитываться перед кем-л.
	o. отдел закупок

10 Listen to Dialogue No 2 between two speakers and answer the questions below. Then listen again and check your answers.

1. Who are talking?
2. What are the main departments of TMN Ltd.?
3. How many divisions are there in the production department?
4. Who reports to the Financial Manager?
5. What are the functions of the purchasing department?

Unit 3. READING COMPREHENSION

CORPORATE COMBINATIONS IN THE USA

The most common way of joining businesses is through mergers. A merger occurs when one company absorbs another. In a merger, the absorbed company is often forced to abandon its identity.

In the 1980s, the number of mergers increased dramatically. Between 1980 and 1985, more than 60 of the top 500

corporations in the United States merged with other companies. Multibillion-dollar corporate mergers in the mid-1980s included Nestle's acquisition of Carnation, Capital Cities Communications' acquisition of the American Broadcasting Corporation (ABC), and General Motors' acquisition of Hughes Aircraft Company. In 1985 alone, more than 3,000 mergers and acquisitions occurred.

Three types of business mergers take place — **horizontal combinations**, **vertical combinations**, and **conglomerate combinations**.

Horizontal Combinations

A merger between two or more companies that produce the same good or service or dominate one phase of the production of a good is a horizontal combination. The Standard Oil Company provides a classic example of a horizontal combination. In the 1870s, John D. Rockefeller and his associates formed the Standard Oil Company of Ohio.

Over the next 12 years, Rockefellers group purchased refineries throughout the United States. By 1882, Standard Oil controlled almost all of the country's oil industry. The Standard Oil Trust was formed in 1882 to unify the management of the various companies under Standard Oil's control. In the same year Standard Oil of New Jersey was chartered as one of the companies within the trust.

Vertical Combinations

A merger between two or more companies that are involved in different phases of the production of the same good or service is a vertical combination. The founding in the United States Steel Corporation in 1901 combined companies involved in different phases of the production and distribution of steel. The combined companies owned ore deposits, iron mines, coal mines, shipping companies, railroads, and steel mills. United States Steel's founder, J.Pierpont Morgan, built the world's first billion-dollar corporation through the merging of these varied companies.

Conglomerate Combinations

A merger between two or more companies producing or marketing different products is a conglomerate combination. While horizontal and vertical combinations have been common since the mid-1800s, conglomerate combinations did not become common until the 1960s and 1970s.

The classic example of a conglomerate is the International Telephone and Telegraph Corporation (ITT). Until the 1950s ITT manufactured only telecommunications equipment. During the 1960s and 1970s, however, ITT acquired hundreds of subsidiaries – acquired companies that have not been forced to **abandon** their corporate identities.

Today ITT owns companies in more than 80 countries and is involved in such varied enterprises as in **production of frozen foods** and plumbing supplies and in operation of computer services, consumer finance companies and hotels.

Trends in Corporate Combinations

The trend toward conglomerate combinations began in the 1960s and carried into the 1970s. Conglomerate mergers helped to build corporate empires for ITT, Gulf & Western, and many other major producers. During the 1980s, however, a trend toward vertical and horizontal combinations redeveloped. Companies in the 1980s tended to merge with other companies that produced the same or **related goods** or services.

Advantages of combinations. One of the major business advantages of corporate mergers is **efficiency**. By centralizing decision making within an industry, corporate combinations, especially horizontal and vertical combinations, can increase efficiency. Costs also can be cut by eliminating unnecessary or overlapping jobs and departments.

A second business advantage of mergers is that buying an existing business is often far less expensive than building new plants, hiring new employees, or acquiring additional capital in order to expand. In most mergers, the acquiring corporation obtains additional capital resources and experienced management and employees.

A third business advantage of mergers is that the increased size of merged corporations often makes it possible to borrow more capital. This additional capital can be used for such improvements as enlarging the **sales force** or modernizing production facilities. In general, larger corporations also are able to compete more effectively in the marketplace.

Disadvantages of combinations. Corporate combinations may result in disadvantages for the merged corporation stockholders and consumers. Corporate mergers sometimes have negative consequences for the merged corporations, both from the standpoint of **corporate performance** and from the standpoint of worker satisfaction.

In some instances, especially in conglomerates, the managers of merged corporations may not have the necessary skills to supervise the production of newly acquired goods and services. Lack of supervisory skills can result in decreased efficiency and profits.

Mergers also may result in added unemployment because of changes in business operations. Employees may be **reshuffled** and some people may be **laid off**. The employees who stay on the job sometimes suffer from low morale due to altered job descriptions or other negative changes that occur in the workplace. While mergers usually are beneficial for stockholders in the acquired company, almost half of all major mergers in the United States result in a decrease in the value of the purchasing corporation's stock. For consumers, one of the major disadvantages of corporate mergers is that they often lead to decreased competition in the marketplace. This lack of competition may result in higher prices for consumers. It also may limit the choices available to consumers by reducing the number of competing goods and services.

Words and Expressions

abandon *v* — покидать, отказываться, прекращать

absorb *v* — поглощать, всасывать

acquisition *n* – приобретение, поступление
charter *v* – давать привилегию
coal mine – угольная шахта
conglomerate combination – конгломератное объединение
corporate merger – корпорационное слияние
corporate performance – совместное функционирование
corporation *n* – корпорация, объединение, акционерное общество
efficiency *n* – продуктивность, производительность
horizontal combination – горизонтальное объединение
identity *n* – индивидуальность; своеобразие; особенность
iron mine – шахта по добыче железной руды
lay off *v* – увольнять
merger *n* – слияние, объединение
ore deposit – залежи руды
production of frozen foods – производство полуфабрикатов
refinery *n* – нефтеочистительный завод
related goods – взаимосвязанные товары
reshuffle *v* – перегруппировывать, менять местами
sales force – продавцы, торговые агенты
steel mills – сталелитейные заводы
vertical combination – вертикальное объединение

II Answer the questions.

1. What is the most common way of joining businesses?
2. What are the main three types of mergers?
3. When was the Standard Oil Trust formed?
4. Can you name the most productive vertical combination?
5. Why is ITT considered the classic example of a conglomerate?
6. What are the advantages of combinations?
7. What are the disadvantages of combinations?

12* Say if the statements are true or false. Prove your point.

1. A merger between two or more companies that produce the same good or service or dominate one phase of the production of a good is a horizontal combination.
2. The United States Steel Corporation was the first billion-dollar horizontal combination.
3. A merger between two or more companies that are involved in different phases of the production of the same good or service is a vertical combination.
4. The Standard Oil Company provides a classic example of a vertical combination.
5. A merger between two or more companies producing or marketing different products is a conglomerate combination.
6. Buying additional an existing business is much more expensive than building new plants, hiring new employees and acquiring additional capital in order to expand.
7. In most mergers, the acquiring corporation obtains additional capital resources, experience management and employees.

13* Complete the following sentences by choosing the one correct variant (a, b or c) that best completes the sentence.

1. Horizontal and vertical combinations have been common since _____.
 - a. the mid-1960s
 - b. the mid -1970s
 - c. the mid-1800s
2. Multibillion-dollar corporate mergers occurred _____.
 - a. in the mid-1970s
 - b. in the mid-1980s
 - c. in the mid-1960s

3. The classic example of a conglomerate is _____ .
- a. the International Telephone and Telegraph Corporation
 - b. the Standard Oil Company
 - c. the United States Steel Corporation
4. One of the major business advantages of corporate mergers is _____ .
- a. worker satisfaction
 - b. efficiency
 - c. production facilities
5. One of the major disadvantages of corporate mergers for consumers is _____ .
- a. decreased efficiency and profits
 - b. increased competition in the marketplace
 - c. decreased competition in the marketplace
6. The increased size of merged corporations often makes it possible _____ .
- a. to borrow more capital
 - b. to hire new employees
 - c. to build new plants
7. The lack of competition in the market place may result in _____ .
- a. additional capital resources
 - b. higher prices for consumers
 - c. increased production efficiency

- 14** Study the expressions in the Useful Language box, which are used to express different language functions. The list of expressions in each function can be continued. Think of expressions, which can be added to each function.

Useful Language

Starting conversation I'll start by saying that... In the first place I would like to say...	Generalising It is a well-known fact... It is common knowledge that... Admittedly...
Discussing main ideas What really matters is... I think it would be best to... There are many advantages and disadvantages here...	Connecting ideas While on the subject of... Besides that... Furthermore... By the way... Moreover...
Expressing contrast On the other hand... Although... But... However... Despite... In spite of...	Drawing conclusions In conclusion... In view of all this... Summing it up... In a word... In short... On the whole...

- 15*** Match the function in the left column with the appropriate expression in the right one and complete the Useful Language box with these expressions accordingly.

1. connecting ideas
2. drawing conclusions

- a. major consideration should be given to...

3. starting conversation	b. to begin with I'd like to say...
4. discussing main ideas	c. to sum up...
5. generalising	d. nevertheless...
6. expressing contrast	e. at the same time...
	f. it is generally known...

16 Read what famous people said about doing business. Discuss the position of the authors. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box to develop your idea and express your opinion.

1. The business of the country is business.

Calvin Coolidge (1872–1933), thirtieth President of the USA

2. The secret of business is to know something that nobody else knows.

*Aristotle Onassis (1906–1975),
Turkish born shipping magnate*

3. To survive, men and business and corporations must serve.

John H. Patterson, American businessman

4. The purpose of business is to create and keep a customer.

Theodore Leavitt

5. It is not the employer who pays wages – he only handles the money. It is the product who pays the wages.

*Henry Ford (1863–1947),
American industrialist, founder of Ford Motor Company*

17 Read what famous people said about partnerships and corporations. Discuss the extent to which you agree or disagree with the opinion stated below. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box to develop your idea and express your opinion.

1. It's better to take over and build upon an existing business than to start a new one.

Harold S. Geneen, American accountant, industrialist

2. You look at any giant corporation, they all started with a guy with an idea, doing it well.

Irvine Robbins, American businessman

3. Treat employees like partners, and they act like partners.

Fred A. Allen (1894-1957)

4. If you can run one business well, you can run any business well.

Richard Branson, American businessman

5. You can't run a business without taking risks.

Millard Drexler, American business Executive

Chapter THREE

RESEARCHING THE MARKET

Unit 1. READING AND TRANSLATION PRACTICE

MARKET STRUCTURE

A market can be defined as any form of contact between **buyers** and **sellers** for the purpose of buying and selling goods and services. Markets always have two sides: the **demand** side, composed of buyers, and the **supply** side, made up of sellers. Markets can be **local**, **national** or even **international**. A market typically has four elements:

1. Buyers – people wishing to acquire goods and services.
2. Sellers – people wishing to sell goods and services.
3. The goods and services, which are going to be exchanged.
4. A means of payment – that includes **cash**, **cheque**, **credit**, **standing order** and **hire purchase**.

The demand for a product is the amount of a good that people are willing to buy over a given time period at a particular price. For most goods and services the amount that consumers wish to buy (the quantity demanded) will increase as **price** falls.

The desired demand is the information showing the amount of the product that consumers are willing to buy at different prices – not what they actually do buy. The demand for a product is not only influenced by price. An individual may be influenced by factors such as personal tastes, the size

of income, advertising, the cost and availability of credit. The total market demand will be affected by the size and age distribution of the population and government policy.

The quantity of goods and services that producers offer at each price is called supply. While demand is concerned with the buying side of the market, supply is concerned with the firm's or producer's side of the market. Unlike demand, the quantity supplied of a good will increase as price rises. The supply of a product is not only influenced by price. Supply will be affected by anything that helps or hinders production or alters the costs of production.

Consumers have a wide variety of choice in how they spend their income, and there is a large quantity and many different types of goods and services that the consumer can buy. One difficulty that confronts a firm is to decide what to produce. Satisfying the wants and needs of consumers and anticipating these wants can make the difference between success and failure in business. Some things, such as food, are essential. Food is an example of a **single-use consumer good**. Most people, having satisfied their needs, can attempt to satisfy their wants by the **purchase** of items such as cars, TVs, microwave ovens and compact disc players. They are sometimes called **consumer durable products**. Alternatively, they may **purchase** services such as dry-cleaning, haircuts, trips to the cinema and meals out.

Today, a successful company is one, which tries to discover what the consumer wants or could be persuaded to buy and then makes that product and sells it at a profit. Such firms are said to be **market-oriented**. In a market-oriented firm one of the functions of **marketing department** is to find out **consumer requirements**. This is in complete contrast to a **product-oriented** firm, which first produces a product and then tries to sell it in the hope that the consumer will buy it.

Market research involves studying the market to discover exactly what the customer really wants. Companies collect information in order to build up a picture of consumer requirements. It can come from two main sources.

1. Primary information is information that is not already available. One of the techniques used to collect this information here is **field research** – questioning consumers directly about their tastes and preferences.

2. Secondary information is information that is already available to the firm. It can come from a variety of sources, such as government statistics and business and trade publications. Gathering information this way is called **desk research**.

Identifying the tastes and preferences of consumers is not simple because there are many different types of consumers with different tastes. Firms normally try to build up a consumer profile, i.e. the age, sex, occupation and location of its consumers.

Every firm usually possesses its own internal information about the popularity of its products and about its own sales. This information, although useful, may be of limited value since it tells the firm nothing about the total size of the market, competitors' products and prices, or consumer preferences. Consumer research can be carried out by the **Market Research Department** of a company or by **Market Research Centers**, which specialize in providing this service for others.

Market researchers collect, analyze and interpret data to provide companies with information about the needs and desires of the buying public, they develop **forecasts** of consumer motivations and buying habits on the basis of these forecasts, they propose strategies for the **marketing campaign** of current products and suggest areas for market expansion.

Essential Vocabulary

availability of credit – наличие ссудного капитала

buyer *n* – покупатель

cash *n* – наличные деньги, наличный расчет

cheque *n* – банковский чек

consumer durable products – потребительские товары длительного пользования

consumer requirements – потребности потребителя

cost *n* – стоимость

credit *n* – кредит

demand *n* – спрос

desk research – разработка статистической документации

field research – исследования на местах

forecast *n* – прогноз

hire purchase – покупка в рассрочку

international market – международный рынок

local market – местный рынок

market expansion – расширение границ рынка

market research – изучение конъюнктуры, возможностей рынка

Market Research Center – центр маркетинговых исследований

Market Research Department – отдел маркетинговых исследований

market structure – структура рынка

marketing campaign – кампания по организации и стимулированию сбыта

marketing department – отдел маркетинговых исследований, отдел реализации, отдел сбыта

market-oriented – ориентированный на рынок

national market – национальный рынок

price *n* – цена

product-oriented – ориентированный на продукцию

purchase *n* – покупка; закупка, купля (приобретение чего-л. за деньги)

purchase on credit/for cash – покупка в кредит/за наличные (деньги)

purchase *v* – покупать, закупать (приобретать что-л. за деньги)

seller *n* – продавец

single-use consumer good – товары одноразового использования

standing order – постоянное платежное поручение
supply *n* – предложение
total market demand – общий объем спроса на рынке

Exercises

1* Translate the following words and word combinations or find Russian equivalents.

1. market research
2. market research department
3. single-use consumer goods
4. consumer durable products
5. primary information
6. secondary information
7. desk research
8. field research
9. develop forecasts
10. propose strategies
11. interpret data
12. availability of credit.
13. total market demand
14. costs of production
15. age distribution

2* Translate the following sentences into Russian.

1. A market can be defined as any form of contact between buyers and sellers for the purpose of buying and selling goods and services.
2. It has been established that social position and occupation often determine consumers' buying habits.
3. Gathering information from a variety of sources, such as government statistics and business and trade publications is called desk research.

4. The total market demand will be influenced by the size and age distribution of the population and government policy.
5. Consumer research can be carried out by the Market Research Centers which specialize in providing this service for manufacturing companies.

3* Fill the gaps in the sentences below with the words and expressions from the box. There are two expressions, which you don't need to use.

forecasts, consumer durable, supply, purchase, consumer profile, single-use, demand, product-oriented firm, price, consumer requirements

1. The _____ for a product is the amount of a good that people are willing to buy over a given time period at a particular price.
2. The quantity of goods and services that producers offer at each price is called _____.
3. Food is an example of a _____ consumer good.
4. Cars, TVs, microwave ovens and compact disc players are called _____ products.
5. In a market-oriented firm one of the functions of marketing department is to find out _____.
6. A _____ first produces a product and then tries to sell it in the hope that the consumer will buy it.
7. Market researchers try to build up a _____, i.e. the age, sex, occupation and location of its consumers.
8. Market Research Departments develop _____ of consumer motivations and buying habits.

4* Find English equivalents for the following Russian expressions and words.

1. потребности потребителя
2. спрос
3. предложение
4. местный рынок

5. международный рынок
6. ориентированный на рынок
7. ориентированный на продукцию
8. кампания по организации и стимулированию сбыта
9. покупательские привычки
10. прогноз
11. покупка в рассрочку
12. профиль потребителя
13. исследование потребителя
14. расширение границ рынка
15. покупка в кредит

5* Translate the following sentences from Russian into English.

1. Покупатели – это люди, желающие приобрести товары и услуги.
2. Продавцы – это люди, желающие продать товары и услуги.
3. Рынки могут быть местными, национальными или даже международными.
4. Опрос потребителей об их вкусах и предпочтениях называется «исследование на местах».
5. На спрос воздействуют такие факторы, как индивидуальные вкусы потребителей, размер их дохода, реклама и цена продукции.

Unit 2. LISTENING

BREAKING INTO NEW MARKETS

6* Before you listen to Dialogue No 1 use Glossary to match the words below with their definitions.

1. consumer	a. make a statement about what
2. disposable income	is likely to happen

3. proportion	b. analysis; information, separated in different groups, details shown item by item
4. gross domestic product (GDP)	c. income left after tax and national insurance have been deducted
5. breakdown	d. anyone who buys and uses goods and/or services
6. to forecast	e. relating to towns and cities or happening there
7. to extrapolate	f. per head, for each member of a population
8. urban	g. key indicator of an economy's health, annual value of goods sold and services paid for inside a country
9. inflation	h. period of rising prices during which the purchasing power of money is falling
10. per capita	i. make calculations about what is likely to happen or be true using information and figures that you already have
	j. a quantity of something that is a part or share of the whole

7 Listen to Dialogue No 1 between two speakers and answer the questions below. Then listen again and check your answers.

1. What kind of survey did William order?
2. What kind of information is to be considered in market research of population?
3. What breakdowns were given in the report?
4. What makes extrapolation of figures a rather difficult task?
5. Why is reliable forecasting impossible?

- 8*** Complete the dialogue using the words from the box. There are two words which you don't need to use.

breakdown, consumers, capital, disposable, per capita, gross domestic product, extrapolate, forecast, inflation, proportion, social, urban

STEPHEN: Hello, Leo. This is Stephen. Can you give me some idea what is actually needed to make a good market research?

LEO: Well, any company that enters a new overseas market needs to know as much about that market as it can. It looks first at the country as a whole, the location of the major _____ (1) _____ centres and the _____ (2) _____ of the population that lives in them.

STEPHEN: I see, and how do we evaluate the country's economic situation?

LEO: You should find out about its GDP, or _____ (3) _____, and the growth of GDP over a period of time, expressed as a percentage and measured in real terms, that is allowing for _____ (4) _____.

STEPHEN: But the product is going to be bought by individual _____ (5) _____, so the company also needs a _____ (6) _____ of the population by age, sex, income and occupation.

LEO: You know, most countries have a system of _____ (7) _____ classification. Marketing people usually want to know not gross income, but _____ (8) _____ income per head. They also want the figures for several years; if they can identify trends, they can _____ (9) _____ these into the future and _____ (10) _____ what people will be earning and spending a year or five years from now.

9* Before you listen to Dialogue No 2 match the expressions in the left column with their translation in the right one.

1. be in business	a. распространение
2. manufacturing work	b. оптовый торговец
3. know-how	c. упаковка
4. retailer	d. секреты производства, ноу-хау
5. merchandise	e. давать работу по контракту
6. contract out	f. заниматься торговлей, бизнесом
7. meet the orders	g. розничный торговец
8. wholesaler	h. производство продукции
9. distribution	i. товары
10. packaging	j. выполнять заказы

10 Listen to Dialogue No 2 between two speakers and answer the questions below. Then listen again and check your answers.

1. What kind of business is William in?
2. Why is William going to Richmond?
3. Where is the manufacturing work for Harper Toys Ltd. done?
4. Where is packaging and distribution for Harper Toys Ltd. effected?
5. Who are they going to meet the orders from?

Unit 3. READING COMPREHENSION

COMPETITION AND MARKET CONDITIONS

Competition is the economic rivalry that occurs among businesses when producers in a given industry attempt to gain a larger share of the market. Economists use the term 'market structure' to describe how competitive specific industries are. Perfect competition and pure monopoly are

the opposite extremes of the market structure continuum. Perfect competition has many sellers of the same product, while pure monopoly has only one. Perfect competition exists when there are many buyers and sellers, none of whom **control prices**. In contrast, pure monopoly exists when a single firm controls the **total production** or sale of a good or service.

The most competitive type of industry is that with perfect competition. Four conditions must be present in the market structure for perfect competition to exist.

First: a particular good or service must have many sellers and buyers available. In addition, each seller must account for just a small share of the overall sales in the market. The goal of these sellers is to attract enough buyers to their businesses to **earn a profit**.

Second: the good or service being offered by one competing firm must be similar or identical to those offered by other firms. In such a situation, buyers may choose freely from the selection.

Third: buyers must have **easy access** to information on the products and prices available. This information allows buyers to make intelligent choices about which goods to purchase based on price and quality.

Fourth: entrance to and exit from the industry must be relatively easy and inexpensive. In a purely **competitive market** structure, firms can easily enter a profitable industry or leave an unprofitable one. Low start-up costs, the need for little technical know-how and the lack of control the existing companies have in the industry determine the ease a new firm has in gaining entry.

The conditions necessary for the existence of pure monopoly are very different from those necessary for the existence of perfect competition. In general, pure monopolies exist when three specific conditions are present.

First: one firm is the sole producer or seller of a good or service. Even though monopolies do not have to **compete** with other firms for a share of the market, monopolies often

advertise their product or service to promote the company's image.

Second: no close substitute goods are available. Electric power companies are examples of monopolies because each company is the exclusive **supplier** of electricity in a specific geographic area. While consumers may choose to substitute kerosene lamps and wood stoves for electricity, these substitutes are not close substitutes.

Third: prohibitive barriers to entry in the industry must exist. Most often high investment costs and the need for technological expertise prevent firms from trying to enter monopolistic markets. In addition, a number of legal restrictions make entry into government supported monopolies nearly impossible.

In many countries, airlines are monopolies. For example, only Aviaco, an airline owned by the Spanish government, provides service between Spanish cities. In theory, Aviaco has the freedom to charge any price for airline tickets. In reality, however, Aviaco must consider the law of demand when setting fares. If the price is too high travellers will use alternate forms of transportation, such as automobiles, trains, or buses. In addition, the Spanish government sets limits on what fares Aviaco charges.

The United States government has determined that four types of monopolies are **beneficial** to the entire economy and are thus legal enterprises. These monopolies include **natural monopolies, technological monopolies, government monopolies, and geographic monopolies.**

Natural monopolies. Public utilities are the leading examples of natural monopolies. The government gives utility companies the exclusive right to provide service in a specific geographic region. In return, the government closely regulates the natural monopoly to ensure that it provides quality service at reasonable prices. In the communications industry, the American Telephone & Telegraph Company (AT&T) is an example of natural monopoly on telephone service.

Technological monopoly occurs when a firm develops new technology that changes the way goods are produced or creates an entirely new product. General Dynamics, for example, is the only defence contractor in the United States with the technology to build Trident submarines.

Firms and individuals apply for patents to protect their technological discoveries. A patent grants a firm or individual the exclusive right to produce, use or dispose of an invention or discovery. Patent laws encourage firms to invest in the research and development of new products and production techniques. The new and protected technology helps firms to gain an advantage over competitors.

Written works and works of art are protected in the same way as scientific works. By granting a copyright, the United States Copyright Office gives authors, composers, and artists exclusive rights to publish, duplicate, perform, display, or sell their creative works. The huge income from the works of recording artists, for example, makes protection of the works extremely important to those artists.

Government monopolies is the third type of legal monopoly. Towns and cities own and operate water and sewer services as government monopolies. The states control the building and maintenance of roads, bridges, and canals as government monopolies. The federal government dominates mail delivery through the Postal Service. The Tennessee Valley Authority (TVA), the major producer of electricity in the southeastern United States, is also a federal government monopoly. Most government monopolies tend to provide goods or services that enhance the general welfare rather than seek profits.

Geographic monopoly is the fourth type of legal monopoly. A geographic monopoly occurs when a firm is the only producer or seller of a good or service in a specific location. Geographic monopolies form when business or the potential for profit is insufficient to attract a competitor to the area.

Words and Expressions

access *n* – доступ; **easy access** – свободный, открытый доступ

apply for a patent – подавать заявку на патент

beneficial *adj* – выгодный, полезный, прибыльный

compete *v* – соперничать, конкурировать

competition *n* – конкуренция

competitive market – конкурентный рынок (рынок конкурирующих продавцов и покупателей)

competitor *n* – конкурент

control prices – регулировать цены

copyright *n* – авторское право

earn a profit = make a profit – получать прибыль

enhance *v* – увеличивать, усиливать, улучшать (особ. качество, значимость, ценность, важность, привлекательность чего-л.)

exclusive right – эксклюзивное, исключительное право

general welfare – всеобщее благосостояние

geographic monopoly – географическая монополия

government monopoly – государственная монополия

grant *v* – дарить, предоставлять

invention *n* – изобретение

mail delivery – доставка писем

natural monopoly – естественная монополия

patent laws – патентное законодательство

perfect competition – свободная (немонополистическая) конкуренция

public utilities – предприятия общественного пользования (средства связи, городской транспорт и т. п.)

pure monopoly – чистая монополия

share of the market – доля рынка

supplier *n* – поставщик

technological monopoly – монополия на технологию

total production – общий объем произведенной продукции, совокупный продукт

water and sewer services – служба водоснабжения и канализации

11 Answer the questions.

1. Under what conditions does competition occur?
2. What is the difference between perfect competition and pure monopoly?
3. What is the goal of a company in purely competitive market structure?
4. What types of pure monopoly are considered beneficial for the state?
5. Why does the government give the utility companies exclusive rights?

12* Say if the statements are true or false. Prove your point.

1. Both perfect competition and pure monopoly have many sellers of the same product.
2. Most government monopolies tend to provide goods or services that enhance the general welfare.
3. Perfect competition exists when a single firm controls the total production or sale of a good or service.
4. Pure monopoly exists when there are many buyers and sellers, none of whom control prices.
5. The goal of any seller is to attract enough buyers to his product in order to earn a profit.
6. In a purely competitive market structure one firm is the sole producer or seller of a good or service.
7. Public utilities are the leading examples of geographic monopolies.
8. Firms and individuals apply for patents to protect their technological discoveries.

13* Complete the following sentences by choosing the one correct variant (a, b or c) that best completes the sentence.

1. The most competitive type of industry is that with _____ .
 - a. pure monopoly
 - b. perfect competition.
 - c. total production
2. Buyers must have _____ to information on the products and prices available.
 - a. easy access
 - b. demand
 - c. supply
3. Monopolies often advertise their product or service to _____ .
 - a. make a profit
 - b. control prices
 - c. promote the company's image.
4. The government gives utility companies the _____ to provide service in a specific geographic region.
 - a. copyright
 - b. exclusive right
 - c. huge income
5. _____ encourage firms to invest in the research and development of new products and production techniques. .
 - a. patent laws
 - b. buyers and sellers
 - c. consumers

Unit 4. DISCUSSION

- 14** Study the expressions in the Useful Language box which are used to express different language functions. The list of expressions in each function can be continued. Think of expressions, which can be added to each function.

Useful Language

Expressing agreement That's right. I think so too. I totally agree I quite agree with that point of view	Expressing disagreement I'm afraid I disagree. Nothing of the kind. Quite the opposite. I can't agree with that point of view.
Developing the idea There is one more thing to be noted... In this connection I'd like to add... What is more...	Giving opinions I really think... It is my belief that... In my opinion... It's everybody's opinion...
Expressing contrast Although... But... However... Despite... In spite of...	Drawing conclusions In view of all this... Summing it up... In a word... In short... On the whole...

- 15** Match the expression in the left column with synonymous expression in the right one and complete the Useful Language box with these expressions accordingly.

1. In conclusion	a. I believe that
2. On the other hand	b. More than that

3. I might as well add that	c. I agree
4. My point is that	d. To sum up
5. That's true	e. I don't agree
6. Quite the contrary	f. while I accept that

16 Read what famous people said about market. Discuss the position of the authors. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box to develop your idea and express your opinion.

1. Markets change, tastes change, so the companies and the individuals who choose to compete in those markets must change.

An Wang (1920–1989), Chinese American physicist

2. The only reason to invest in the market is because you think you know something others don't.

R. Foster Winans, American businessman

3. Advice is the only commodity on the market where the supply always exceeds the demand.

Thomas J. Peters (1942–), American management consultant

4. Supply always comes on the heels of demand.

Robert Collier, American writer, publisher

5. Always think of your customers as suppliers first. Work closely with them, so they can supply you with the information you need to supply them with the right products and services.

Susan Marthaller

17 Read what famous people said about competition. Discuss the extent to which you agree or disagree with the opinion stated below. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful language box to develop your idea and express your opinion.

1. Success by the laws of competition signifies a victory over others by obtaining the direction and profits of their work. This is the real source of all great riches.

John Ruskin (1819-1900), British critic, social theorist

2. Competition is the keen cutting edge of business, always shaving away at costs.

Henry Ford (1863-1947), American industrialist,

founder of Ford Motor Company

3. There are two kinds of people: Those who do the work and those who take the credit. Try to be in the first group because there is less competition there.

Indira Gandhi (1917-1984), Indian Prime Minister

4. Like many businessmen of genius he learned that free competition was wasteful, monopoly efficient. And so he simply set about achieving that efficient monopoly.

Mario Puzo (1920-), American novelist

5. The price which society pays for the law of competition is great; but the advantages of this law are also greater still than its cost — for it is to this law that we owe our wonderful material development, and while the law may be sometimes hard for the individual, it is best for the race, because it ensures the survival of the fittest in every department.

Andrew Carnegie (1835-1919), American industrialist

Unit 1. READING AND TRANSLATION PRACTICE

ESSENTIALS OF MARKETING

What is marketing? Marketing is the process responsible for **identifying, anticipating and satisfying** customer requirements profitably.

What is 'the marketing mix'? The marketing mix is made up of four components, sometimes called the four Ps. These are:

1. **Product:** the firm has to identify what products the consumer wants and the way existing products can be **adapted to meet consumer preferences** more successfully.

2. **Price:** a firm has to decide on its **pricing policy** for list prices, discount for bulk-buying and interest-free credit. A low price may make consumers suspicious ('cheap and nasty') or the low price may be thought of as a **bargain** ('cheap and cheerful'). If the price of the product is too high then the company may be pricing itself out of the market. If the price of the product is higher than what competitors are **charging** then it must be justified in some way, e.g. because the quality of the product is higher.

3. **Promotion:** this amounts to choosing methods that can generate sales of the product. Possibilities here include **advertising, personal selling, publicity** and other promotional work.

4. **Place:** the product has to be in the correct place – **retail outlet** – in order to capture sales. Exactly where a firm decides to sell its product will depend on the nature of the product.

Aspects to be considered in marketing a **product** include its quality, its features, style, brand name, size, packaging, services and guarantee, while **price** includes consideration of things like the basic list price, discounts, the **length** of the payment period, and possible credit terms. Place in a marketing mix includes such factors as **distribution channels**, **coverage of the market**, locations of **points of sale**, inventory size, and so on. Promotion groups together advertising, publicity, **sales promotion**, and personal selling. The next stage is to create long-term demand, perhaps by modifying particular features of the product to satisfy changes in consumer needs or market conditions. The marketing task is to manage demand effectively.

It is quite noticeable that the marketing mix differs according to the type of product that is being sold. The fact that the term 'mix' is used implies that the four Ps – product, price, promotion and place – can be combined in different ways. One important factor that **affects** the marketing mix is the position of the product in its life cycle.

The period of time over which a product appeals to customers is called the **product life cycle**. At a given point in time a product will be at a particular stage of its life cycle. The length of this product life cycle differs from product to product, e.g. the life cycle of certain items such as clothing (flared or drainpipe trousers) and pop records may be very short indeed, perhaps a matter of months, or a few years at the outside. Other products, particularly consumer durable products such as telephones and colour TVs, may have a much longer product life cycle.

Before a product is introduced it generally has to be tested on a sample of consumers. The product's introduction may be accompanied by a blaze of publicity, heavy advertising and promotional work, e.g. the **launch** of a new car typically

involves large amounts of advertising to inform the consumer of its existence and features. A lot of new cars are first introduced at a prestigious motor show.

In the introductory phase the sales of the product tend to be low and sluggish, and the price of the product may be higher than it will be at later stages in the product life cycle due to the lack of competition and because the firm is trying to get back some of the costs of developing and launching the product.

What is SWOT? SWOT stands for strengths, weaknesses, opportunities and threats. A company that believes in marketing is forward-thinking and doesn't rest on its past achievements. It uses SWOT analysis to be aware of its strengths and weaknesses as well as the opportunities and threats it faces in the market.

Consequently, marketing is the process of *developing, pricing, distributing and promoting* the goods or services that satisfy customers' needs. Marketing therefore combines *market research, new product development, distribution, advertising, promotion, product improvement*, and so on. According to this definition, marketing begins and ends with the customer. Truly successful marketing understands the customer so well that the product or service satisfies a need so perfectly that the customer is desperate to buy it. The product almost sells itself. Of course this will only happen if the product or service is better than those of competitors.

Essential Vocabulary

adapt *v* – приспособливать; (to, for) приспособливаться
(to – к чему-л.)

advertising *n* – рекламирование, реклама

affect *v* – воздействовать, влиять

anticipate *v* – предвидеть; предвосхищать, предугадывать

bargain *n* – выгодная покупка; дешево купленная вещь

bulk buying – оптовые закупки

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3 Ann

charge a price – назначить цену

cheap *adj* – дешевый, недорогой

cheap and cheerful – дешево и сердито (дешево и добротнo)

cheap and nasty – дешево да гнило (дешево и некачественно)

cheerful *adj* – радостный, веселый; живой, энергичный

coverage of the market – границы рынка

discount *n* – скидка

distribution channel – канал распределения

forward-thinking – прогрессивно мыслящий

identify *v* – распознавать

interest-free – беспроцентный

inventory *n* – инвентарь, опись товаров

lack *n* – отсутствие (чего-л.)

launch *n* – выпуск новых товаров на рынок

launch *v* – выпускать товар на рынок

length *n* – продолжительность, срок

list prices – прейскурантные цены

marketing *n* – маркетинг (комплекс мероприятий по изучению спроса и оптимальному сбыту продукции)

marketing mix – маркетинговая смесь

meet *v* – удовлетворять, соответствовать

nasty *adj* – отвратительный, неприятный, плохой, скверный

opportunity *n* – благоприятная возможность

personal selling – личная продажа, персональная продажа

point of sale – розничная торговая точка

preference *n* – предпочтение; преимущество

price *n* – цена

pricing policy – политика ценообразования, политика цен

product life cycle – жизненный цикл товара

promotion *n* – мероприятия по продвижению товара, деятельность по организации спроса и сбыта

rest on past achievements – почитать на лаврах (прошлых достижениях)

retail outlet – розничная торговая точка

sales promotion – продвижение товара, стимулирование сбыта

strength *n* – сила; сильная сторона

SWOT analysis – SWOT анализ (анализ сильных и слабых сторон компании, возможностей и угроз рынка)

threat *n* – опасность, угроза

weakness *n* – слабость, слабое место

Exercises

1* Translate the following words and word combinations or find Russian equivalents.

1. consumer's preference
2. pricing policy
3. the four Ps
4. launch
5. lack of competition
6. company's strengths and weaknesses
7. opportunities and threats of the market
8. the length of the payment period
9. point of sale
10. distribution channel

2* Translate the following sentences into Russian.

1. The promotion includes advertising, personal selling, and sales promotion.
2. The marketing of a product implies considering such aspects as its quality, features, brand name and packaging.
3. SWOT analysis is used to discover strengths and weaknesses of the company and to show opportunities and threats of the market.
4. The product life cycle is a period of time over which a product appeals to customers.
5. Place includes such factors as distribution channels, coverage of the market, and location of retail outlets.

6. When deciding on its pricing policy a firm considers list prices, discount for bulk-buying and interest-free credit.

3* Fill the gaps in the sentences below with the words and expressions from the box. There are two expressions, which you don't need to use.

distribution, demand, advertising, needs, opportunities, place, price, products, product-oriented, profitably, promotion, competitive, service, satisfy, strengths, threats, weaknesses, product

1. What is marketing? Marketing is the creative process of satisfying customer needs _____.
2. What is 'the marketing mix'? It consists of the four Ps, providing the customer with the right _____ at the right _____, presented in the most attractive way (_____) and available in the easiest way (_____).
3. What is 'a product'? A product is not just an assembled set of components: it is something customers buy to _____ a need they feel they have. The image and the design of the product are as important as its specification.
4. What is 'price'? The product must be priced so that it competes effectively with _____ products in the same market.
5. What is 'promotion'? The product is presented to customers through _____ (TV commercials, posters, etc), packaging (design, labels, etc), publicity, P.R. and personal selling.
6. What is 'place'? Your product must be available to customers through the most cost-effective channels of _____. A consumer product must be offered to customers in suitable retail shops, or available on hire purchase.

7. What is meant by 'SWOT'? A firm should be aware of its _____ and _____ and the _____ and _____ it faces in the market place.
8. Why are firms becoming more customer-oriented and less _____ ?
9. New products must be created to meet the changing patterns of customers' _____ .
10. A firm can't rely on the success of its existing range of _____. The customer and his or her needs must come first.

4* Find English equivalents for the following Russian expressions.

1. предвосхищать потребности потребителя
2. удовлетворять потребности потребителя
3. распознавать потребности потребителя
4. соответствовать предпочтениям потребителя
5. маркетинговая смесь
6. приспособить существующие товары
7. беспроцентный кредит
8. назначить цену
9. дешево и добротнo
10. дешево и некачественно

5* Translate the following sentences from Russian into English.

1. Маркетинговая смесь различается в зависимости от вида продаваемого товара.
2. Четыре «пи» – товар, цена, продвижение, место могут сочетаться различным образом.
3. Низкая цена может вызвать у потребителей подозрение.
4. Если цена товара выше, это означает, что качество товара выше.
5. Фирма обычно предоставляет скидку на оптовые закупки.

6. Выпуск нового товара на рынок обычно требует много рекламы.

Unit 2. LISTENING

MARKETING MIX IN ACTION

- 6*** Before you listen to Dialogue No 1 use Glossary to match the words below with their definitions.

1. target market	a. plan, usually annual, for a company's marketing activities, specifying expenditure and expected revenue and profits
2. market segmentation	b. possibility of going into a market for the first time
3. marketing plan	c. division of the market or consumers into certain categories according to their buying habits
4. marketing strategy	d. company's marketing activities
5. marketing opportunity	e. market in which a company is planning to sell its goods
6. marketing effort	f. strategy or planning for marketing activities

- 7** Listen to Dialogue No 1 between two speakers and answer the questions below. Then listen again and check your answers.

1. What are the speakers discussing?
2. What are the main principles of developing a marketing plan?
3. What are the main functions of marketers?

4. What is the role of customers' buying habits in the marketing plan?
5. What are the four main elements of marketing mix?

8* Complete the text using the words from the box. There are two words which you don't need to use.

marketing strategies, advantage, competitors, market segmentation, sales promotion, target market, marketing mix, submarkets, marketing programme, buying habits, marketing opportunities, consumer needs, marketing effort, long-term demand

Companies are always looking for _____(1)_____ – possibilities of filling unsatisfied needs in areas in which they are likely to enjoy a differential _____(2)_____, due to their particular competencies. Marketing opportunities are generally isolated by _____(3)_____ – dividing a market into _____(4)_____ or segments according to customers' requirements or _____(5)_____. Once a target market has been identified, a company has to decide what goods or services to offer always remembering the existence of _____(6)_____.

Marketers do not only identify _____(7)_____, they can anticipate them by developing new products. They will then have to design _____(8)_____ and plan marketing programmes, and then organize, implement, and control the _____(9)_____. Once the basic offer, for example a product concept, has been established, the company has to think about the _____(10)_____ – the set of all the various elements of a _____(11)_____, their integration, and the amount of effort that a company can expend on them in order to influence the _____(12)_____.

9* Before you listen to Dialogue No 2 match the expressions in the left column with their translation in the right one.

1. marketing concept	a. регулирование сбыта, управление маркетингом
2. marketing research	

3. marketing know-how	b. практические знания и опыт
4. marketing control	в овладении рынком
5. marketing forecast	с. стратегия в области сбыта
6. marketing policy	d. прогноз рыночной конъюнктуры
7. long-term demand	e. долговременный спрос
8. driving force	f. концепция маркетинга
	g. движущая сила
	h. маркетинговые исследования

10 Listen to Dialogue No 2 between two speakers and answer the questions below. Then listen again and check your answers.

1. What are Ellen's plans for the future?
2. What is the main idea underlying "the marketing concept"?
3. What are the main principles of marketing policy?
4. What is meant by marketing forecast?
5. Is it possible to create long-term demand?

Unit 3. READING COMPREHENSION

MARKETING MANAGEMENT STRATEGIES

Marketing management is carrying out tasks to achieve desired exchanges with target markets. What strategy should guide these marketing efforts?

There are five competing concepts under which organizations conduct their marketing activity: the production, product, selling, marketing, and societal marketing concepts.

The Production Concept

The production concept **holds** that consumers will favor products that are available and highly affordable, and therefore management should focus on improving production and

distribution efficiency. This concept is one of the oldest philosophies guiding sellers.

The production concept is a proper strategy in two types of situations. In the first, the demand for a product is bigger than the supply. In this case, management should look for ways to increase production. The second situation is one in which the product's cost is high and improved productivity is needed to **bring it down**. Today Texas Instruments (TI) follows the philosophy of increased production and lower costs in order to bring down prices. It won a major share of the American hand-calculator market with this philosophy.

The Product Concept

Another major concept guiding sellers, the product concept holds that consumers will favor products that offer the most quality, **performance**, and **features**, and therefore the organization should devote its energy to making continuous product improvements. Sometimes the product concept leads to marketing myopia. Railroad management thought that users wanted trains rather than transportation and overlooked the growing challenge of airlines, buses, trucks, and automobiles. Colleges assume that high school graduates want a liberal arts education rather than specific job skills and overlook the increasing challenge of vocational schools.

The Selling Concept

Many organizations follow the selling concept, which holds that consumers will not buy enough of the organization's products unless the organization undertakes a large selling and promotion effort. The selling concept is practiced hardest with **unsought** goods, those that buyers normally do not think of buying, such as insurance, encyclopedias, and funeral plots. These industries are good at tracking down prospects and hard-selling them on product benefits. The selling concept is also practiced in the nonprofit area. A political party will vigorously sell its candidate to the voters as being a fantastic person for the job.

The Marketing Concept

The marketing concept holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors. This concept is a relatively recent business philosophy. The marketing concept has been stated in colorful ways, such as "Find a need and fill it"; "Make what you can sell instead of trying to sell what you can make"; and "We're not satisfied until you are". J. C. Penney's motto summarizes this concept: "To do all in our power to pack the customer's dollar full of value, quality, and satisfaction".

The selling concept and the marketing concept are frequently confused.

The selling concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promoting as a means to achieve profitable sales. The marketing concept takes an outside-in perspective. It starts with a well-defined market, focuses on customer needs, coordinates all the marketing activities that affect customers, and produces profits by creating customer satisfaction. Under the marketing concept, companies produce what consumers want and, in this way, satisfy consumers and make profits.

The marketing concept is practiced more in consumer-goods companies than in industrial-goods companies and more in large companies than in small companies. Also, many companies claim they practice the concept but do not. They have the forms of marketing – such as a marketing vice-president, product managers, marketing plans, marketing research – but not the substance. Several years of hard work are needed to turn a sales-oriented company into a market-oriented company.

The Societal Marketing Concept

The societal marketing concept holds that the organization should determine the needs, wants, and interests of tar-

get markets and deliver the desired satisfactions more effectively and efficiently than competitors in a way that maintains or improves the consumer's and the society's well-being. The societal marketing concept is the newest of the five marketing management philosophies.

The societal marketing concept questions whether the pure marketing concept is adequate in an age of environmental problems, resource shortages, rapid population growth, world hunger and poverty, and neglected social services. It asks if the firm that senses, serves, and satisfies individual wants is always doing what is best for consumers and society in the long run. The pure marketing concept overlooks possible conflicts between short-run consumer wants and long-run consumer welfare.

The societal marketing concept calls upon marketers to balance three considerations in setting their marketing policies. Originally, companies based their marketing decisions largely on short-run company profit. Then they began to recognize the long-run importance of satisfying consumer wants, and this recognition introduced the marketing concept. Now they are beginning to think of society's interests when making decisions. The societal marketing concept calls for balancing all three considerations—company profits, consumer wants, and society's interests. Many companies have made large sales and profit gains by practicing the societal marketing concept.

Words and Expressions

bring down *v* — снижать(ся) (о ценах и т. п.)

call for *v* — требовать, предусматривать, нуждаться

feature *n* — особенность, характерная черта; характерная особенность

hold *v* — полагать, считать; рассматривать; придерживаться(ся) (доктрины, мнения, взгляда и т. п.)

marketing concept — концепция маркетинга

performance *n* – характеристика (работы машины и т. п.);

эксплуатационные качества

product concept – концепция совершенствования товара

production concept – концепция совершенствования производства

selling concept – концепция интенсификации продаж

societal marketing concept – концепция социально-этического маркетинга

unsought *adj* – непрощеный; незатребованный

II Answer the questions.

1. What are the main objectives of marketing management?
2. What are the five competing concepts of marketing?
3. What is the main difference between the production concept and the product concept?
4. In what areas can the selling concept be practiced?
5. Why are the selling concept and marketing concept frequently confused?
6. What does the societal marketing concept call for?

12* Say if the statements are true or false. Prove your point.

1. The production concept is a proper strategy when the demand for a product is bigger than the supply
2. Colleges assume that high school graduates need only specific job skills and overlook the increasing challenge of vocational schools.
3. The improved productivity is needed when the product's cost is high and it is necessary to bring it down.
4. Texas Instruments follows the philosophy of increased production and higher costs in order to bring down prices
5. The societal marketing concept is the newest of the five marketing management philosophies.

13* Complete the following sentences by choosing the one correct variant (a, b or c) that best completes the sentence.

1. The production concept holds that consumers will favor products _____.
 - a. that offer the most quality and performance
 - b. that are available and highly affordable
 - c. that are very comfortable
2. The marketing concept holds that achieving organizational goals depends on _____.
 - a. improving production efficiency
 - b. developing new competitive products
 - c. determining the needs and wants of target markets
3. Under the marketing concept, companies produce _____.
 - a. what consumers want
 - b. unsought goods
 - c. highly affordable goods
4. If the demand for a product in the market is bigger than the supply the companies should _____.
 - a. improve productivity
 - b. increase production
 - c. bring down prices
5. The societal marketing concept calls for _____.
 - a. increasing production and bringing down prices
 - b. balancing demand for a product and the supply
 - c. balancing company profits, consumer wants, and society's interests

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Unit 4. DISCUSSION

- 14** Study the expressions in the Useful Language box, which are used to express different language functions. The list of expressions in each function can be continued. Think of expressions, which can be added to each function.

Useful Language

Expressing agreement That's right. I think so too. I totally agree I quite agree with that point of view	Expressing disagreement I'm afraid I disagree. Nothing of the kind. Quite the opposite I can't agree with that point of view.
Developing the idea There is one more thing to be noted... In this connection I'd like to add... Another reason why... What is more...	Giving tentative advice I think you should buy... You'd better buy... Why don't you buy?.. If I were you I'd buy...
Expressing surprise It's rather surprising that... How strange (odd) that... I am very surprised that... Incredibly... Wasn't it strange that...	Drawing conclusions In view of all this... Summing it up... In a word... In short... On the whole...

15* Match the expression in the left column with synonymous expression in the right one and complete the Useful Language box with these expressions accordingly.

1. In conclusion...	a. Why not go...
2. It's rather amazing that...	b. More than that...
3. I might as well add that...	c. I agree,
4. I'd advise you to go	d. To sum up...
5. That's true,	e. I don't agree.
6. Quite the contrary,	f. How astonishing that...

16 Read what famous people said about marketing. Discuss the position of the authors. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box to develop your idea and express your opinion.

1. If you don't believe in your product, or if you're not **consistent** and regular in the way you promote it, the **odds** of succeeding go way down. The primary function of the marketing plan is to ensure that you have the resources and the **wherewithal** to do what it takes to make your product work.

Jay Levinson, American advertising expert

2. The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself.

Peter F. Drucker, American management consultant

3. In order to sell a product or a service, a company must establish a relationship with the consumer. It must build trust and **rapport**. It must understand the customer's needs, and it must provide a product that delivers the promised benefits.

Nicholas Dewolf, American businessman

17 Read what famous people said about product development. Discuss the extent to which you agree or disagree with the opinion stated below. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box to develop your idea and express your opinion.

1. When the product is right, you don't have to be a great marketer.

Lee Iacocca (1924–), American businessman

2. You can **hype** a questionable product for a little while, but you'll never build an **enduring** business.

Victor Kiam, American businessman

3. Only as long as a company can produce a desired, worthwhile, and needed product or service, and can command the public, will it receive the public dollar and succeed.

Curtis Carlson, American businessman

Notes to Quotations

consistent *adj* – последовательный

odds *n pl* – шансы, возможности

wherewithal *n* – необходимые средства, деньги

rapprochement *n* – взаимопонимание, контакт

hype *v* – крикливо рекламировать; заниматься очковтирательством

enduring – прочный; стойкий

Unit 1. READING AND TRANSLATION PRACTICE

PRICING POLICY

Price is a very important weapon that can be used to persuade consumers to buy. Price is one of many factors that determine the demand for a product.

How firms **set the price** of their goods and services is a complicated issue. A number of factors will affect the price a firm sets for its product, including such things as the cost of producing the product, the rival firms' prices, the type of product and the desired market share of the company.

Pricing Methods

The most common **pricing methods** adopted by firms are:

1. **Cost-plus pricing** is a very simple pricing method and is perhaps the most common. A firm may calculate its **average costs** of producing a product and then simply add a profit 'mark-up', say 10%, on to average costs. This mark-up could be changed to **allow for** the effects of competition and economic conditions, e.g. where there is a lot of competition this mark-up may be lowered or when business is good the mark-up could be raised.

2. **Marginal-cost pricing** differs from the above in that the firm looks not at its average costs but at marginal costs, i.e. the firm calculates the **additional cost** of producing the

next unit or set of units of output and the firm charges a price (plus a 'mark-up') according to the marginal cost. A typical example is found in the shoe repair business. There appear to be no standard prices for repairing shoes. What tends to happen is that the cobbler examines the shoes and makes a quick estimate of how much material and time it will take to repair them. Larger shoes, those made of leather and those in greater disrepair have a higher marginal cost and therefore a higher price is charged for their repair.

3. Price discrimination: several firms are able to charge different prices for a similar product. This is known as price discrimination. British Rail (BR), for example, charges different consumers such as businessmen and women, children, senior citizens and students different prices and also charges different prices according to the time of the journey, e.g. peak, off-peak, weekly and weekend. British Telephones (BT) price discriminates according to the time of day, week and distance of the call. The price charged to the consumer is made up of two elements: a fixed charge or quarterly rental, which is designed to cover BT's fixed costs, and a variable charge related to the use of the phone. The ability of a firm to price discriminates on whether it can split or segment its market. In the case of BT and BR this is quite straightforward. Other industries and firms also price discriminate, e.g. the breweries charge different prices in the different regions of the country, cinemas offer cheap tickets for afternoon and late shows, and the Electricity Boards operate an Economy 7 system where consumers pay less for nighttime electricity.

Pricing Strategies

In addition to adopting particular pricing method, a firm can also follow a number of pricing strategies or tactics. The more common of these include:

Penetration pricing is a tactic adopted by a company when it is first entering (or penetrating) a market and is trying to establish a market share. It tends to be used where

there is very little or no consumer 'brand loyalty' and the demand for the goods is price elastic.

Skimming price is where a firm charges a high price for a product in order to 'skim' the 'top end' of the market. It is most likely to be found where the product is new and consumers have not had a chance to establish a 'price plateau'. This refers to the price that consumers expect to pay for a product, e.g. would anybody expect to pay 40p for a standard size Mars bar? Clearly this would be above the price plateau. When products are new, a price plateau has not had the chance to be established and some consumers are willing to pay a high price to buy the new product because of its novelty value.

Loss leader pricing is when firms offer prices below the cost of producing the item (hence making a loss) in order to encourage the sale of the products. Supermarkets frequently adopt this tactic to encourage people into the stores so that once inside they may buy additional items on impulse.

Limit-pricing occurs when a firm, which normally has a large market share, drops the price of its product to limit or **deter** the entry of other new competitors. The success of this strategy depends on the size of the price drop, the potential profits to be gained by new firms, and the determination of other firms to enter the industry.

Predatory pricing typically occurs when a firm holds the price of its product below those of its rivals for long periods of time in the hope of **driving** them out of the industry and establishing a monopoly position.

Dumping pricing happens when a firm 'dumps' its goods into a market at below the cost of producing them in the hope that it can establish a foothold in the market. Once a market has been established the price of the product may rise to those of competitor firms.

Competitive pricing is when the firm prices its product in line with those of its competitors. There is little price variation between the types of goods being sold. In this situation there may be a substantial amount of 'non-price' competition, e.g. on packaging and design of the product.

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Essential Vocabulary

- additional cost** – дополнительная стоимость
- allow for** *v* – предусматривать; учитывать; принимать во внимание
- average cost** – средняя стоимость
- brand loyalty** – приверженность потребителя к данной марке товара
- charge a price** – назначить цену
- competitive pricing** – конкурентное ценообразование
- cost-plus pricing** – ценообразование по принципу «затраты плюс прибыль»
- deter** – удерживать, не допускать
- drive out** – вытеснять
- dumping pricing** – демпинговые цены
- establish a market share** – завоевывать место на рынке
- estimate** *v* – оценивать, устанавливать цену
- limit-pricing** – ограничение цен, введение предельной цены
- loss leader pricing** – тактика занижения цены
- make an estimate** – производить оценку, составлять смету
- marginal costs** – предельные издержки производства, предельно высокая себестоимость
- marginal-cost pricing** – ценообразование на основе предельно высоких затрат
- mark-up** – наценка
- non-price** – неценовой
- non-price competition** – неценовая конкуренция
- penetration pricing** – тактика входящей цены
- predatory pricing** – хищническое ценообразование
- price discrimination** – разброс цен, ценовая дискриминация
- price plateau** – соотношение цен
- pricing** – ценообразование
- pricing method** – метод ценообразования
- pricing policy** – политика ценообразования, политика цен
- set the price** – устанавливать цены

skim the top end – «снять пенку» на максимальной точке
skimming price – ценообразование по методу снятия сливок
standard price – единая цена

Exercises

1* Translate the following word combinations or find Russian equivalents.

1. the cost of producing the product
2. the rival firms prices
3. the desired market share of the company
4. pricing strategy
5. to establish a 'price plateau'
6. to establish a monopoly position
7. penetration pricing
8. the size of the price drop
9. price variation
10. to hold the price

2* Translate the following sentences into Russian.

1. A number of factors will affect the price a firm sets for its product, including such things as the cost of producing the product, the rival firms prices, the type of product and the desired market share of the company.
2. Penetration pricing is a tactic adopted by a company when it is first entering a market and is trying to establish a market share.
3. Skimming price is where a firm charges a high price for a product in order to 'skim' the 'top end' of the market when the product is new and consumers have not had a chance to establish a 'price plateau'.

4. Loss leader pricing is when firms offer prices below the cost of producing the item (hence making a loss) in order to encourage the sale of the products.
5. Limit-pricing occurs when a firm drops the price of its product to limit or deter the entry of other new competitors.
6. Dumping pricing happens when a firm 'dumps' its goods into a market at below the cost of producing them in the hope that it can establish a foothold in the market.
7. Once a market has been established the price of the product may rise to those of competitor firms.
8. The profit mark-up could be changed to allow for the effects of competition and economic conditions.

3* Fill the gaps in the sentences below with the words and expressions from the box. There are two expressions, which you don't need to use.

price discrimination, dumping pricing, loss leader pricing, skimming price, cost-plus pricing, price plateau, penetration pricing, limit-pricing, demand, competitive pricing, predatory pricing, marginal-cost pricing

1. Price is one of many factors that determine the _____ for a product.
2. _____ is a very simple pricing method when a firm calculates its average costs of producing a product and then simply adds a profit 'mark-up', say 10%, on to average costs.
3. When a firm calculates the additional cost of producing the next unit and charges a price according to the marginal cost we can speak of _____.
4. When several firms charge different prices for a similar product we can speak of _____.

5. _____ is a tactic adopted by a company when it is first entering a market and is trying to establish a market share.
6. _____ is where a firm charges a high price for a product in order to 'skim' the 'top end' of the market.
7. When products are new, a _____ has not yet been established and some consumers are willing to pay a high price for their novelty value.
8. _____ is when firms offer prices below the cost of producing the item in order to encourage the sale of the products.
9. When a firm drops the price of its product to limit or deter the entry of other new competitors we call it _____.
10. When the firm prices its products in line with those of its competitors and there is little price variation between the types of goods being sold we can speak of _____.

4* Find English equivalents for the following Russian expressions.

1. средняя стоимость
2. предельные издержки производства
3. методы ценообразования
4. разброс цен
5. дополнительная стоимость
6. назначить цену
7. завоевать место на рынке
8. неценовая конкуренция
9. конкурентное ценообразование
10. производить оценку, смету

5* Translate the following sentences from Russian into English.

1. В супермаркетах часто применяется тактика занижения цены для привлечения покупателей в магазины
2. Фирма подсчитывает среднюю стоимость производства товара и затем просто добавляет наценку на прибыль.
3. Иногда фирмы устанавливают разные цены на сходные товары. Это называется разбросом цен.
4. Когда товары новые, некоторые потребители готовы платить высокую цену только из-за их новизны.
5. Существует небольшое ценовое различие между различными типами продаваемых товаров при конкурентном ценообразовании.
6. Успех неценовой конкуренции зависит от упаковки и оформления товара.
7. Когда компания пытается завоевать место на рынке, она использует тактику входящей цены.
8. Цена является одним из многих факторов, которые определяют спрос на товар.

Unit 2. LISTENING

PRICING STRATEGY AND COSTING

6* Before you listen to Dialogue No 1 use Glossary to match the words below with their definitions.

1. demand curve	a. the price wholesalers and distributors pay to the producer for goods
2. inelastic demand	
3. discount	b. the difference in price between what retailers pay for a product and what they sell the product at
4. factory gate price	
5. penetration strategy	
6. price war	
7. retail margin	

- 8. selling costs
- 9. break even
- 10. unit price

- c. a situation when sales are not affected much by price rises
- d. a period during which several competitors aggressively lower their prices in an effort to build up market share
- e. reduction of price in return for bulk sales or to a favoured customer
- f. to balance costs and receipts and reach level of production when sales begin to exceed the investment
- g. a pricing strategy based on low pricing and low unit profits
- h. the line on a graph which shows the relationship between prices and consumer demand
- i. the price for one item
- j. the costs involved in distributing, promoting and selling a product

7 Listen to Dialogue No 1 between two speakers and answer the questions below. Then listen again and check your answers.

- 1. What is the main topic of the conversation?
- 2. Why did the company fix such a high factory gate price?
- 3. What is the relation between retail margin and factory gate price?

4. How many items does the distributor intend to purchase?
5. What discount was offered by the producer?

8* Complete the dialogue using the words from the box. There are two expressions which you don't need to use.

production costs, price war, factory gate price, break even, demand curve, unit price, recommended retail price, price plateau, penetration strategy, market share

JAMES: Do you know that the Japanese computer games company SAWA is planning to launch a new game called Eagle?

RICHARD: That's interesting and what will be the _____ (1) _____ ?

JAMES: You know strange as it may seem the development of the game has taken two years but the company expects the product to _____ (2) _____ within one year.

RICHARD: Is that feasible?

JAMES: Well, first the _____ (3) _____ are low as the labour input in this sector is relatively small, second SAWA intends to conduct a competitive pricing policy with _____ (4) _____. That means that the _____ (5) _____ is expected to be round \$55, with the _____ (6) _____ being around 33% of that.

RICHARD: I see, such a low price may have the effect of creating a _____ (7) _____ in the computer games market.

JAMES: As far as I can judge aggressive pricing is a new policy for SAWA, as the company aims to increase its _____ (8) _____ in the lower end of the games market.

RICHARD: Well, keep me informed of the news about Eagle.

9* Before you listen to Dialogue No 2 use Glossary to choose the best definition for each of the expressions below.

1. cost of production

- a. selling price for a finished product
- b. all expenses for raw materials, heating, lighting, electricity, etc.
- c. all costs involved in making a product ready for distribution and sale

2. cost of sales

- a. total costs involved in making a product or service, distributing it and selling it
- b. cost of selling a product in salaries, commissions, etc.
- c. the price of a product when it is sold

3. selling costs

- a. the total money raised selling a product or service
- b. the costs involved in distributing, promoting and selling a product
- c. the salaries and other expenses paid to the sales representatives

4. fixed costs

- a. prices established by the government
- b. costs which are decided by the management of a manufacturing company, not by suppliers or retailers
- c. costs which do not depend on quantity of production, e.g. heating, lighting, rent

5. variable costs

- a. costs which change according to the quantity of production, such as raw materials, components, overtime pay, etc.
- b. costs which are difficult to estimate as they may suddenly change because of changes in the market, such as competitors' pricing
- c. costs which change according to the time of the year, e.g. warm clothes for winter, or summer fashions

6. overheads

- a. regular costs associated with the day-to-day running of a company
- b. additional expenses because of a higher than expected demand for products
- c. extra costs above what was planned in the costs budget

7. unit cost

- a. the costs associated with all production of all products
- b. the cost involved in making one single example of a product
- c. the total costs for any one part of a factory producing one type of product

8. cost of labour

- a. cost of all work involved in making a product or service ready for sale
- b. cost of manual workers employed by a company
- c. cost of industrial action by employees

10* Listen to Dialogue No 2 between two speakers and say if the statements below are true or false. Then listen again and check your answers.

1. Production costs are the expenses a manufacturer has to pay for labour.
2. The amount of money necessary to produce one individual example of a product is the unit cost.
3. Variable costs do not depend on the changes in the output of production.
4. The day-to-day costs of running a business are called overheads.
5. Fixed costs are usually associated with cost of labour and cost of sales.

Unit 3. READING COMPREHENSION

DEMAND, SUPPLY AND MARKET EQUILIBRIUM

Price in a market is determined by supply and demand forces.

The needs of producers and consumers are best met at a point called the **market equilibrium**. Market equilibrium occurs when the supply and demand for a product are equal and the prices charged for the product are relatively stable. The market equilibrium is established by combining the **supply and demand curves** for a product on the same **graph**. The point at which these two curves **intersect** is called the equilibrium point.

The demand for a product is the amount of a good that people are willing to buy over a given time period at a particular price. For most goods and services the amount that consumers wish to buy will increase as price falls.

The desired demand is the information showing the amount of the product that consumers are willing to buy at different prices – not what they actually do buy. The demand for a product is not only influenced by price. An individual may be influenced by factors such as personal tastes, the size of income, advertising and the cost and **availability of credit**. The total market demand will be affected by the size and age distribution of the population and government policy.

States of Demand

Marketing managers might face any of the following states of demand.

Negative demand. Marketers must analyse why the market dislikes the product, and whether product redesign, lower prices, or more positive promotion can change the consumer attitudes.

No demand. Target consumers may be uninterested in the product. The marketer must find ways to connect the product's benefits with the market's needs and interests.

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Latent demand. Consumers have a want that is not satisfied by any existing product or service. The marketing task is to measure the size of the potential market and develop effective goods and services that will satisfy the demand.

Falling demand. Sooner or later, every organization faces falling demand for one of its products. The marketer must find the causes of market decline and restimulate demand by finding new markets, changing product features, or creating more effective communications.

Irregular demand. Demand varies on a seasonal, daily, or even hourly basis, causing problems of idle or overworked capacity. Marketers must find ways to change the time pattern of demand through flexible pricing, promotion, and other incentives.

Full demand. The organization has just the amount of demand it wants and can handle. The marketer works to maintain the current level of demand in the face of changing consumer preferences and increasing competition. The organization maintains quality and continually measures consumer satisfaction to make sure it is doing good job.

Overfull demand. Demand is higher than the company can or wants to handle. The marketing task, called demarketing is to find ways to reduce the demand temporarily or permanently. Demarketing involves such actions as raising prices and reducing promotion and service. Demarketing does not aim to destroy demand, but only to reduce it.

Demand is concerned with the buying side of the market. Supply is concerned with the firm's or producer's side of the market. Unlike demand, the quantity supplied of a good will increase as price rises.

Production decisions are affected by the costs of production and productivity. In figuring the costs of production, business owners are concerned with fixed costs and marginal costs.

Supply

The supply of a product is not only influenced by price.

Supply will be affected by anything that helps or **hinders** production or **alters** the costs of production.

The prices of goods and services are continually changing and so is the amount that is bought and sold. In winter the price of tomatoes tends to be a lot higher than in the summer and fewer tomatoes are bought in the winter. Similarly, the price of turkey tends to increase at Christmas and so too does the number of turkeys bought. These changes can be explained by an increase in demand. To show the effect of an increase in demand on the market equilibrium consider what happens if there is a successful advertising campaign which increases demand by 20 units per week at each and every price.

Changes in the market equilibrium can also come about as a result of a decrease in demand, an increase in supply or a decrease in supply.

Changes in the costs of production can affect the supply of goods. Producers must pay the cost of production, which may change over time.

Production Costs

Production costs are generally divided into fixed costs, variable costs, and total costs. Producers also calculate the average total costs and marginal costs of production. Analyzing these costs of production helps producers determine production goals and **profit margins**.

Fixed costs. The costs that producers incur whether they produce nothing, very little, or large quantities are their **fixed costs**. Total fixed costs are called **overhead**. Fixed costs include interest payments on loans and bonds, **insurance premiums**, local and state **property taxes**, rent payments, and executive salaries. The significance of fixed costs is that they do not change as output changes.

Variable costs. The costs that change with changes in output are variable costs. Unlike fixed costs, which are usually associated with such capital goods as machinery, salaries, and rent, variable costs are usually associated with labor and raw

materials. Variable costs reflect the costs of items that businesses can control or alter in the short run.

Total costs and average total costs. The sum of fixed and variable costs of production is the total costs. At zero output, a firm's total costs are equal to its fixed costs. Then as production increases, so do the total costs as the increasing variable costs are added to the fixed costs.

Producers are equally concerned with their per unit production costs. The average total costs of production are the sum of the average fixed costs and the average variable costs. Each of these average costs is calculated by dividing the cost by the total units produced.

Marginal costs. One final measure of costs is marginal costs, i. e. extra costs incurred by producing one more unit of output. Marginal costs are an increase in variable costs because fixed costs do not change. Marginal costs allow the business to determine the profitability of increasing or decreasing production by a few units.

Many economic factors affect the supply of a product. The major influence, however, is price because the quantity of a product offered for sale varies with its price. Profit is the key consideration when producers determine a supply schedule.

Words and Expressions

alter *v* – изменять(ся); менять(ся); видоизменять

availability of credit – размер кредита, разрешенного к получению

curve *n* – кривая (линия); дуга

demand curve – кривая спроса

falling demand – понижающийся спрос

fixed costs – фиксированные расходы

full demand – полноценный спрос

graph *n* – график, диаграмма

hinder *v* – задерживать, затруднять, мешать, препятствовать

incur costs – нести издержки
 insurance premium – страховые взносы
 intersect *v* – пересекаться; перекрещиваться
 irregular demand – неравномерный спрос
 latent demand – скрытый спрос
 marginal costs – предельно высокая себестоимость
 market equilibrium – равновесие рынка
 negative demand – отрицательный спрос
 overfull demand – завышенный спрос
 overhead costs – накладные расходы
 profit margin – размер прибыли
 property tax – налог на доход с недвижимого имущества
 short run – короткий период времени
 supply curve – кривая предложения
 supply schedule – схема/график предложения
 total costs – валовые/суммарные издержки
 variable costs – переменные издержки на единицу про-
 дукции

II Answer the questions.

1. What is market equilibrium?
2. What factors determine demand?
3. What measures should be taken in the case of falling demand?
4. What is the difference between full demand and overfull demand?
5. What brings about changes in the market equilibrium?
6. What is the difference between fixed costs and variable costs?
7. What is the relation between the price and the supply?

12* Decide whether the statements are true or false.

1. Market equilibrium occurs when the supply and demand for a product are equal.

B* C
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 t

1.

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2. For most goods and services the demand will increase as price increases.
3. The demand for a product is influenced only by price.
4. The task of demarketing is to find ways to reduce the demand temporarily or permanently.
5. Supply is concerned with the firm's or producer's side of the market.
6. The quantity supplied of a good will increase as price falls.
7. The supply of goods is not affected by changes in the costs of production.
8. Variable costs are usually associated with interest payments and state property taxes.
9. The sum of fixed and variable costs of production is called the total costs.
10. Price is the major factor influencing the supply of a product.

13* Complete the following sentences by choosing the one correct variant (a, b or c) that best completes the sentence.

1. Price in a market is determined by _____.
 - a. the number of consumers
 - b. supply and demand forces
 - c. government policy
2. Market equilibrium occurs when _____.
 - a. demand is higher than supply
 - b. demand is lower than supply
 - c. the supply and demand for a product are equal
3. The desired demand is the information showing the amount of the product that _____.
 - a. consumers are willing to buy at different prices
 - b. consumers actually buy at a particular price
 - c. consumers are hesitating to buy

4. Demand is concerned with _____ .
- producer's side of the market
 - the buying side of the market
 - production decisions
5. The average total costs of production are _____ .
- the sum of the average fixed costs and the marginal costs
 - the sum of the average variable costs and the marginal costs
 - the sum of the average fixed costs and the average variable costs

Unit 4. DISCUSSION

- 14*** Read the following text and pick out the expressions in bold type to fill in the Useful Language box below, containing six sections for six language functions.

ROBOTICS AND TECHNOLOGICAL CHANGE

American Robot is one of the leading manufacturers of robots in the United States, founded by Romesh Wadhvani in the early 1980s. American Robot employed only 25 workers in 1982. **Five years later** the young company's work force had grown to 250, and **in spite of** severe competition its sales had increased from \$3 million to \$20 million.

Wadhvani, an immigrant born in Bombay, India, assessed the potential market for robotics in the US. **At that time** the competition was strong as there existed many robotic companies, most of them Japanese firms. **However**, relatively few industrial contracts were available.

Meanwhile Wadhvani also recognized that American Robot would have to overcome two obstacles to succeed in this highly competitive market. **First**, the company had to secure enough capital **because** it needed to finance an aggressive

marketing campaign. **Second**, the company needed to finance the research and development of a product so that it could be distinguishable from and superior to existing robots on the market.

In the first place Wadhwani secured financial backing from corporate giants such as Ford and BMW (Bavarian Motor Works). The money invested in these firms is called venture capital. Large companies often take a risk in promising new business in order to benefit directly from the technological breakthroughs made by the new company as the investors expect a high return of the investment in return for their money.

The next year the major attraction of American Robot a "second-phase" robotic system came into the market. Second-phased robotics is a computer-integrated manufacturing (CIM) system, what is more it involves the total automation of a factory, including administrative tasks.

By the mid-1980s American Robot's CIM system, dubbed Merlin, has captured the imagination of major businesses worldwide. To begin with Merlins were the only American robots being marketed in Japan. In addition major European automotive producers, such as Volkswagen and BMW, were using Merlin to monitor different aspects of auto production. Finally Merlins were being used by 40 of the world's top 100 corporations.

Useful Language

Expressing time 1. _____ 2. At that time 3. _____ 4. _____ 5. _____	Introducing points 1. _____ 2. _____ 3. In the first place 4. _____ 5. _____
Developing the idea 1. what is more 2. _____	Expressing contrast 1. _____ 2. however
Expressing purpose 1. _____ 2. so that + could	Expressing reason 1. because 2. _____

15 Read what famous people said about price. Make up a story to confirm or to deny the statements made in the quotations below. Use the expressions from the Useful language box.

1. Anybody can cut prices, but it takes brains to produce a better article.

P. D. Armour

2. People want economy and they'll pay almost any price to get it.

Lee Iacocca (1924-), American businessman

3. Cheat me in the price, but not in the goods.

English Proverb

4. Quality is remembered long after the price is forgotten.

Gucci Family Slogan

16 Read what famous people said about demand and supply. Make up a story to confirm or to deny the statements made in the quotations below. Use the expressions from the Useful Language box.

1. Supply always comes on the heels of demand.

Robert Collier, American writer, publisher

2. Look through your customer's eyes. Are you the solution provider or part of the problem?

Marlene Blaszczyk

3. Everything starts with the customer.

Louis V. Gerstner Jr., American business executive

4. A satisfied customer is the best business strategy of all.

Michael LeBoeuf, American Researcher

Unit 1. READING AND TRANSLATION PRACTICE

GOALS OF ADVERTISING

The general goal of advertising is to **increase sales**, either immediately or in the future, and to do so profitably. Hence the function of advertising is to inform customers of goods or services and influence people's behaviour.

Goals of advertising are not limited to trying to influence customers; the process of motivating employees and distributors may be fully as important. The **impact** of company advertising on its employees and particularly its **sales force** is not always recognized, but can be a very positive effect as they can see that the company is supporting their efforts, and this generally makes their selling job easier.

So, if **advertising efforts** are to be effectively planned, directed, and evaluated, more specific goals should be established, such as:

- **Build morale** of a company sales force.
- **Announce** a special reason for "buying now" (e.g., reduced prices, premiums, limited quantities).
- **Reach** people inaccessible to salespeople, such as top business executives and professional people.
- **Enter** a new geographic market or attract a new group of customers.

- **Build familiarity and easy recognition of package or trademark.**
- **Correct false impressions, misinformation, and other obstacles to sales.**
- **Introduce a new product or a new price schedule.**
- **Build goodwill for the company and improve its reputation.**
- **Place the advertiser in a position to select preferred distributors or dealers.**

Advertising can be classified into two broad categories: **informative** and **persuasive**. Typically any advert contains elements of both. When a product is first **launched**, sales are low because very few customers are aware that it exists. The role of advertising here may be to inform the public of the product's existence and its particular uses. The same applies when the product has been modified or improved. In some cases, e.g. new cars or scientific calculators, the nature of the product may be such that a large amount of technical information has to be supplied and advertising again may have to be informative. Advertising that informs and educates consumers gives them greater choice in their selection of goods and services. It can be seen as a form of competition between firms and may encourage manufacturers to improve their products to the benefit of the consumer.

Persuasive advertising, as its name implies, is used to try and persuade a consumer to buy a particular product. Such advertising is subjective and contains many statements of opinion rather than fact, e.g. "Carlsberg – the best lager in the world". Persuasive advertising is normally associated with consumer products and is used heavily where differences between products are minor, e.g. toothpaste, baked beans, soap powder, washing liquids and lager. Persuasive advertising has been criticized but nevertheless by 1982, about \$60 billion a year was being spent for this kind of advertising in the United States. One of the main **drawbacks** of persuasive advertising is that it emphasizes the advantages of a product and attempts to make those who do not use

the product feel as if they are missing out. It plays on jealousy, envy and 'keeping up with the Joneses'.

There are a number of regulations that control the content of advertisements and firms are required to follow **the British Code of Advertising Practice**. Some important extracts from this code are:

1. All advertisements should be **legal, decent, honest and truthful**.

2. All advertisements should be prepared with a **sense of responsibility** to the consumer.

3. All advertisements should **conform to the principles of fair competition** as generally accepted in business.

4. No advertisement should bring advertising into **disrepute** or reduce confidence in advertising as a service to industry and to the public.

The major management problems having to do with advertising are how much money to spend, how to **allocate** it, how to **schedule** the advertising, and how to measure its effectiveness.

Once the firm has decided on **running the advertising campaign** it must then **decide on the message, the mass media and the receiver**. All these factors will be linked. It could be that the receiver – the so-called **target audience** – will determine the message and the media. If, for example, the product is a children's toy, the advert should be placed on television at particular times of the day.

In designing the message the advertiser will need to consider the following:

1. **The content of the message:** this will depend on the type of product and the market in which it is to be sold.

2. **Who is the receiver?** The message may be directed at a particular group of the population, in which case it may have to be delivered in a particular way using a certain media.

3. **The person used to send the message:** very often large firms use celebrities that they think are appropriate for the product.

4. **The timing and number of messages:** an advertiser has a choice between two approaches to an advertising campaign. It

can be extensive, where the object is to reach as wide an audience as possible using different media. On the other hand, it can be intensive, where the object is to reach a particular group repeatedly (e.g. products such as lager, coffee, washing powder and toilet rolls are advertised intensively on television).

Having decided on the message, the advertiser then has to choose the most **cost-effective** medium (or media). This means choosing the medium that delivers the message to the right (and largest) audience at the lowest possible cost. Examples of the media available are: commercial television, independent local radio, newspapers, magazines, billboards, buses, trains and bus shelters. For a firm advertising an industrial product the choice may be limited to exhibitions, specialist magazines and **direct mail**.

Essential Vocabulary

advertising efforts – рекламная деятельность

allocate *v* – распределять средства

be aware of – знать, сознавать, быть осведомленным

British Code of Advertising Practice – Британский свод правил, регулирующий рекламную деятельность

build familiarity – создавать осведомленность

build morale – укрепить боевой дух

conform to *v* – соответствовать чему-л.

cost-effective *adj* – доходный, прибыльный, рентабельный

decent *adj* – приличный, благопристойный

decide on *v* – выбрать

direct mail – почтовая реклама

disrepute *n* – дурная слава; плохая, сомнительная репутация

drawback *n* – недостаток

goal *n* – задача, цель

goodwill *n* – доброжелательность

impact *n* – сильное воздействие; влияние

increase sales – увеличить объем продаж

informative *adj* – информативный

keep up with the Joneses – быть не хуже других людей
launch *v* – выпускать (товар) на рынок
legal *adj* – законный; легальный
mass media – средства массовой информации
medium *n sing (pl media)* – средство, метод
message *n* – рекламное сообщение
miss out *v* – упустить
persuasive *adj* – увещательный, убеждающий
place in a position to do smth – дать возможность делать что-л.
price schedule – шкала цен
recognition *n* – узнавание
run the advertising campaign – проводить рекламную кампанию
sales force – продавцы
schedule *v* – составлять график, планировать
sense of responsibility – чувство ответственности
target audience – целевая аудитория
trademark *n* – торговая марка

Exercises

1* Translate the following words and word combinations or find Russian equivalents.

1. to establish goals
2. to select distributors
3. selection of goods and services
4. to build goodwill
5. to the benefit of the consumer
6. to bring advertising into disrepute
7. in designing the message
8. content of the advertisement
9. approach to an advertising campaign
10. fair competition
11. to keep up with the Joneses

- 12. extensive advertising
- 13. intensive advertising
- 14. celebrity
- 15. to correct misinformation

2* Translate the following sentences into Russian.

1. The function of advertising is to build morale of a company sales force.
2. Having decided on the message, the advertiser then has to choose the most cost-effective medium.
3. Once the firm has decided on running the advertising campaign, it must then decide on the message, the mass media and the receiver.
4. In designing the message the advertiser must consider such questions as what type of product is being offered, which market is it entering and who is the target customer.
5. All advertisements should conform to the principles of fair competition as generally accepted in business.
6. Persuasive advertising attempts to make those who do not use the product feel as if they are missing out.
7. For a firm advertising an industrial product the choice of mass media may be limited to exhibitions, special magazines and direct mail.

3* Fill the gaps in the sentences below with the words and expressions from the box. There are two expressions, which you don't need to use.

launched, persuasive advertising, increase sales, target consumer, easy recognition, mass media, influence, sense of responsibility, informative advertising

1. The general goal of advertising is to _____, either immediately or in the future, and to do so profitably.

- 2. The function of advertising is to inform customers of goods or services and to _____ people's behaviour.
- 3. The advertising is intended to build familiarity and _____ of package or trademark.
- 4. When a product is first _____, sales are low because very few customers are aware that it exists.
- 5. The role of _____ is to inform the public of the product's existence and its particular uses.
- 6. _____, as its name implies, is used to try and persuade a consumer to buy a particular product.
- 7. All advertisements should be prepared with a _____ to the consumer.

4* Find English equivalents for the following Russian expressions.

- 1. цели рекламы
- 2. увеличить объем продаж
- 3. влиять на поведение людей
- 4. информирующая реклама
- 5. убеждающая реклама
- 6. главный недостаток
- 7. проводить рекламную кампанию
- 8. так называемая целевая аудитория
- 9. уменьшать доверие к рекламе
- 10. выпускать новый товар на рынок
- 11. шкала цен
- 12. экономически эффективная рекламная кампания

5* Translate the following sentences from Russian into English.

- 1. Роль рекламы состоит в том, чтобы информировать людей о существовании товара и об особенностях его использования.
- 2. Основная цель рекламы – повысить объем продаж.

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3. Цели рекламы также включают завоевание новых рынков и привлечение новых групп потребителей.
4. Убеждающая реклама играет на ревности, зависти и желании быть не хуже других.
5. Убеждающая реклама обычно ассоциируется с потребительскими товарами и используется там, где различия между товарами незначительны.
6. Содержание рекламного сообщения зависит от типа товара и рынка, на котором товар должен продаваться.

Unit 2. LISTENING

RUNNING AN ADVERTISING CAMPAIGN

- 6*** Before you listen to Dialogue No 1 match each word on the left with a word on the right to create a phrase connected with advertising.

1. advertising	a. the advertising campaign
2. target	b. mix
3. to run	c. advertisements
4. promotional	d. customer
5. television	e. advertising
6. newspaper	f. mail
7. street	g. commercials
8. direct	h. efforts

- 7** Listen to Dialogue No 1 between two speakers and answer the questions below. Then listen again and check your answers.

1. What are the speakers discussing?
2. Why is the first speaker so worried about the new advertising campaign?
3. What is the purpose of this new advertising campaign?

4. What combination of media is planned by the company in the advertising mix?
5. What advantages of direct mail were mentioned by the first speaker?
6. How many customers will be informed by direct mail shot?

8* Complete the dialogue using the words from the box. There are two words which you don't need to use.

pays off, evaluative, competitive, persuade, media, influence, success, attention, sales, effectiveness, direct mail, flexibility

KATE: Good morning. I am studying the problems of advertising. May be you could give me some information on this problem.

HELEN: Good morning. Well, to begin with, a firm has to ask itself a number of important questions in relation to advertising: How much should the company spend on advertising? What combination of _____(1)_____ will work best? What effect does advertising have on the company's sales?

KATE: To my mind, to answer these questions the company should use some methods of measuring the _____(2)_____ of advertising.

HELEN: You see, most of the methods focus not on _____(3)_____ changes but on how well the communication is remembered, recognized, or recalled.

KATE: But why? Do these methods really can measure to what extent the advertising really _____(4)_____?

HELEN: No, they can't, because many factors besides advertising _____(5)_____ sales success. Advertising has some impact on a product's sales but the exact effect is uncertain.

KATE: Then what information is given by these methods?

HELEN: At present most _____ (6) _____ methods simply tell which ad is the best among those being appraised.

KATE: But if I am not mistaken, even though one ad may be found to be more memorable or to create more _____ (7) _____ than another, that fact alone gives no assurance of relationship to sales _____ (8) _____.

HELEN: That's right.

KATE: Then why should the company advertise?

HELEN: Without advertising to inform the public of its product, the company will have a difficult time winning brand recognition and brand acceptance. Without advertising it will probably be difficult to _____ (9) _____ dealers to carry the firm's product, especially if _____ (10) _____ brands are well known.

KATE: I see. Thank you very much indeed.

HELEN: You are welcome.

9* Before you listen to Dialogue No 2 match the expressions in the left column with their translation in the right one.

1. product life cycle	a. ассортимент письменных столов
2. to sell well	b. игровая (дразнящая) рекламная кампания
3. old 'steady'	c. кампания рассылки материалов по почте
4. to run for years	d. лозунг, девиз, рекламная формула
5. slogan	e. выпускать новый товар на рынок
6. desk range	f. что-л. старое, верное/устоявшееся
7. we are all for keeping it	g. жизненный цикл продукта
8. teaser advertising campaign	h. иметь хороший сбыт
9. to launch	i. успешно действовать много лет
10. direct mail shot	j. Мы всецело за то, чтобы сохранить это

10 Listen to Dialogue No 2 between two speakers and answer the questions below. Then listen again and check your answers.

1. What are the speakers discussing?
2. What is meant by a teaser advertising campaign?
3. Why does Diana want to change the old slogan?
4. What advantages of the slogan for the old desk range are mentioned in the dialogue?
5. What kind of advertising campaign does Diana offer for the new desk range?

Unit 3. READING COMPREHENSION

ADVERTISING MEDIA

The function of advertising is to inform and influence people's behaviour, as the general goal of advertising is to increase sales.

The major media used for advertising are newspapers, television, direct mail, magazines, and radio. Each has strengths and weaknesses. Let us now examine the advantages and limitations of the various media.

Newspapers

The typical newspaper circulates in a limited and well-defined area, and this offers advantages to the advertiser interested in geographical selectivity. Since almost everyone reads the newspaper, an intense coverage of the local market can be obtained. Newspapers offer great flexibility because ads can be inserted or removed with only a few days' notice; this makes it feasible to feature prices in most newspaper ads. Circulation costs are low, and because most metropolitan areas have daily newspapers, messages can be presented frequently. But there are several significant limitations to newspaper ads. The paper has a short life – nothing is quite so stale

as old news – so it is not likely that advertising will have much influence beyond the day of publication. Newspapers are hastily read, most studies indicate that the average reader spends between 20 and 30 minutes on the paper. Therefore, a message has to make an impression quickly or not at all. Finally, newspapers, being printed on **pulp paper**, do not have the **quality of reproduction** and colour that can be achieved in magazine ads. This can be a **disadvantage** for some car and food ads where the illustration has an important role to play.

Magazines

Although magazines now rank only fifth among the media in total dollar revenue, more manufacturers advertise rather in magazines than in any other medium. A particular advantage of magazines is their **selective readership**: most magazines appeal to some groups and not to others, such as magazines on hunting and fishing, skiing, jogging, automobiles, etc. A manufacturer can direct a message to the segment of the total market that represents the most potential and thereby have a minimum of waste **circulation**; in other words, the various specialized magazines enhance a selective market segmentation strategy. Magazines also offer a high degree of geographic selectivity.

Magazines are read in a leisurely fashion, compared with newspapers. Some, such as *National Geographic* and *Fortune*, may be kept for years. They are often found in doctors' and 'business' reception rooms, and thereby have a much wider **readership** than circulation figures would indicate. Most magazines are printed on good paper and provide excellent colour ads. But there are some limitations. Magazines lack flexibility: changes cannot be made for several weeks before publication date – a factor that discourages the use of price in most ads. The infrequency with which magazines reach the market, compared with other media, can also be a **drawback**.

Direct Mail

Direct mail permits the most selectivity of any media because it reaches only that part of the market the advertiser

wishes to contact. It is more personal than other media. It has the greatest **flexibility**; messages can be **tailored** to the particular characteristics of the audience. Also, best **timing** can be assured. A **mailing list** is a **vital** part of the direct-mail campaign because the people addressed should really be prospects. A firm may compile its own list from company records, or lists can be bought for almost any category of customer imaginable.

Direct mail offers particular advantages to smaller firms that cannot afford **mass media** advertising because they need spend only what they can afford or have productive capacity to handle. You can see how the quality of the mailing list, the extent of duplication and the **accuracy** of addresses, is important. As there is no editorial or entertainment material, much direct mail material is thrown away without even being opened.

Television

Television has grown the most rapidly of the major media. It offers the great advantage of appealing through both the eye and the ear and thereby permits demonstration as well as explanation. It offers tremendous **impact**; millions can be viewing a program and its **commercials** at one time.

On the other hand, television is extremely costly. A 30-second commercial on a top-rated network program can cost more than \$100,000. Added to this are the costs of developing a commercial – rehearsals, filming, reshooting, **dubbing**, **scoring**, animation, printing – and these can add up to many more thousands. However, TV spot costs for a single station, as contrasted with network coverage for all stations, can vary widely and even cost as little as \$100 for some shows with lower audience ratings.

It is apparent that TV is most attractive to low-price, repeat sale, mostly convenience goods manufacturers while magazines are strong with distillers and tobacco companies (who are **banned** from TV and radio). The automobile manufacturers use both media.

Radio

TV did not quite kill radio, as many had predicted. It reaches audiences at low cost: a **spot announcement** may cost as little as \$10. It is very **flexible** geographically, so that a national firm can pick the areas where it wants to concentrate efforts. The commercial itself can be changed up to **broadcast time**. **Market segmentation** is facilitated because many stations concentrate on particular audiences, such as teenagers, country music devotees, classical music enthusiasts, etc. However, radio audiences tend to be extremely fragmented, with many radio stations competing in most areas. Radio shares another disadvantage with TV: the **transient** nature of any presentation – the message is not available for reference or for rereading.

Outdoor or Billboard

Although only one percent of total advertising expenditures are used for billboards, this medium has been heavily criticized by those concerned with beautifying the nation's highways and by some **safety advocates** who think such advertising is distracting. It is a highly flexible, low-cost medium and is excellent for **reminder advertising**. However, copy must be limited and much detail avoided if the message is to be comprehended in the brief period of passing the sign. Usually there is substantial waste circulation so that costs per prospect may be quite high. The automobile companies have been the major users of **outdoor advertising**.

Advertising has been subject to considerable criticism. Yet, few firms can afford not to do some advertising. Despite the criticisms of advertising, we are far better off with it.

Words and Expressions

accuracy *n* – точность

ad = advertisement

advantage *n* – преимущество

advertising media – средства рекламы

advocate *n* – защитник; сторонник (точки зрения, метода, образа жизни)

appeal *v* – призывать, обращаться

ban – налагать запрет, запрещать

be better off – жить лучше (материально)

better off – состоятельный

billboard *n* – рекламный щит, афиша

broadcast time – эфирное время, время вещания

circulation *n* – тираж (газет, журналов), распространение (информации, изданий и т. п.)

circulation costs – расходы на сбыт тиража

commercial – радио- или телереклама

coverage *n* – освещение в печати, по радио и т. п.

direct mail – прямая почтовая рассылка

disadvantage *n* – недостаток

drawback *n* – недостаток, отрицательная сторона

dub *v* – озвучивать (фильм, передачу и т.д.)

enhance *v* – увеличивать, усиливать, улучшать

facilitate *v* – облегчать, содействовать,

feasible – реальный, выполнимый, осуществимый (о замысле, плане и т.п.)

flexibility *n* – гибкость

frequently *adv* – часто

geographical selectivity – территориальная избирательность

impact *n* – влияние, воздействие

limitations – ограничивающие обстоятельства

mailing list – лист рассылки, список рассылки (список лиц, которым регулярно отправляют рекламные проспекты, приглашения и т.д.)

market segmentation – сегментирование рынка

market segmentation strategy – стратегия сегментации рынка

mass media – средства массовой информации

medium *n* (*pl media*) – способ, средство

outdoor advertising – наружная реклама

pulp paper – мягкая, дешевая бумага

quality of reproduction – качество воспроизведения и цвета
(при печати)

readership *n* – круг читателей

reminder advertising – напоминающая реклама

safety advocates – сторонники безопасности движения

scoring *n* – озвучивание

selective *adj* – выборочный, отборный, избирательный

selective readership – определенный круг читателей

selectivity *n* – селективность, избирательность

spot announcement – короткое рекламное теле- или радио-
объявление в середине или в конце какой-л. программы

stale *adj* – несвежий, утративший новизну

strengths – сильные стороны

tailor *v* – специально приспособлять для определенной це-
ли, чьих-то нужд, интересов

timing *n* – выбор определенного времени

transient *adj* – мимолетный, недолговечный, скоротечный

vital *adj* – (жизненно) важный, существенный; необходи-
мый

weaknesses – слабые стороны, недостатки

with a few day's notice – в короткий срок, в течение несколь-
ких дней

11 Answer the questions.

1. What are the main types of advertising media?
2. What is the difference between newspaper and maga-
zine advertising?
3. What are the advantages and disadvantages of news-
paper advertising?
4. What is the main advantage of magazines?
5. What firms prefer magazine advertising? Why?
6. What can you say about radio advertising?
7. Why is direct mail so popular with small firms?
8. What is the most expensive advertising medium?
Why?

9. What kind of goods should be introduced by outdoor advertising?
10. What are the main groups of goods advertised on TV?

12* Say if the statements are true or false. Prove your point.

1. Newspapers offer great flexibility because ads can be inserted or removed with only a few days' notice.
2. The newspaper has a long life – nothing is quite so stable as old news.
3. A particular disadvantage of magazines is their selective readership.
4. Magazines offer a high degree of geographic selectivity.
5. Most magazines are printed on pulp paper and provide excellent colour ads.
6. Direct mail permits the most selectivity of any media.
7. Direct mail offers particular advantages to big firms that cannot afford mass media advertising.
8. Television offers the great advantage of appealing through both the eye and the ear.
9. The automobile manufacturers use only TV commercials.
10. Radio is very flexible geographically, so that a national firm can pick the areas where it wants to concentrate efforts.
11. Television offers low-cost advertising; millions can be viewing a program and its commercials at one time.
12. The automobile companies have been the major users of outdoor advertising.

13* Complete the sentences matching the beginning of the sentence with one of the endings.

1. The general goal of advertising is _____.
2. The function of advertising is _____.
3. A particular advantage of magazines is _____.

Unit

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4. Magazines also offer a high degree of _____.
 5. Most magazines are printed on _____.
 6. Direct mail offers particular advantages to _____.
 7. Television offers the great advantage of appealing through _____.
 8. As millions of people are viewing a program and its commercials at one time television offers tremendous _____.
 9. The automobile manufacturers use _____.
 10. Radio advertising is cost-effective and very flexible _____.
- a. both the eye and the ear
 - b. geographic selectivity
 - c. to inform and influence people's behaviour
 - d. magazines, TV and billboard advertising
 - e. geographically
 - f. impact
 - g. good paper
 - h. smaller firms
 - i. to increase sales
 - j. their selective readership

Unit 4. DISCUSSION

- 14*** Read the following text and pick out the expressions in bold type to fill in the Useful Language box below, containing six sections for six language functions.

ADVERTISING

It is a well-known fact that advertising informs consumers about the existence and benefits of products and services, and attempts to persuade them to buy them.

Large companies could easily set up their own advertising departments, but they tend to hire the services of an advertising agency. The client company in the first place decides

on its advertising budget, the amount of money it plans to spend in developing its advertising and buying media time or space. Next it provides a brief or a statement of the objectives of the advertising, and finally it gives an overall advertising strategy concerning what message is to be communicated. The choice of how and where to advertise (newspapers and magazine ads, radio and television commercials, cinema ads, posters on hoardings (GB) or billboards (US), point-of-purchase displays in stores, mailings of leaflets, brochures or booklets, and so on), and in what proportions, is called a media plan. The advantages and disadvantages of each medium must be weighed up because each medium has its own characteristics and covers different areas of a potential market. More than that when a firm has selected the means of delivering the message it must decide on the number of times the advert should be displayed.

The set of customers whose needs a company plans to satisfy, and therefore to expose to an advertisement is known as the target market.

In general the advertising of a particular product or service during a particular period of time is called an advertising campaign.

Favourable mentions of a company's products or services, in any medium read, viewed or heard by company's customers or potential customers that are not paid for, are called publicity.

Useful Language

Generalising 1. it is common knowledge 2. on the whole 3. _____ 4. _____	Listing 1. first 2. second 3. _____ 4. _____ 5. _____
Expressing reason 1. as 2. _____	Adding 1. moreover 2. _____ 3. _____
Expressing result 1. so 2. _____	Expressing contrast 1. however 2. _____

15 Read what famous people said about goals of advertising. Discuss the position of the authors. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box.

1. The very first law in advertising is to avoid the concrete promise and cultivate the delightfully vague.

Bill Cosby (1937–), American actor, producer

2. The aim of advertising is to know the customer and understand what product or service fits him and sells itself.

Peter F. Drucker, American management consultant

3. The headline is the most important element of an ad. It must offer a promise to the reader of a believable benefit. And it must be phrased in a way to make it memorable.

Morris Hite

4. Advertising may be described as the science of arresting the human intelligence long enough to get money from it.

Stephen B. Leacock (1869–1944),

Canadian humorist, economist

5. Advertising is a valuable economic factor because it is the cheapest way of selling goods, particularly if the goods are worthless.

Sinclair Lewis (1885–1951),

American novelist, Nobel Prize Winner

- 16** Read what famous people said about the essence of advertising. Discuss the extent to which you agree or disagree with the opinion stated below. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box.

1. Advertising is the greatest art form of the twentieth century.

Marshall McLuhan (1911–1980),

Canadian communications theorist

2. What you say in advertising is more important than how you say it.

David Ogilvy (1911–), American businessman,
advertising expert

3. You can tell the ideals of a nation by its advertisements.

Norman Douglas (1868–1952), British author

4. Promise, large promise, is the soul of an advertisement.

Samuel Johnson (1709–1784), British author

5. Early to bed, early to rise, work like hell, and advertise.

Laurence J. Peter

Chapter SEVEN

PROMOTION

Unit 1. READING AND TRANSLATION PRACTICE

SALES PROMOTION

Sales promotion covers a wide range of activities aimed at increasing sales of a new product by a sales campaign that encourages customers to buy a particular product.

So, the **objective** of most sales promotion efforts is to sell more of the product, both during and after the promotional period. The idea is that if the consumer can be persuaded to try the product, he or she may continue to use it.

Sales promotion is often thought of as being the same as advertising. Although the objectives of promotion and advertising are the same, namely, to persuade the consumer to buy, there are differences in the way they are practiced. Sales promotion often takes the form of an **incentive**, e.g. a **free sample** or a special offer, or "buy two and get one free".

Sales promotion efforts directed to consumers might be:

- to **induce** consumers to try the new brand
- to increase average purchases
- to increase brand awareness

Sales promotion efforts directed to dealers might have such goals as:

- to increase **shelf space**
- to increase dealer enthusiasm
- to obtain more dealers and wider distribution

- to induce dealers to buy in larger quantities
- to help dealers operate more effectively

Sales Promotion Methods Directed to Consumer

The most effective and popular sales promotion methods directed to consumer are as follows:

Packaging and design. The packaging and design of a product is very important if it is to **catch the customer's eye**. It may have to compete with other product for shelf space, e.g. a supermarket may stock several types of a product but the one that catches the consumer's eye is likely to be the one put in the **shopping basket**. The key elements of packaging and design include colour, size, display and **brand** or trademark. A company uses packaging and labels or trademarks to separate its product from those of close rivals. This is sometimes called **branding** and brand names are a common form of promotion. The packaging of products has undergone a revolution in recent years. Soft drinks, for example are now sold in cans or plastic bottles rather than in large and heavy glass bottles.

Games and competitions. These are becoming commonplace in promoting sales of a product or service. Supermarkets, garages and travel agents often run **competitions** to increase sales. Newspapers have tried bingo games to increase their circulation. The prizes to be won are very attractive, e.g. 1 million, a 2-week holiday, or a car.

Games and **contests** are conducted only for a limited time, after which a new contest or game may be introduced. In one **format**, customers attempt to collect particular sets of **game slips** that qualify them for prizes. As game slips are distributed free with a purchase, the object is to encourage customers to purchase more frequently and more consistently in order to acquire more game slips and thus have a better chance of winning.

Pricing promotions. The idea behind a pricing promotion is to try and persuade consumers that they are getting value for money, e.g. 25 % extra free, special **bonus pack**, two for

price of one, and 10 pence off. A seasonal sale to clear out stock from the previous season to make room for the new season's collection is a further example of pricing promotion.

Sampling. One means of launching a new product is to provide free samples of it to households. These samples can be delivered door or through a particular magazine. Hair products, washing powders/liquids and fabric softeners are often launched this way. The company hopes that once consumers have tried a small sachet sample of the product, they will go and buy the larger size bottle or packet at the shop.

Merchandising. This involves the layout of the shop, the placing of the item in the store, the use of colour and **point-of-sale materials**, or **POS materials**. It is often called the "silent salesman" or "selling through technique". The best or prime selling spots in a supermarket are the **check-out areas**, the shop perimeter and eye-level shelves. A child's attention is easily caught by the sweet at the check-out. Less popular products may be placed near the front of the store, with the popular items at the back. Customers may then pick up some of the less popular items on their way through the shop.

Some other very popular promotional methods directed to consumer are **coupons**, **trading stamps**, **premiums**, **exhibitions and demonstrations**, **direct mail**, **personal appearances**.

Sales Promotion Methods Directed to Dealers

Sales promotion methods directed to dealers include **sales meetings**, **special training seminars** and even **factory visits** provided for dealers and their salespeople. Because many products today are technical and complex, the knowledge of a dealer's salespeople can be the deciding factor in **picking the sale for one brand over another**.

Display allowances may be offered to dealers instead of or along with **display materials**. These are special monetary incentives for dealers to feature certain brands or to **allot them more shelf space**.

Also, in efforts to stimulate greater **push** by dealer salespeople, a manufacturer may offer special premiums, such as

prizes, trading stamps, or *push money*. For example, it is common for a manufacturer, to pay a small commission for each item of that manufacturer's brand sold by a retail clerk. Automobile firms are the most frequent users of incentive programs; for example, they offer contests and free trips for their dealers' salespeople and even for the dealers themselves.

Essential Vocabulary

- allot** *v* – предоставлять, выделять;
bonus pack – набор, содержащий дополнительные товары в качестве премии, за которые не взимается плата
brand *n* – торговая марка
branding *n* – снабжение товара торговой маркой
catch the eye – попасться на глаза, привлечь внимание
check out *v* – подсчитать стоимость всех покупок и выбить чек (в магазине самообслуживания)
check-out *n* = **check-out area** – касса (место, где производятся расчеты в магазине самообслуживания)
contest *n* – конкурс, соревнование
coupon *n* – премиальный купон (определенное количество купонов дает покупателю право на вещевую премию)
display allowances – скидка (магазину) для компенсации расходов на организацию выставки товара
display materials – материалы для выставки и рекламы товаров (рекламные щиты, плакаты, фотографии и др.)
format *n* – правила игры, проведения соревнований
game slip *n* – игровой купон
incentive *n* – побуждение, стимул
induce *v* – побуждать, склонять, убеждать
merchandising *n* – искусство сбыта; усилия, необходимые для сбыта товара
objective *n* – цель
packaging *n* – упаковка
pick over *v* – отбирать (лучшие экземпляры); выбирать

- point-of-sale materials = POS materials** -- материалы для выставки и рекламы товаров (рекламные щиты, плакаты, фотографии и др.) на месте продажи товара
- premium *n*** – премия, приз
- pricing promotion** – ценовое стимулирование
- push *n*** – настойчивая реклама; проталкивание, раскручивание (какого-л. товара и т. п.)
- push money** – деньги на стимулирование сбыта
- run competitions** – проводить соревнования
- sample *n*** – образец
- sampling *n*** – стимулирование продаж путем распространения бесплатных образцов товара
- shelf space** – пространство, выделенное для размещения товара на полках магазина
- shopping basket** – корзина для отбора товаров (в магазине самообслуживания), покупательская корзина
- trading stamps** – бумажные марки с объявленной стоимостью (накопление некоторого количества марок дает покупателю право бесплатного приобретения товара из ассортимента того магазина, где получены марки)

Exercises

1* Translate the following words and word combinations or find Russian equivalents.

1. range of activity
2. to encourage customers
3. promotion efforts
4. buy two and get one free
5. brand awareness
6. to increase shelf space
7. pricing promotion
8. point-of-sale materials
9. sales meeting
10. monetary incentive

2* Translate the following sentences into Russian.

1. The objective of most sales promotion efforts is to increase sales.
2. The packaging of products has undergone a revolution in recent years.
3. This method is often called the 'silent salesman' or 'selling through technique'.
4. The prizes to be won are very attractive.
5. The best or prime selling spots in a supermarket are the check-out areas.

3* Fill the gaps in the sentences below with the words and expressions from the box. There are two expressions, which you don't need to use.

game slips, brand awareness, sales campaign, shelf space, free samples, display allowances, special offer, increasing sales, packaging and design

1. Sales promotion is aimed at _____ of a new product by a sales campaign persuading customers to buy.
2. Sales promotion efforts are aimed at increasing _____ of the product.
3. The key elements of _____ include colour, size, display and brand of trademark.
4. _____ are distributed free with a purchase to encourage customers to purchase more frequently and more consistently.
5. One means of launching a new product is to provide _____ of it to the customers.
6. Display allowances are offered to dealers to feature certain brands or to allot them more _____.
7. _____ are special monetary incentives for dealers to stimulate greater push of the brand.

4* Find English equivalents for the following Russian expressions.

1. кампания по организации и стимулированию сбыта
2. цели стимулирования сбыта
3. бесплатный образец
4. специальное предложение
5. повысить узнаваемость торговой марки
6. привлечь внимание потребителя
7. покупательская корзина
8. наиболее выгодное место для продаж
9. методы стимулирования сбыта
10. скидка (магазину) для компенсации расходов на организацию выставки товара

5* Translate the following sentences from Russian into English.

1. Газеты пробовали использовать лотерею «бинго» для повышения тиража.
2. Внимание ребенка легко привлекается конфетами около кассы.
3. Супермаркеты, гаражи и туристические агентства часто проводят конкурсы для повышения эффективности сбыта.
4. Стимулирование сбыта часто принимает форму побуждения, например «купи два и получи один бесплатно».
5. Средства стимулирования сбыта должны помочь дилерам действовать более эффективно.

DISCUSSING A PROMOTIONAL CAMPAIGN

6* Before you listen to Dialogue No 1 use Glossary to match the words below with their definitions.

1. promotional campaign	a. a television or radio programme in which well-known people are invited to talk about various topics
2. promotional tools	b. special discount offered as part of the promotion for a product
3. promotional mix	c. material used in promotion, such as display materials and sales literature
4. promotional budget	d. coordinated activities to increase sales of a new product
5. promotional discount	e. difficult to obtain and more expensive than usual
6. chat-show	f. samples of good not costing any money
7. point-of-sale merchandising	g. forecast cost of promoting a new product
8. at a premium	h. discount which is offered to a buyer in return for some promotional activity
9. promotional allowance	i. organizing the display and promotion of goods in retail outlets
10. free samples	j. combination of all the elements that make up a company's promotion

7 Listen to Dialogue No 1 between two speakers and answer the questions below. Then listen again and check your answers.

1. What are the speakers discussing?
2. What promotional tools is George going to use?
3. What kind of promotional activities does Maryann offer?
4. According to George is it easy to choose the right promotional tool?
5. Why did George refuse to use free samples in the promotional campaign?

8* Complete the dialogue using the words from the box. There are two words which you don't need to use.

promotional methods, general public, promotion, displayed, promotional gimmick, free samples, launching, point-of-sale, merchandising, consumers, promotional budget, buy, sales, opportunity, distributed

NELLY: I need your advice. What kind of ____ (1) ____ would you suggest for increasing the sales of our new product?

PETER: Well, you see all depends on the type of good your are going to promote. Many products are ____ (2) ____ at exhibition open to the ____ (3) ____, e.g. The Ideal Home Exhibition and the annual Motor Show. In large department stores demonstrations are arranged by cosmetics manufacturers.

NELLY: Yes, I know, but to my my mind sampling is more popular. Sometimes ____ (4) ____ are delivered door or through a particular magazine.

PETER: That's the way for ____ (5) ____ hair products, washing powders/liquids and fabric softeners. The idea is that once ____ (6) ____ have tried a small sachet sample of the product, they will go and ____ (7) ____ the larger size bottle or packet at the shop.

NELLY: Aren't there any other ways of promoting _____(8)_____ of a product or service?

PETER: Why not. Some companies use contests, lotteries and games. All these give an _____(9)_____ for some marketers (consumers, dealers and salespeople) to win something.

NELLY: This is hard to believe but some consumers have even started to become competition addicts because the prizes are very attractive. To my mind this is just _____(10)_____. I prefer old-fashioned _____(11)_____ such as promotional discount.

PETER: You know, speaking about old-fashioned promotional methods why not try coupons or trading marks. These coupons can be _____(12)_____ by mail, inserted in newspapers and magazines, or even placed on a product, as for example on a jar of instant coffee.

NELLY: But we are not selling coffee, we are going to promote new hair spray and our _____(13)_____ is limited and I am trying to cut down expenses.

PETER: In this case you should use direct mail. 'Cheap and cheerful' as the saying goes.

9* Before you listen to Dialogue No 2 match the expressions in the left column with their translation in the right one.

1. born	a. свобода действий
2. to convince	b. сдаться, уступить
3. I, for one,	c. убеждать, уверять
4. to reward	d. прирожденный
5. it goes without saying	e. древняя профессия
6. freedom of action	f. представитель компании
7. challenge	g. создавать мнение
8. to form an opinion	h. само собой разумеется
9. self-respect	i. сложная задача, проблема
10. company	j. что касается меня, лично я
representative	k. вознаграждать
11. ancient occupation	l. чувство собственного достоинства
12. to give up	

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10 Listen to Dialogue No 2 between two speakers and answer the questions below. Then listen again and check your answers.

1. What occupation are the speakers discussing?
2. What main aspects of selling jobs are mentioned in the dialogue?
3. How can the company be benefited or harmed by the sales force?
4. According to you, are good salespersons born or trained?
5. What is meant by freedom of action? Is it equal to freedom of selling?

Unit 3. READING COMPREHENSION

DISTRIBUTION AND SALES

The term "distribution" is not confined to the physical distribution of goods from the producer to the consumer, e.g. road and rail transport. In the business context it also refers to the **distribution channels**, i.e. the sort of **retail outlets** that the goods and services are sold in.

Many industrial products and services are sold directly to the consumer or user, e.g. aircraft and lathes. Most consumer products are usually distributed through **retail organizations**. By tradition many manufacturers sell their products to a **wholesaler** who **warehouses** the goods until they are required by the retailer. This so-called full chain of distribution offers advantages to both the manufacturer and retailer. The manufacturer can **mass-produce** the goods, get the money for the goods straight away, and does not have to worry about **storage** and **distribution costs**. The retailer can order goods from the wholesaler and does not have to worry about holding large stocks. The full chain of distribution has disadvantages for the manufacturer and the retailer. The

wholesaler does not have any particular incentive to promote the sale of the manufacturer's goods, and the retailer will have to pay a higher price for the goods from the wholesaler than if they were bought directly from the manufacturer. Some industries have cut the "middle-man" (wholesaler), and the manufacturer sells directly to the retailer. In other industries the wholesaler may sell the goods directly to the customer and no retailer is involved. Finally, the manufacturer may sell directly to the customer without a wholesaler or retailer being involved.

Full Chain of Distribution

This tends to be used when the producer makes a limited range of products, storage costs are high and the product is perishable.

No Wholesaler

The wholesaler is eliminated in industries where the producer makes a number of standard products that it sells to similar kinds of retail outlets. Frozen-food firms and large bakeries tend to have their own **distribution network** and their own fleet of delivery lorries.

No Retailer

There has been a growth in the case of wholesalers, which sell directly to the general public. These large discount stores sell furniture and other **household products** in warehouse-style buildings with relatively poor **customer facilities**. Mail order companies such as Great Universal Stores, where local selling agents run a catalogue for orders, are a good example of distribution without a retailer. These local agents work on a **commission** basis and deal with the ordering of goods and the means of payment.

Direct Selling

Direct selling to the customer is typically found in the sale of services, e.g. insurance and double glazing. In the case of

industrial products such as chemicals and manufacturing machines, firms generally employ a full-time sales force to try and sell products to other firms. Such sales teams may be organized on a regional basis, with specific areas of the country to cover, e.g. North West, East Midlands and South Wales. The sales team is a very important part of the marketing function. Although its major role is to sell the company's product, it may also be source of important market research information, e.g. salesmen can find out customers' reactions to products and can find out their future requirements. They can also find out what competitors are doing and supply this information back to the company. The sales team may also be the first link that a customer has with the company, and so the presentation of a good image may be important.

Retail Outlets

There are various retail outlets through which manufacturer can decide to sell a product. In 1984, it was estimated that there were 343,153 retail outlets controlled by 230,787 organizations – which indicates that the vast majority are “one-shop” operation.

Organizing the Sales Force

When deciding the problem how sales effort is to be organized three main approaches may be used:

1. ***Organize geographically.*** Consequently, there may be a Midwest, a Southern, a New England, and a West Coast district or region. Most firms organize in this way.

2. ***Organize by product.*** When a firm has diverse products that require specialized technical or applications knowledge, it may be necessary to organize the sales force according to major product categories.

3. ***Organize by customer.*** Where a firm faces rather diverse types of customers, organizing by major customer categories leads to better servicing and understanding of customers' needs. Consequently a firm may have a separate sales force for calling on retail chains, on department stores, on

wholesalers, and on certain industrial and contract customers.

Selling Jobs

Today, selling furnishes employment for many. Selling jobs are so dissimilar as to require a **diversity** of competence, education, and special skills and training. The newsboy is a salesperson as is the auctioneer and the stockbroker. The number of persons engaged in selling is about 6 million, and this is some 30 times as many as employed in advertising.

Here are some job titles of selling jobs: Sales engineer, Account executive, Communications consultant, Sales consultant, Area manager, Industrial representative, Industrial account manager, Marketing representative, Customer service representative, Key account supervisor, General agent, Executive representative, Territory manager, Field representative. The variety of titles of selling jobs proves that most sales jobs involve a maximum of creativity and a minimum of routine.

Many of these people work behind the scenes, virtually unknown by the average consumer, as they sell to industrial, **wholesale**, and **retail buyers** and purchasing agents.

Public Relations and Customer Services

Public Relations (PR) is sometimes a separate department outside the marketing function. PR can be defined as the attempt to present an acceptable and favorable image of the company to the general public. This can be done in a number of possible ways: advertising, sponsorship, involvement in charity work, exhibitions and **trade fairs**, press releases and conferences.

Customer Service is slightly different from PR in the sense that the company here is concerned with keeping the customer happy and satisfied. Areas that are important in good customer relations include: servicing and repair, after-sales service (installation, maintenance and spare parts), guarantees, enquiries and complaints. Having sold a product

to the customer, Service Department must see that the consumer is content with the product. A dissatisfied consumer may be later sale lost and bad publicity.

Words and Expressions

buy retail – покупать в розницу

buy wholesale – покупать оптом, осуществлять оптовые закупки

commission *n* – комиссионное вознаграждение

customer facilities – сервисное обслуживание потребителей

customer services – выполнение заявок клиентов

direct selling – продажа без посредников

distribution *n* – распределение, распространение

distribution channels – каналы распределения

distribution costs – издержки обращения

distribution network – распределительная сеть, сеть распространения

diverse *adj* – многообразный, разнообразный, разнотипный

diversity *n* – разнообразие; многообразие; разнородность

household products – хозяйственные товары

link *n* – (связующее) звено; звено цепи, связь

lorry *n* – грузовой автомобиль, грузовик

mass-produce *v* – вести массовое производство

perishable *a* – скоропортящийся

perishables *n pl* – скоропортящийся товар/груз

Public Relations – связь с общественностью (пресса, потребители, клиенты и т.д.)

retail *n* – розничная продажа, розничный торговец

retail buying – покупка товаров в розницу, **retail buyer** *n*

retail chains – розничные магазины, принадлежащие одной компании

retail outlet – розничная торговая точка

retailer *n* = **retail dealer** – розничный торговец

retailer *adj* – розничный, продающий в розницу

sales force – продавцы, работники торговых предприятий, торговые агенты
sell goods wholesale – продавать товары оптом
sell retail *v* – продавать в розницу
storage *n* – хранение, база, склад, хранилище
storage costs – складские издержки
trade fair – ярмарка
warehouse *n* – товарный склад
warehouse *v* – помещать в склад; хранить на складе
wholesale *adj* – оптовый
wholesale *n* = **wholesale business** – оптовая торговля
wholesaler = **wholesale dealer** – оптовый торговец оптовик

11 Answer the questions.

1. What is full chain of distribution?
2. What does distribution channel mean?
3. In what cases is the full chain of distribution used?
4. When is the wholesaler eliminated?
5. When is the direct selling used?
6. What are the main functions of a sales team?
7. What are the advantages of the full chain of distribution for the manufacturer and retailer?
8. What are the disadvantages of the full chain of distribution for the manufacturer and retailer?
9. What are the main three approaches to organizing the sales force?
10. What titles of sales jobs can you mention?
11. What are the functions of PR ?
12. What is the difference between PR and customer services?

12* Say if the statements are true or false. Prove your point.

1. Many industrial products and services are sold directly to the consumer or user, e.g. aircraft and lathes.

2. Most consumer products are usually distributed through wholesale organizations.
3. In some industries the wholesaler may sell the goods directly to the customer and no retailer is involved.
4. Frozen-food firms and large bakeries refuse to have their own distribution network.
5. The manufacturer mass-producing the goods constantly worries about storage and distribution costs.
6. Public Relations (PR) is sometimes a separate department outside the marketing function.

13 Complete the sentences matching the beginning of the sentence with one of the endings.

1. By tradition many manufacturers sell their products to a wholesaler who _____.
 2. Most consumer products are usually distributed _____.
 3. In some industries the manufacturer may sell directly to the customer _____.
 4. Mail order companies are a good example of _____.
 5. The sales team may also be the first link _____.
 6. The variety of titles of selling jobs proves _____.
- a. distribution without a retailer
 - b. without a wholesaler or retailer being involved
 - c. that most sales jobs involve a maximum of creativity
 - d. warehouses the goods until they are required by the retailer
 - e. between the customer and the company
 - f. through retail organizations

- 14*** Read the following text and pick out the expressions in bold type to fill in the Useful Language box below, containing six sections for six language functions.

PERSONAL SELLING

What do I do? I'm a salesman. Well, **actually**, because there are several women in our sales force, I guess I should say I'm a salesperson or a sales representative, or a sales rep for short. My job is to contact existing and prospective customers. Some salespeople are based in companies' offices, but I've always worked "in the field", **in other words** travelling and visiting customers.

You know, sales reps are often the only person from a company that customers ever see, **therefore** we're an extremely important channel of information. Someone calculated a long time ago that the majority of new product ideas come from customers, via sales reps. So our tasks include **not only** prospecting for customers, **but also** communicating information to them about our company's products and services. **On top of that** we are selling these products and services and helping the customers with possible technical problems. **In addition** we are gathering market research information. **Since** we have to be able to recognize customers' needs and problems, we often collaborate with engineers, particularly for technical products, and with market researchers.

However the trouble with personal selling is that it's the most expensive element in the marketing mix, **as a result** most firms only use it sparingly, often as a complement to advertising. Sales reps like me are more often necessary for closing deals than for providing initial information.

But these days we think about more than making a single deal. **In the first place** head office keep reminding us of "the marketing concept", and telling us not to think about making short-term sales, **in the second place** they tell us about solving

customers' problems, bringing back information, that is to say achieving long-term sales, and maximizing profits. And finally we have to know all about the company and its products, about the customers, and about competitors because we have to know how to give an effective sales presentation.

In this company, each salesperson is allocated a particular territory in which to represent our entire range of products. This allows us to cultivate personal contacts, and means we don't have to travel too much. But I know other companies with highly diversified products or customers that prefer to have different sales reps for different products, or for different sets of customers.

Like most salesmen, I receive a fixed salary plus commission on the quantity I sell. I'm also set a quarterly sales quota that I'm expected to meet, as part of the company's annual marketing plan.

Useful Language

Making things clear 1. I mean 2. _____ 3. _____ 4. _____	Listing 1. first 2. second 3. _____ 4. _____ 5. _____
Expressing contrast 1. on the contrary 2. _____ 3. _____ 4. _____	Adding 1. Moreover 2. _____ 3. _____
Expressing result 1. consequently 2. _____ 3. _____ 4. _____	Expressing reason 1. as 2. _____ 3. _____

- 15** Read what famous people said about personal selling. Discuss the position of the authors. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box.

1. The customer is always right.

H. Gordon Seleridge, British merchant

2. Make a customer, not a sale.

Katherine Barchetti, American clothing retailer

3. The sale begins when the customer says "yes".

Harvey Mackay, American businessman

4. A sale is not something you pursue, it's what happens to you while you are immersed in serving your customer.

Louis V. Gerstner Jr., American business executive

5. Sales depend upon the attitude of the salesman – not the attitude of the customer.

W. Clement Stone, American businessman

- 16** Selling jobs are said to involve a maximum of creativity. Read what famous people said about creativity. Discuss the extent to which you agree or disagree with the opinion stated below. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box.

1. Creativity, as has been said, consists largely of rearranging what we know in order to find out what we do not know. Hence, to think creatively, we must be able to look afresh at what we normally take for granted.

George Kneller

2. Creativity is the unified force of experience, intellect and passion in their operation.

John Ruskin, British critic, social theorist

3. The essential part of creativity is not being afraid to fail.

Edwin H. Land, American scientist

4. Creative minds have always been known to survive any kind of bad training. *Anna Freud*

5. Creativity is inventing, experimenting, growing, taking risks, breaking rules, making mistakes, and having fun.

Mary Lou Cook

Notes to Quotations

take for granted – считать само собой разумеющимся, не требующим доказательства

survive v – выжить, выдержать, пережить, перенести, уцелеть

Chapter EIGHT

FINANCING THE BUSINESS

Unit 1. READING AND TRANSLATION PRACTICE

THE FINANCIAL OBJECTIVES OF THE BUSINESS

Finance is central to the operation of any business. More or less every activity a business undertakes will require some form of **funding**. Finance is needed to rent or buy **premises**, to purchase capital equipment, to hire labour and to obtain raw materials. Therefore, without finance a new business could not be set up and an existing business could not continue to function.

The most important objectives of any business are:

Survival. This is the most fundamental objective of all businesses. In order to ensure survival there must be enough money flowing into the business to **finance** the necessary day-to-day expenditure, e.g. purchasing raw materials, paying employees' wages and so on. This type of expenditure is **current expenditure** and will normally be financed from **current income**, that is the money generated from the sale of the business's goods or services.

Growth and Development. While survival is the fundamental **short-run objective** of the business, in the long run businesses are concerned with growth and development. Old machinery must be replaced with more modern technology to maintain and increase efficiency in order for the company to

remain competitive. Growth allows the firm to diversify its product range and open up new markets. With growth come the benefits of **economies of scale** and a more secure position in the market. To pursue these objectives the business requires **capital finance**.

Survival and growth and development are obviously closely related. A business, which does not develop and grow, will **encounter** problems in the long run in maintaining its market share and its survival may be threatened. These objectives determine how a business uses **financial resources**, often referred to as a business's **application of funds**.

Sources of Funds

Closely related to how money is used by a business is how it is obtained, i.e. the various sources of funds. Sources and application of funds are closely related because generally the most important factor in deciding the method of obtaining the finance is the reason the finance is required. Sources of funds can also be summarized under two broad headings.

Internal Finance. This refers to the money a business generates from its own assets. Internal finance can be obtained from the following sources:

1. Careful management of the business's income and expenditure. This is known as the **cash flow** of the business. It needs to be carefully **monitored** to ensure there is enough money flowing into the business to **meet current commitments**.

2. The profits from the previous **trading activities** of the business. Some of the profits will be distributed to the owners of the business as a **return on their investment**. However, it is usual to **reinvest** part of the profits in order to allow the business to expand. **Reinvestment** is a very important source of finance for **capital expenditures**.

3. The sale of the **business's assets**. Often the finance required for new assets can be partly obtained by selling older equipment. The business may also sell assets to a third party under an agreement, which allows the assets to be retained in

return for an agreed rental. This sale and lease back generates finance for the purchase of new assets at the cost of increasing the business's current expenditure.

External Finance. External finance refers to the injection of funds from outside the business. Essentially this type of finance can be obtained from two sources.

1. **Borrowing money.** All businesses borrow in order to finance a whole range of business activity. Materials can be bought on credit to help finance current expenditure and loans are obtained from many sources to help purchase new assets.

2. **Extending ownership.** This means attracting finance from people outside the business who are prepared to invest in its future. However, in the long run the business will have to make enough profit to give a return on this investment or the investors are likely to wish to withdraw their money and invest it elsewhere.

Therefore, financial decisions are concerned with both sources of funds and the application of these funds. In larger businesses this financial planning and decision making is the responsibility of the Finance Department.

The staff employed in the Finance Department under the guidance of Finance Director are concerned with three principal tasks:

- Monitoring when the money is coming in and going out.
- Monitoring where it is coming from and going to.
- Monitoring how much is following backwards and forwards.

These various tasks are carried out by Financial Accountants, Management Accountants, Financial Analysts, who are responsible for preparing the financial accounts of the business, budgeting and giving advice on the advisability of new investment proposals.

In order to undertake these functions effectively, accurate and up-to-date financial information is needed. Therefore the collection, presentation and evaluation of financial data are central to the work of the department.

Essential Vocabulary

application of funds – использование денежных средств

borrowing *n* – ссуда; заем; кредит

budgeting *n* – составление сметы; составление бюджета

business's assets – корпоративные/общие средства, активы
корпорации

capital expenditures – капиталовложения

capital finance – основной капитал

cash flow – движение денежной наличности

current expenditure – текущий расход

current income – текущий доход

development *n* – развитие, расширение,

economies of scale – экономия, обусловленная ростом масштабов производства

encounter – наталкиваться (на трудности и т. п.), столкнуться (с трудностями)

external finance – внешнее финансирование, внешние источники финансирования

finance *n* – финансы (деньги или другие ликвидные ресурсы); доходы; финансовая система; финансовое дело; финансирование

finance *v* – ассигновать, финансировать, выделять средства, вкладывать деньги; заниматься финансовыми операциями

financial account – финансовый счет; финансовый отчет

financial resources – денежные ресурсы

fund *n* – фонд, капитал

funding *n* – субсидирование, финансирование

growth *n* – развитие, рост

in return for – в оплату за

injection of funds – вложение капитала

internal finance – внутреннее финансирование

loan *n* – заем, ссуда

meet commitments – выполнять обязательства

monitor *v* – осуществлять текущий контроль

premises *n pl* – недвижимость, здание с прилегающими постройками и участком земли

reinvest *v* – реинвестировать, снова помещать (капитал); снова инвестировать

reinvestment *n* – повторное инвестирование

rental *n* – сумма арендной платы; рентный доход

return on investment – прибыль на инвестированный капитал

sale and lease back – продажа и обратная аренда (продажа оборудования с условием получения его обратно в аренду на определенный срок)

short-run objectives – краткосрочные цели

sources of funds – источники капитала

survival *n* – выживание

trading activities – торговая деятельность

wages *n* – заработок, доход, вознаграждение

withdraw – брать назад

Exercises

1* Translate the following word combinations or find Russian equivalents.

1. day-to-day expenditure
2. to increase efficiency
3. internal finance
4. external finance
5. in return for an agreed rental
6. Financial Accountant
7. Management Accountant
8. Financial Analyst
9. up-to-date financial information
10. business activity

2* Translate the following sentences into Russian.

1. The most fundamental objective of all businesses is survival.
2. To remain competitive the company should maintain and increase efficiency.
3. The most important factor in deciding the method of obtaining the finance is the reason the finance is required.
4. In order to meet current commitments the cash flow needs to be carefully monitored.
5. Sources of funds and application of funds are closely related.
6. Internal finance can be obtained from the profits of the previous trading activities.

3* Fill the gaps in the sentences below with the words and expressions from the box. There are two expressions, which you don't need to use.

economies of scale, internal finance, increase efficiency, extending ownership, financial accounts, current income, budgeting, day-to-day expenditure, encounter problems, diversify its product range, external finance, cash flow

1. The management of the business's income and expenditure is known as the _____ of the business.
2. The current expenditure is normally financed from _____, that is from the money generated from the sale of the business's goods or services.
3. Growth allows the firm to _____ and open up new markets.
4. With growth come the benefits of _____ and a more secure position in the market.
5. A business, which does not develop and grow, will _____ in maintaining its market share.

6. The money that a business generates from its own assets is known as _____.
7. The money received from the injection of funds from outside the business is known as _____.
8. Attracting people outside the business who are prepared to invest money in its future is _____.
9. Financial Accountants are responsible for preparing the _____ of the business.
10. Management Accountants are responsible for _____ the business.

4* Find English equivalents for the following Russian expressions and words:

1. текущий доход
2. текущий расход
3. краткосрочные цели
4. основной капитал
5. использование денежных средств
6. денежные ресурсы
7. торговая деятельность
8. повторное инвестирование
9. капиталовложения
10. заем, ссуда

5* Translate the following sentences from Russian into English.

1. Сбор, изложение и оценка финансовой информации являются основными задачами финансового отдела.
2. Финансовые аналитики консультируют по вопросам о целесообразности новых инвестиционных проектов.
3. Выживание компании и ее рост и развитие тесно связаны.
4. Повторное инвестирование является очень важным финансовым источником капиталовложения.

5. Финансовые решения зависят как от источников капитала, так и от использования денежных средств.
6. Все фирмы занимают деньги, для того чтобы финансировать свою коммерческую деятельность.

Unit 2. LISTENING

PLANNING A NEW BUSINESS

6* Before you listen to Dialogue No 1 use Glossary to match the words below with their definitions.

1. external finance	a. value of the assets of a company held as shares
2. internal finance	b. an amount of money kept for future use
3. to take charge over property	c. an agreement in which you continue to use your property after you sell it, while making regular payments to the new owner
4. to exploit	d. to make something exist that did not exist before
5. short-term loan	e. money that a person or institution such as a bank charges you for lending you money
6. share capital	f. money, provided to run a business that comes from within the firm
7. collateral / security	g. an amount of money that you borrow from a bank for a short period of time
8. leaseback	h. money, provided to run a business that comes from outside the firm
9. interest	
10. to create	
11. reserves	
12. to raise money	

- i. to borrow from a bank, get a loan for some purpose
- j. something such as property or other goods used to provide a guarantee for a loan
- k. to obtain a legal document by a lender confirming the ownership of the property if the borrower becomes bankrupt
- l. to use something to make a profit

7 Listen to Dialogue No 1 between two speakers and answer the questions below. Then listen again and check your answers.

1. What are the speakers discussing?
2. What does the first speaker need external finance for?
3. What does the second speaker suggest for raising money?
4. What can the first speaker offer as a collateral?
5. Do you think the first speaker stands a chance of getting a short-term loan?
6. What does the saying "a bird in the hand is worth two in the bush" mean? Can you find Russian equivalents of this saying?

8* Complete the text using the words from the box. There are two words which you don't need to use.

leaseback, create, reserves, finance, shareholders, property, low-interest loans, share capital, grants, collateral, assets, take a charge over, exploit, internal

When an established company needs to ____ (1) ____ further expansion, it can often ____ (2) ____ its own ____ (3) ____ resources. One way to do this is to use profit

from previous years as capital; but Hans has not had time to build up any ____ (4) ____ . Another way is to sell off some of the firm's ____ (5) ____ for cash. Companies sometimes sell their own factories or offices on condition of a ____ (6) ____ from the buyer. If the company uses its assets as ____ (7) ____ for a bank loan, the bank will normally ____ (8) ____ the ____ (9) ____ .

New businesses can often get government ____ (10) ____ , particularly if they are located in development areas. They also may get ____ (11) ____ or low business rates for a fixed number of years, or assistance with finding and training staff. In return, the company will ____ (12) ____ new jobs.

9* Before you listen to Dialogue No 2 match the expressions in the left column with their translation in the right one.

1. cash flow forecast	a. информация для акционеров
2. shareholders' information	b. долгосрочная цель
3. short-term objective	c. прогноз движения денежной наличности
4. long-term objective	d. краткосрочная цель
5. raise money	e. прогноз прибылей и убытков
6. stand a good chance	f. прибыль на инвестированный капитал
7. return on investment	g. иметь хорошие шансы
8. venture capital	h. получить ссуду на что-л.
9. profit and loss forecast	i. бухгалтерский баланс
10. balance sheet	j. вложение капитала с риском

10 Listen to Dialogue No 2 between two speakers and answer the questions below. Then listen again and check your answers.

1. What are the speakers discussing?
2. What is the main purpose of a business plan?
3. Should the plan be optimistic or pessimistic?

4. What kind of assistance is provided by finance specialists?
5. What information should be included in the financial part of a business plan?
6. What does the saying "look before you leap" mean? Can you find Russian equivalents of this saying?

Unit 3. READING COMPREHENSION

THE FINANCIAL CONTROL OF THE BUSINESS

Financial control means the directing and monitoring of the financial resources within the business.

In order to make financial control possible it is first necessary to set objectives and **targets** within which each department is expected to work. The process is known as **budgeting** and is central to financial management.

Essentially a **budget** is a financial expression of intentions or expectations. Budgeting occurs at several levels within the business and over different time scales. However, common to all budgets is that they relate to the future and that they are therefore based upon forecasts rather than facts. This is in contrast to the **balance sheet** and the **profit and loss account**, which relate to the businesses past performance.

The preparation of a budget consists of a number of stages, which can be expressed as the following sequence.

1. Information. A department will start its **budgetary process** by looking at the information relating to its present situation. For example, in the case of the Sales Department this means analyzing the current sales figures, identifying trends and taking care to interpret any figures, which may be result of unusual circumstances.

2. Forecasts. The next stage is to look forward to the period under consideration and try to estimate as accurately as possible the situation, which will **prevail** in the future, e.g.

estimate the amount of business is likely to sell over the coming year. Experience will be of great help here but other techniques may also be employed, e.g. market research and statistical analysis. Where accurate predictions are difficult to make it is common to prepare more than one set of forecasts, e.g. an optimistic forecast and a more pessimistic one.

3. Objectives. Once a business has framed its various forecasts, e.g. production, sales, marketing and so on, then it is possible to set realistic performance objectives. These will normally take the form of a series of targets that each department is expected to meet, e.g. how much is to be produced, the increase in sales the business is aiming for, etc.

4. The budget. The final stage of the process is to budget to meet the business's performance targets. This means setting out the level of expenditure within which each department or sub-department (usually known as **cost centres**) will have to work. The materials budget will be agreed on the basis of the production targets, the marketing budget on the basis of the sales target and so on. It is very important that all the various parts of the budget are carefully coordinated. It obviously makes no sense to budget to sell 100,000 units if a production target of only 80,000 has been set. Therefore, at each stage of the budgetary process close interdepartmental consultation will be necessary.

Once the budget has been set up there must be sufficient funds flowing into the business to meet the necessary expenditures incurred during its **day-to-day trading activities**. This process is called a **continual flow of money** through the business.

The sale of business's goods (or services) generates finance which is used to purchase more materials, pay wages and so on in order to generate more production, more sales and hence more income. **Provided** income from sales is sufficient to meet this necessary immediate expenditures then the business can continue to trade.

The business is said to be **solvent**. If the business is successful then the amount received from sales will be greater

than the costs of production and therefore a profit will be made. The profit then can be used to reward the owner(s) and possibly improve or expand the business in order to generate higher profits in the future.

The items which change continually during the normal trading activities of the business are known collectively as the business's **working capital**. Working capital can be defined as the **current assets** available to the business minus any **current liabilities** on these assets.

Current liabilities are the short-term debts of the business which will have to be paid in the near future from current assets. The items making up current liabilities are the various sums owed to the business's creditors.

To ensure the efficient operation of the business, working capital needs to be carefully managed. This involves a **system of stock control**, a **debtor policy** and **cash flow forecasting**.

Businesses require finance for a wide variety of reasons and most businesses can obtain finance from a number of different sources. Therefore, decisions have to be made **regarding the most appropriate source of finance**. The provision of advice concerning the best method of financing different aspects of business activity is one of the key responsibilities of the Finance Department. When considering which method of finance is most suitable for any type of business activity, a number of factors must be taken into account:

1. The purpose for which finance is required. The reason a business requires finance – the **application of funds** – is often the most important factor in determining how the finance will be obtained – the source of funds. This means that funds required to **bridge a temporary cash flow problem** are likely to be sought from a different source than funds for capital expansion.

2. The cost of the finance. Certain types of finance are expensive to raise, e.g. an issue of new shares. Other forms of finance can be expensive to service, e.g. **interest charges on borrowed funds**. The various costs must be carefully considered to ensure the business is obtaining its finance as cheaply as possible.

3. The availability of finance. Some sources of finance are not available to all businesses and this restricts the choice of funding.

4. The present financial structure of the business. It is important to take account of the **existing liabilities** of the business when considering further finance. The capital gearing of the business is particularly important in this respect.

5. How quickly the finance is required. If the funds are needed immediately, e.g. to **supplement cash flow**, then the choice is likely to be restricted to a small number of sources, e.g. a **bank overdraft**. The more time the business has to plan for its financial needs, the wider the choice will be.

Finally, it should be noted that the larger the business, the greater the number of possible sources of funds available. Small firms face particular difficulties in **raising the finance** they need. This is one of the major reasons preventing the growth and development of such businesses.

Words and Expressions

application of funds — использование денежных средств

assets — средства, фонды

assets and liabilities — актив и пассив

balance sheet — бухгалтерский баланс, баланс компании

bank overdraft — превышение кредита (в банке)

borrowed funds — заимствованные фонды, заемные средства

bridge cash flow problem — устранить проблему дефицита денежных средств;

budget *n* — бюджет

budget *v* — предусматривать в бюджете, составлять бюджет

budgetary process — процесс формирования бюджета

budgeting *n* — составление (формирование) бюджета, финансовое планирование,

cash flow forecasting — прогноз движения денежной наличности

continual flow of money — постоянный круговорот денег

cost centres – бюро калькуляций

current assets – оборотные фонды, оборотные средства (денежные средства, вложенные в запасы сырья, материалов, топлива, готовой продукции)

current liabilities – краткосрочные обязательства

day-to-day *adj* – повседневный

debtor policy – политика в отношении должников

existing liabilities – непогашенные долговые обязательства

financial control – управление финансами, финансовый контроль

forecast *n* – прогноз, прогнозирование

interest charges – расходы по уплате процентов; процент по займам

prevail *v* – преобладать, превалировать; доминировать

profit and loss account – счет прибылей и убытков

provided *conj* – при условии, если только; в том случае, если

raise the finance – привлекать фонды, получать ссуду

regarding – относительно, касающийся

solvent *adj* – платежеспособный; кредитоспособный

source of finance – источник финансирования

supplement cash flow – увеличить поток денежных средств

system of stock control – система управления запасами

target *n* – цель, мишень; план; задание

trading activities – торговые мероприятия, торговая деятельность

working capital – оборотный капитал

II Answer the questions.

1. What does the term "financial control" mean?
2. What are the main advantages of budgeting the business?
3. What factors are to be taken into account while choosing the method of finance?
4. What are the main stages of budget preparation?
5. Why is the interdepartmental consultation necessary at all stages of budgetary process?

6. Why is the process of budgeting considered central to the financial management?
7. What is common to all budgets?
8. In what cases can the realistic performance objectives be set?
9. What problems do small businesses face?
10. Why is it necessary to prepare more than one set of forecasts concerning the business's expected performance?
11. Why some sources of finance are not available to all business?
12. What is the major reason preventing the growth and development of small businesses?

12* Translate the sentences into Russian paying special attention to the expressions in bold type.

1. Financial control means the **directing** and **monitoring** of the financial resources within the business.
2. The reason a business requires finance is often the most important factor in **determining** how the finance will be obtained – the source of funds.
3. The provision of advice **concerning** the best method of financing is one of the key responsibilities of the Finance Department.
4. Common to all budgets is that they relate to the future and that they **are** therefore **based** upon forecasts **rather than** facts.
5. If the funds are needed immediately, then the choice is **likely to be** restricted to a small number of sources.

- 13*** Read the text below, pick out words and expressions in bold type and match them with synonymous words and expressions from the box.

administrative, in that way, reveals, office-workers, benefits, corporate image, consequently, on top of that, purposes, lastly, goals, contact

The Importance of Budgeting to the Business

1. The process of budgeting is central to financial management and the efficient operation of the business. The main **advantages** to the business can be summarized as follows:
2. Budgeting requires the business to consider its objectives and it therefore clarifies its **aims** and **policies**.
3. Each department or sub-department is required to plan expenditure. This identifies the different areas of **management** responsibility within the business.
4. It gives the people, who work in the business **targets** to aim for, which improves incentives and motivates **employees**.
5. Budgeting requires cooperation and **communication** between the various departments within the business. Thus it helps to develop a **corporate identity** and reduces departmentalization.
6. **In addition** budgeting improves the central control of the business by senior management.
7. **Finally**, budgeting **identifies** strengths and weaknesses within the business and **therefore** helps to improve efficiency.

- 14*** Translate the sentences into English paying special attention to the expressions in bold type.

1. Выбирая оптимальный метод финансирования следует принять во внимание ряд факторов.
2. После того как бюджет согласован, он используется для контроля за деятельностью всех отделов компании.

3. Следует отметить, что, чем больше предприятие, тем больше у него выбор потенциальных источников финансирования.
4. Следовательно, нужно принять решение относительно наиболее целесообразного источника финансирования.
5. Малые предприятия сталкиваются с трудностями в получении финансовых средств, в которых они нуждаются.

Unit 4. DISCUSSION

- 15** Study the expressions in the Useful Language box and the examples below showing different lexical and grammatical ways of expressing one and the same language function.

Useful Language

Expressing similarity 1. in the same way as 2. in a similar way 3. as in the case of 4. as + clause 5. as + preposition phrase	Expressing contrast 1. in spite of 2. despite 3. but 4. although/though 5. while/whereas
Expressing condition 1. if 2. in case of 3. on condition that 4. supposing 5. were he/she/it (instead of 'if he/she /it were')	Giving advice 1. You should.../may be you should... 2. You had better... 3. Why don't you... 4. If I were you I would... 5. I'd advise you ...

a) similarity

1. Written works and works of art are protected by law in the same way as scientific works.
2. As in the case of scientific works written works and works of art are protected by law.
3. The law protects written works and works of art as it protects scientific works.
4. In Canada, as in the USA, written works, works of art and scientific works are protected by law in a similar way.

b) contrast

1. The investment is very huge but the productivity is rather low.
2. In spite of huge investment the productivity is rather low.
3. Despite huge investment the productivity is rather low.
4. Although the investment is very huge, the productivity is rather low.
5. The productivity is rather low whereas the investment is very huge.

c) condition

1. If the advertising is good the product will sell well.
2. On condition that the advertising is good the product will sell well.
3. In case of good advertising the product will sell well.
4. Supposing the advertising is good the product will sell well.
5. Were the advertising good the product would sell well.

d) advice

1. In case you are broke you should borrow money from the bank.
2. In case you are broke you had better borrow money from the bank.
3. You say you are broke. Why don't you borrow money from the bank?
4. Are you really broke? If I were you I would borrow money from the bank.

5. In case you are broke I'd advise you to borrow money from the bank.

16* Rewrite each sentence so that it has a similar meaning and it contains the expression in bold type.

1. Many people take no care of their money till they come nearly to the end of it, and others deal in the same way with their time.

in a similar way

2. On condition that the brand is well-known the dealers will be willing to carry the product.

if

3. May be you should agree on equal representation of German and Greek shareholders.

I'd advise you

4. Though the competition was very severe the sales had rapidly increased.

in spite of

5. As in the case of personal selling, wholesale selling requires much effort.

in the same way as

6. If the consumer likes the product he will continue to use it.

on condition that

7. In advertising as in promotion the most important quality is the gift of persuasion.

as in the case of

8. Why don't you ask the bank for a short-term loan?

If I were you I would

9. Despite the criticism of advertising it is a very effective source of informing and influencing the customer.
although

10. Supposing the advertising campaign is effective the demand will be very high.
in case of

11. This job requires high qualification and much effort but the salary is rather low.
whereas

12. You had better offer your assets as collateral for a loan.
you should

17 Read what famous people said about finance. Discuss the position of the authors. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box.

1. We estimate the wisdom of nations by seeing what they did with their surplus capital.

Ralph Waldo Emerson (1803–1882), American poet, essayist

2. What is high finance? It's knowing the difference between one and ten, multiplying, subtracting and adding. You just add noughts. It's no more than that.

John Bentley, British Director of Wordnet PLC

3. You need to have enough immediate profits that you can finance the long-range growth without diluting the stock.

Paul Cook, Business executive

4. It sounds extraordinary but it's a fact that balance sheets can make fascinating reading.

Mary Archer, British scientist and business executive

18

19

1

2

5. Finance is the art of passing currency from hand to hand until it finally disappears.

Robert W. Sarnoff

18 Read what famous people said about borrowing and lending. Discuss the extent to which you agree or disagree with the opinion stated below. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box.

1. If you would know the value of money try to borrow some.

Benjamin Franklin (1706–1790), American scientist, publisher, diplomat

2. Borrowing is not much better than begging; just as lending with interest is not much better than stealing.

Doris Lessing, British novelist

3. Don't borrow money from a neighbor or a friend, but of a stranger where, paying for it you shall hear of it no more.

Lord Burleigh

4. When a person has no need to borrow they find multitudes willing to lend.

Oliver Goldsmith (1728–1774), Anglo-Irish author, poet, playwright

5. Before borrowing money from a friend decide which you need most.

Ralph Waldo Emerson (1803–1882), American poet, essayist

19 Read proverbs about lending and borrowing and compare them with quotations on the same subject. Pick out proverbs, developing the same or similar idea as that presented in quotations. Translate the proverbs into Russian and try to find equivalent sayings or quotations in Russian.

1. He that goes a borrowing goes a sorrowing.

2. Lend your money and lose your friend.

3. Loans and debts make worry and frets.

4. Quick to borrow is always slow to pay.

5. People lend only to the rich.

Chapter NINE

MONEY AND THE BANKING SYSTEM

Unit 1. READING AND TRANSLATION PRACTICE

THE FUNCTIONS OF MONEY

Money, with its special characteristics, serves many important economic functions.

Money is anything that people commonly accept in exchange for goods and services. Money has three basic functions. It serves as a **medium of exchange**, a **standard of value**, and a **store of value**. Anything that serves any of these three functions is a type of money.

Medium of exchange. The single most important use of money is as a medium of exchange. A medium of exchange is any item that sellers will accept in payment for goods or services. As a medium of exchange, money assists in the buying and selling of goods and services because buyers know that sellers will accept money in payment for products or services.

Standard of value. The second use of money is as a standard of value. That is, money provides people with a way to measure the relative **value** of goods or services by comparing the prices of products. In this way, people can judge the relative **worth** of different items such as a television and a bicycle. They can also judge the relative values of two different models or brands of the same type of item by comparing their prices.

Money's function as a standard of value is also important to **record keeping**. Businesses need to figure profits and loss-

es. Similarly, governments must be able to **figure** tax receipts and the **cost of expenditures**. Money, because it helps provide some **uniformity** to these accounting tasks, is also called a **unit of accounting**.

Store of value. The third function or role of money is that it can be saved or stored for later use. For money to serve as a store of value, two **conditions** must be met. First, the money must be **nonperishable**. That is, it cannot rot or otherwise **deteriorate** while being saved. Second, it must keep its value **over time**. In other words, the **purchasing power** of the money must be relatively constant. If both of these **conditions** are met, many people will **accumulate their wealth** for later use. If not, most people will be hesitant about saving money today that will be worth little or nothing tomorrow.

Characteristic of Money

To be used as money, an item must have certain characteristics. The five major characteristics of money are **durability**, **portability**, **divisibility**, **stability in value**, and **acceptability**.

Durability. Durability refers to money's ability to be used over and over again. Eggs would be a poor choice for money because they are fragile and **perishable**. Metals such as gold and silver, however, are ideal because they **withstand wear and tear** well. In fact, many coins **minted** in ancient times are still in existence.

Portability. Money's ability to be carried from one place to another and transferred from one person to another is its portability. As a medium of exchange, money must be convenient for people to use. Items that are difficult to carry make poor money.

Divisibility. Divisibility refers to money's ability to be divided into smaller units. Combining various coins permits buyers and sellers to make **transactions** of any size. Divisibility also **enhances** money's use as a standard of value because exact price comparisons between products can be made.

Stability in value and acceptability. For money to be useful as a store of value, it must be stable in value. Stability in

value encourages saving and maintains money's purchasing power. Most people who save money are confident that it will have approximately the same value when they want to buy something with it as it had when they put it into savings.

Acceptability means that people are willing to accept money in exchange for their goods or services. People accept money because they know they, in turn, can spend it for other products.

Types of Money

Money comes in all shapes and sizes. The items used as money are a reflection of the society in which they are used. Money as a rule includes **coins, paper money, checks and near money**. Checks or **checkbook money** usually make up more than 70 percent of the nation's money supply, and nearly 90 percent of the transactions in most countries are completed by writing checks. Because checks are **payable** to the holder of the check **on demand**, checking accounts are often called **demand deposits**. Checks are **representative money** because they **stand for** the amount of money in a person's account. They are generally accepted because the bank must pay the amount of the check when it is presented for payment. Checks, therefore, are considered money because they are a medium of exchange, a standard of value, and a store of value. Other financial assets are very similar to money. These assets, such as **savings accounts and time deposits**, are called near money and are not usually considered part of the nation's money supply. **Bills of exchange** are examples of near money. Though they are easily accessible, these accounts cannot be used directly to buy goods or pay debts. Depositors, for example, cannot pay bills directly from their savings accounts. Since funds in these accounts can be easily converted into **cash**, however, they are considered near money.

Sources of Money's Value

Money must have and retain value. All money falls into three categories according to what gives the money its value.

The three categories of money are **commodity money**, **representative money**, and **fiat money**.

Commodity money. An item that has a value of its own and that is also used as money is called commodity money. Throughout history, societies have used many commodities as money. The ancient Romans sometimes used salt as money. Precious metals such as gold and silver, and gems such as rubies, emeralds, and diamonds, have often been used as money. The majority of nations in the world today use currency – coins and paper bills – for money. The Lydians, an ancient people in Asia Minor, minted the world's first coins about 700 B.C. The Chinese developed the first paper currency, perhaps as early as A.D. 1000 or A.D. 1100.

Representative money. Money that has value because it can be exchanged for something valuable is representative money. Checks are representative money because they can be exchanged for currency as long as the check writer has sufficient funds on account.

Fiat money. Value is attached to fiat money because a government decree, or **fiat**, says that it has value. Coins and paper money are examples of fiat money. The money has value because the government says that citizens must accept paper money and coins for all transactions.

Essential Vocabulary

A.D. = Anno Domini – нашей эры

acceptability *n* – приемлемость

accounting *n* – бухгалтерский учет

accumulate wealth – накапливать состояние

B.C. = before Christ – до нашей эры

bill of exchange – вексель, тратта

cash *n* – наличные деньги

check *n* – чек

checkbook money – деньги банковского оборота, деньги безналичных расчетов

coin *n* — монета

commodity money — 1. товар в роли денег (*напр.* соль, мех);
2. товарные деньги (обладающие внутренней стоимостью в отличие от бумажных)

cost of expenditures — стоимость затрат, издержки от расходов

demand deposit — депозит до востребования; бессрочный вклад; текущий счет

deteriorate *v* — ухудшаться

divisibility *n* — делимость

durability *n* — продолжительность срока использования, долговечность

enhance *v* — увеличивать, усиливать, улучшать

fiat *n* — декрет, постановление, указ

fiat money — деньги, считающиеся деньгами по указу

figure *v* — подсчитывать; считать

gem *n* — драгоценный камень

medium of exchange — средство обращения

meet the conditions — выполнять условия

mint *v* — чеканить (монету)

near money — субститут денег

nonperishable *adj* — непортящийся

over time — в течение длительного времени

paper money — бумажные деньги

payable on demand — подлежащий оплате немедленно по предъявлении

perishable *adj* — скоропортящийся

portability *n* — портативность

purchasing power — покупательная способность

record keeping — ведение учета, учет

representative money — представительские деньги (*бумажные деньги, полностью обеспеченные золотом или серебром*)

savings account — депозит, сберегательный счет

stability in value — стабильность ценности

stand for *v* — означать, символизировать

standard of value — мера стоимости

store of value – средство накопления; средство сбережения; средство «сохранения ценности»
time deposit – срочный депозит; вклад на срок
transaction *n* – сделка, операция
uniformity *n* – единообразие
unit of accounting – единица учета реального капитала, единица бухгалтерского учета
value *n* – стоимость, цена, валюта
wealth *n* – богатство, состояние
wear and tear – износ; амортизация; изнашивание
withstand *v* – выдержать; противостоять
worth *n* – цена, стоимость, ценность
worth *adj* – имеющий ценность; приносящий доход

Exercises

1* Translate the following words and word combinations or find Russian equivalents.

1. relative value
2. to figure profits and losses
3. tax receipts
4. accounting task
5. to accumulate wealth
6. to withstand wear and tear
7. to mint coins
8. stability in value
9. durability
10. acceptability
11. to make transactions
12. payable on demand
13. checkbook money
14. representative money
15. fiat money

2* Translate the following sentences into Russian.

1. Combining various coins permits buyers and sellers to make transactions of any size.
2. If both of these conditions are met, many people will accumulate their wealth for later use.
3. Metals such as gold and silver are ideal because they withstand wear and tear well.
4. Divisibility also enhances money's use as a standard of value because exact price comparisons between products can be made.
5. Checks are representative money because they stand for the amount of money in a person's account.
6. Acceptability means that people are willing to accept money in exchange for their goods or services.

3* Fill the gaps in the sentences below with the words and expressions from the box. There are two expressions, which you don't need to use.

standard of value, portability, fiat money, store of value, stability in value, commodity money, medium of exchange, representative money, acceptability, accumulate their wealth, relative value, durability

1. As a _____, money assists in the buying and selling of goods and services.
2. Money enables people to judge the _____ of different items by comparing their prices.
3. Money's function as a _____ is important to record keeping because it provides uniformity to accounting tasks.
4. As money is nonperishable and keeps its value over time it is considered a _____.
5. People save money in order to _____ for later use.
6. Money's ability to be used over and over again is called _____.

7. _____ is money's ability to be carried from one place to another and transferred from one person to another.
8. _____ encourages saving and maintains money's purchasing power.
9. Precious metals such as gold and silver have often been used as _____.
10. Checks are _____ because they can be exchanged for currency.

4* Find English equivalents for the following Russian expressions and words.

1. средство обращения
2. мера стоимости
3. средство накопления
4. ведение учета
5. стоимость затрат
6. единица бухгалтерского учета
7. покупательная способность
8. портативность
9. делимость
10. скоропортящийся
11. депозит до востребования
12. сберегательный счет
13. срочный депозит
14. вексель
15. товарные деньги

5* Translate the following sentences from Russian into English.

1. На самом деле многие монеты, отчеканенные в древности, всё еще существуют.
2. Сравнивая цены на товары, люди могут судить об относительной ценности различных предметов.
3. Фирмам необходимо подсчитывать прибыли и убытки.

4. Деньги не портятся, поэтому их можно скопить или сберечь для дальнейшего использования.
5. Иными словами, покупательная способность денег должна быть относительно постоянной.
6. Чеки потому считаются деньгами, что они являются средством обращения, мерой стоимости и средством сбережения.

Unit 2. LISTENING

THE HISTORY OF AMERICAN MONEY AND BANKING

6* Before you listen to Talk No 1 use Glossary to match the words and expressions below with their definitions.

1. monetary system	a. paper money and coins issued by the federal government
2. bank charter	b. to organize from a central point
3. to centralize	c. referring to money or currency
4. to decentralize	d. to make coins
5. stability	e. being steady or not moving up and down
6. to charter	f. money in the form of coins
7. currency	g. someone who is in charge of the money that belongs to an organization
8. treasurer	h. to organize from various points away from the centre
9. the Treasury	i. to say officially that a town, organization or bank officially exists and has special rights
10. to issue	j. a government department responsible for a country's financial matters
11. coinage system	
12. to mint	
13. to back	
14. specie	

- k. official government document allowing the establishment of a bank
- l. to support someone or something, especially with money, power or influence
- m. to officially produce something such as new stamps, coins or shares and make them available for people to buy
- n. the system of metal money used in a country

7 Listen to Talk No 1 and answer the questions below. Then listen again and check your answers.

1. What is the topic of the talk?
2. How many periods does the speaker point out in the history of American money and banking?
3. What are the specific features of the first period?
4. Over what question did A. Hamilton differ from T. Jefferson?
5. Who won in the battle between Federalists and advocates of states' rights?
6. What government post did A. Hamilton occupy and what was his position?
7. Why did T. Jefferson oppose a centralized banking system?
8. When was the First Bank of the United States established?
9. What were its responsibilities?
10. What role did it play in the development of monetary and banking systems?

- 8*** Complete the text using the words from the box. There are two words which you don't need to use.

buy, sell, value, investment, currency, containing, gold, circulation, denominations, coin, mint, rise

What Is a Gold American Eagle?

Gold coins have not been legal tender in the United States since the early 1930s. The Gold Bullion Act that President Reagan signed in 1985, however, once again allows the United States government to _____ (1) _____ coins. The American Eagle gold coin comes in _____ (2) _____ of \$5, \$10, \$25, and \$50. Each _____ (3) _____ contains a different amount of _____ (4) _____, with the \$50 coin _____ (5) _____ a full ounce of gold. The actual price at which the gold coins _____ (6) _____, however, is higher than the face _____ (7) _____ of the coin. Most people who _____ (8) _____ the gold coins do so as an _____ (9) _____, hoping that the coins will _____ (10) _____ in value. In 1986, the \$50 Gold American Eagle was selling for about \$450.

- 9*** Before you listen to Talk No 2 match the expressions in the left column with their translation in the right one.

1. national currency	a. обеспеченный и конвертируемый
2. gold standard	b. золотой запас
3. medium of exchange	c. национальный банк
4. banking system	d. золотой стандарт
5. backed by and converted into	e. государственный банк (в США банк штата)
6. in circulation	f. бумажные деньги, полностью обеспеченные золотом или серебром
7. paper currency	g. банковская система
8. state bank	h. национальная валюта
9. national bank	
10. fiat money	
11. representative money	

12. gold reserve

i. находящийся в обращении
j. средство обращения (денежных средств)

k. бумажные деньги

l. бумажные деньги (не обеспеченные золотом)

10 Listen to Talk No 2 and answer the questions below. Then listen again and check your answers.

1. What is the topic of the talk?
2. What steps did Congress take to establish a better banking system?
3. What kind of banking system was finally created?
4. What were the advantages of a new banking system?
5. What were the disadvantages of a new banking system?

11* Fill the gaps in Talk No 3 below with prepositions from the box. You can use every preposition as many times as necessary. There are two prepositions which you don't need to use.

about, and, between, by, during, for, from, in, of, on, through, to, with

Good morning. We continue our talk on the history of American money and banking. Today, as you know, we are going to speak _____ (1) _____ the third period, _____ (2) _____ 1913 _____ (3) _____ the present. It has been a period _____ (4) _____ reform and regulation.

_____ (5) _____ 1913 Congress passed the Federal Reserve Act, establishing the Federal Reserve System, or Fed. The Fed became the nation's central bank. All national banks were required to join the Fed. State banks were free to join, or to operate as non-member banks. Today about 4,750 national banks and about 1,050 state banks are Fed members.

The Fed administers this banking system _____ (6) _____
 12 Federal Reserve banks, each representing a section
 _____ (7) _____ the United States. A Board of Governors,
 appointed _____ (8) _____ the President and confirmed
 _____ (9) _____ the Senate, sets Fed policy. The Fed is con-
 trolled, but not owned, _____ (10) _____ the government. The
 more than 5,800 member banks, however, are the Fed's own-
 ers.

_____ (11) _____ its early years, the Fed experienced both
 success _____ (12) _____ failure. The chief success was the
 Fed's liability to provide the government and other banks
 _____ (13) _____ enough credit to finance the United States
 effort _____ (14) _____ World War I. Its chief failure was its
 inability to control credit during the 1920s. _____ (15) _____
 fact, the overextension _____ (16) _____ credit and the
 resulting borrower defaults were major causes
 _____ (17) _____ the Great Depression _____ (18) _____ the
 1930s.

_____ (19) _____ the Great Depression, financial panic
 swept the nation. Many savers withdrew their deposits
 _____ (20) _____ banks, causing many banks to fail.
 _____ (21) _____ 1930 _____ (22) _____ 1933, more than
 5,100 banks failed, some 4,000 in 1933 alone.

Franklin D. Roosevelt's election to the Presidency
 _____ (23) _____ 1932 brought immediate and lasting
 changes _____ (24) _____ the monetary and banking systems.
 Roosevelt restored public confidence _____ (25) _____ the
 economy and _____ (26) _____ the banks, which were
 reopened after certification. Soon people and businesses
 began to use the banks again.

Banking has rapidly changed _____ (27) _____ recent
 years. Federal banking deregulation has led _____ (28) _____
 competition and reorganization _____ (29) _____ the banking
 industry. Today, Americans have a wide choice of financial
 institutions where they are offered a variety _____ (30) _____
 banking services.

TYPES OF FINANCIAL OPERATIONS

Saving money

People in the United States have many ways to save money. They may spend it or save it, consume it or not consume it. Spending (the consumption of disposable income) and saving (the non-consumption of disposable income) are equally important to a strong economy.

People save money for four main reasons. They save for a **down payment** on an automobile or a house and to finance a major purchase such as a television set. They set money aside regularly to meet large annual or semiannual bills such as property taxes or automobile **insurance payments**. They save to have a ready reserve to meet unexpected expenses such as medical or home repair bills. Finally, they save for major expenses in the future such as **college tuition payments** or to **meet retirement needs**. Some people save because they want to leave money to their children.

Depositing money in a financial institution provides physical security by protecting savers' money from losses due to fire, theft, or other catastrophes that might take place in the home. Most financial institutions are protected by state and federal deposit-insurance plans.

The fee that financial institution pays for the use of depositors' money is **interest**. A financial institution **charges interest on loans** to make money. It pays interest on **savings deposits** to attract a **pool of money** it can lend. A financial institution makes a profit by charging more interest on loans than it pays on deposits.

One of the measures economists use to analyze savings behavior is **saving rate**, the percentage of **disposable income** deposited into **savings accounts**. The single most important determinant of personal savings in the United States is income. Two other economic factors that have key effects on the savings rate are the availability of consumer goods and rising prices. When consumer goods are adequate to meet

consumer demand and prices are lower, people tend to spend their money. At such times, savings rates are relatively low. When consumer demand is greater than the supply of consumer goods and prices are high, people cannot readily purchase the goods they need or want. At such times, savings often increase.

Types of Savings Accounts

Financial institutions have devised many types of saving accounts to meet the different needs of savers. Among these are **passbook savings**, **NOW** and **money market accounts**.

A common type of savings accounts among financial institutions is a **regular savings account**, which is sometimes called a **passbook account** because depositors receive a book in which all account transactions are recorded. A second type of savings accounts is the negotiable order of withdrawal, or **NOW account**. NOW accounts are offered at most commercial banks, savings banks, and loan associations across the nation. The holder of a NOW account can write checks on the amount deposited in the account and collect interest on the money remaining in the account. Another type of savings account that pays interest and allows easy access to the savings is a **money market account**. It offers variable interest rates that are usually higher than those of regular savings or NOW accounts. The interest paid by money market accounts is often linked to **Treasury bills** because financial institutions invest the money deposited in money market accounts in Treasury bills.

A savings account that requires the saver to leave money in the account for a specific amount of time is called a **time deposit**.

Borrowing Money

Borrowing is the transfer of a specified amount of money from a **lender** to a **borrower** for a specified length of time. Business people borrow money to begin or expand their business, and federal, state, and local governments borrow money

to finance their programs and operations. **Credit** is the purchase of goods and services without the actual transfer of money on the promise to pay later. Even wealthy consumers consider the use of credit necessary when purchasing expensive items such as houses and automobiles.

Consumers borrow money and use credit for two main reasons. First, buyers can enjoy the use of an item while paying off the debt. They do not have to postpone purchases until they have enough money to pay for the items in cash. Second, consumers can extend payments for expensive items over a period of time. Payments for **home mortgages** typically run for 20 to 30 years. Houses are made affordable in this manner. **Credit payments** for televisions, major appliances, and other expensive items often run from one to five years.

The money borrowed is called the **principal**. The amount paid by the borrower for the privilege of using the money is called the **interest**. Both the principal and the interest are included in the **loan's** repayment. Most loans are **secured** loans, which require that borrowers put up collateral. **Collateral** is something of value offered by the borrower as a guarantee that the loan will be repaid. If the loan is not repaid according to the terms of the loan agreement, the lender may take the borrower's collateral. Unsecured loans requiring no collateral are rare and usually involve small amounts of money and short periods of time.

A common consumer loan is an **installment loan**. **Repayment of the principal and interest** is divided into equal amounts according to the length of the **loan period**, typically 12, 18, 24, or 36 months. The length of repayment of the loan is important in determining the amount of the monthly payment. The longer the loan period is, the smaller the monthly amount the consumer must pay. Buyers who can afford higher monthly payments prefer the shorter loan period because it is less expensive.

The most common use of an installment loan is a home mortgage. A **mortgage** is an installment debt owed on land, buildings, or other **real property**. The **mortgagee** must repay

the mortgage in installments for fixed number of years, usually between 15 and 30 years. The loan is secured by the property, which is forfeited if the loan terms are not met.

Buying on Credit

In the use of credit, no money changes hands directly. Rather than requiring money for a purchase, businesses allow customers to charge their purchases and to pay for them over a period of time. Customers who do not pay their charges in full each month pay interest on the unpaid principal until the full amount is repaid. Consumers who want credit must apply for it and must have their credit approved before the credit can be used. The creditor evaluates information about the purchaser and assigns that person a **credit rating**. A credit rating is an estimation of the probability of repayment.

Creditors are particularly concerned about an applicant's 4-Cs – **character, capacity to pay, capital, and credit history**. An applicant who satisfies the 4-Cs is likely to receive a high credit rating, meaning the person is a good **credit risk**. An applicant who fails to satisfy the 4-Cs is usually assigned a low credit rating.

Words and Expressions

borrow – занимать деньги; заимствовать; брать займы;

брать в кредит

borrower *n* – заемщик; берущий займы

capacity to pay – платежеспособность

character *n* – репутация

charge interest – начислять проценты, взыскивать проценты

collateral – имущественный залог; дополнительное обеспечение; гарантия, поручительство (финансовое)

college tuition payment – плата за обучение в колледже

commercial bank – коммерческий банк

credit *n* – кредит; долг

credit history – кредитная история (*записи займов и выплат по ним определенного лица*)

credit payments – выплаты по кредиту

credit rating – оценка кредитоспособности

credit risk – кредитный риск

disposable income – доход, остающийся после уплаты налогов, чистый доход

down payment – первоначальный взнос, первая выплата, аванс (*напр. при покупке в рассрочку*)

forfeit *v* – лишиться в результате конфискации, потерять право на что-л.

home mortgage – ипотека; залог; заклад; закладная

insurance payment – страховой платеж

installment loan – ссуда с оплатой в рассрочку

interest *n* – проценты (*на капитал*)

interest rate – процентная ставка

lender *n* – займодавец, кредитор; ростовщик

loan *n* – заем; ссуда; кредит

loan period – срок возвращения займа

meet retirement needs – оплачивать пенсионные нужды

money market account – накопительный счет, депозитный счет денежного рынка

mortgage *n* – заклад; ипотека, закладная

mortgagee *n* – кредитор по закладной

NOW (negotiable order of withdrawal) account – текущий счет с выплатой процентов и списанием по безналичным расчетам (типа чеков)

passbook savings – сбережения на банковской сберегательной книжке

passbook account — сберегательный счет с выдачей сберегательной книжки

principal *n* – основная сумма, капитал (сумма, на которую начисляются проценты)

principal and interest – капитал и проценты

pool of money – общий денежный фонд; объединенный резерв капитала

real property – недвижимое имущество

regular savings account – обычный сберегательный счет

repayment – уплата (*процентов*), выплата (*основной суммы*)

saving rate – норма сбережений

savings *n* – сбережения, накопления

savings account – депозит, сберегательный счет

savings bank – сберегательный банк

savings deposit – сберегательный вклад

Treasury (the) – государственное казначейство, министерство финансов

Treasury bills – краткосрочные казначейские векселя

time deposit – срочный депозит; вклад на срок

12 Answer the questions.

1. What are the main reasons for saving money?
2. What are the advantages of depositing money?
3. Why does a financial institution lend money?
4. What economic factors affect saving rate?
5. What types of savings accounts do you know?
6. What are the main reasons for borrowing money?
7. How can people profit by using credit?
8. Why does the borrower put up collateral?
9. What is the most common type of mortgage?
10. What kind of applicants receive a high credit rating?

13* Say if the statements are true or false. Prove your point.

1. The fee that a financial institution pays for the use of depositors' money is collateral.
2. Credit is the purchase of goods and services without the actual transfer of money on the promise to pay later.
3. The shorter the loan period is, the smaller the monthly amount the consumer must pay.
4. A financial institution charges interest on loans to make money.

5. The money borrowed is called the interest.
6. The mortgagee must repay the mortgage in installments for fixed number of years, usually between 15 and 30 years.
7. A financial institution makes a profit by charging more interest on loans than it pays on deposits.
8. When consumer goods are adequate to meet consumer demand and prices are lower, the savings rates are high.
9. When consumer demand is greater than the supply of consumer goods and prices are high, the savings rates are low.
10. A credit rating is an estimation of the probability of repayment.

14* Complete the sentences matching the beginning of the sentence with one of the endings.

1. A financial institution pays interest on savings deposits _____.
2. A common type of savings accounts among financial institutions is _____.
3. The length of repayment of the loan is important in _____.
4. Even wealthy consumers consider the use of credit necessary _____.
5. Credit payments for televisions, major appliances, and other expensive items _____.
6. The amount paid by the borrower for the privilege of using the money _____.

7. The money market account offers variable interest rates _____ .
8. If the loan is not repaid according to the terms of the agreement, _____ .
9. The loan is secured by the property, which is forfeited if _____ .
10. The creditor evaluates information about the purchaser and _____ .
 - a. usually run from one to five years
 - b. the loan terms are not met
 - c. determining the amount of the monthly payment
 - d. assigns that person a credit rating accordingly
 - e. when purchasing expensive items such as houses and automobiles
 - f. to attract a pool of money it can lend
 - g. that are usually higher than those of regular savings or NOW accounts
 - h. the lender may take the borrower's collateral
 - i. is called the interest
 - j. a regular savings account, or a passbook account

15 Study the expressions in the Useful Language box and the examples below showing different lexical and grammatical ways of expressing one and the same language function.

Useful Language

Expressing similarity 1. the same as 2. just the same as 3. like 4. in the same way 5. in a similar way	Expressing contrast 1. however 2. but 3. yet 4. although/though 5. while/whereas
Expressing condition 1. if 2. as/so long as 3. on condition that 4. provided/providing 5. unless	Giving advice 1. You should... 2. You had better... 3. Why don't you... 4. If I were you I would... 5. I'd advise you...

a) similarity

- 1. The seal on the second document is **just the same** as that on the first one.
- 2. The new seal is the **same colour as** the old one.
- 3. The second seal looks **like** the first one.
- 4. You must be very creative setting up a new business in **the same way as** introducing a new product.
- 5. You must be very creative to set up a new business. **In a similar way** you'll need much effort to introduce a new product.

b) contrast

- 1. The prices have risen **but** these consumer goods are still in great demand.

2. The prices have risen **yet** these consumer goods are still in great demand.
3. The prices have risen, **however**, these consumer goods are still in great demand.
4. **Although** the prices have risen, these consumer goods are still in great demand.
5. **Whereas** the prices have risen, these consumer goods are still in great demand.

c) condition

1. If the price is high the demand will be low.
2. The demand will be low **as long as** the price is high.
3. The demand will be high **on condition that** the price is low.
4. The demand will be high **providing/provided** that the price is low.
5. The demand will be very high **unless** the price is too high.

d) advice

1. At this stage of product life cycle **you should** spend money on advertising.
2. At this stage of product life cycle **you had better** spend money on advertising.
3. **Why don't** you spend money on advertising at this stage of product life cycle?
4. **If I were** you I would spend money on advertising at this stage of product life cycle.
5. At this stage of product life cycle **I'd advise** you to spend money on advertising.

16* Rewrite each sentence so that it has a similar meaning and it contains the expression in bold type.

1. Money, it turned out, was exactly like sex. You thought of nothing else if you didn't have it and thought of other things if you did.
just the same as
-

2. Money is a terrible master but an excellent servant.
however

3. Before you start up a new business I'd advise you to write a business plan.
you should

4. As long as the company does well the profits will be very high.
if

5. Money is the same as promises – easier made than kept.
like

6. Personal selling will be very effective if the promotional efforts are well planned.
provided

7. You should persuade banks, not me, that your business is worthy of a loan.
had better

8. Although money can't buy happiness it will get you a better class of memories.
but

9. Getting money is like digging with a needle.
the same as

10. On condition that the price is reasonable the travelers will be using this airline.
as long as

11. Money spends in the same way as water soaks into sand.
like

12. Doing business is like making war.
the same as

13. My great wealth was acquired with no difficulty, whereas my small wealth, my first gains, with much labor.
yet

14. Why don't you make financial analysis of monthly profit and loss forecast?
if I were you I would

15. The advertisers try to persuade the customers in the same way as the politicians try to persuade their electors.
in a similar way

17 Read what famous people said about the role of money in the society. Discuss the position of the authors. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box.

1. The chief value of money lies in the fact that one lives in a world in which it is overestimated.

H. L. Mencken (1880–1956), American author

2. The only people who claim that money is not important are people who have enough money so that they are relieved of the ugly burden of thinking about it.

Joyce Carol Oates (b. 1938), American author

3. Money is an article, which may be used as a universal passport to everywhere except Heaven, and as a universal provider of everything but happiness.

George S. Clason (1874–1940), American author

4. There is no fortress so strong that money cannot take it.

Marcus T. Cicero (106–43 BC), great Roman orator, politician

5. Money is power, freedom, a cushion, the root of all evil, the sum of blessings.

Carl Sandburg (1878–1967), American poet

6. Money is a singular thing. It ranks with love as man's greatest source of joy. And with death as his greatest source of anxiety.

John Kenneth Galbraith (b. 1908), American economist

- 18** Read what famous people said about the knack of handling money. Discuss the extent to which you agree or disagree with the opinion stated below. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box.

1. Wealth is not his that has it, but his that enjoys it.

*Benjamin Franklin (1706–1790), American scientist,
publisher, diplomat*

2. It isn't enough for you to love money – it's also necessary that money should love you.

Baron Rothschild (1840–1915)

3. If we command our wealth, we shall be rich and free; if our wealth commands us, we are poor indeed.

Edmund Burke (1729–1797),

British political writer, statesman

4. Money alone is only a means; it presupposes a man to use it. The rich man can go where he pleases, but perhaps please himself nowhere. He can buy a library or visit the whole world, but perhaps has neither patience to read nor intelligence to see... The purse may be full and the heart empty. He may have gained the world and lost himself; and with all his wealth around him... he may live as blank a life as any tattered ditcher.

*Robert Louis Stevenson (1850–1895), Scottish essayist,
poet, novelist*

5. Money is of no value; it cannot spend itself. All depends on the skill of the spender.

Ralph Waldo Emerson (1803–1882),

American poet, essayist

6. To acquire wealth is not easy, yet to keep it is even more difficult... It is said that wealth is like a viper which is harmless if a man knows how to take hold of it; but, if he does not, it will twine around his hand and bite him.

Frank K. Houston

Chapter TEN

BUSINESS SUCCEES STORIES OF ALL TIME

Unit 1. READING AND TRANSLATION PRACTICE

BILL GATES AND MICROSOFT CORPORATION

William (Bill) H. Gates is chairman and chief software architect of Microsoft Corporation, the worldwide leader in software services and Internet technologies for personal and business computing. Gates' foresight and his vision for personal computing have been central to the success of Microsoft and the software industry.

In August 23, 1995, an unprecedented marketing and media frenzy reached its peak throughout the world. The level of publicity and excitement had rarely been seen before, but it was not for a new movie or even a new car. It was for a piece of software. By midnight, customers had already queued up outside computer stores to be among the first to purchase Windows 95, an upgraded operating system for IBM and IBM-compatible personal computers. Microsoft Corporation, the company behind Windows



95, spared no expense in exciting the demand for its new product.

Born on October 28, 1955, William Henry Gates grew up in Seattle, Washington, in a socially prominent family with his two sisters. Their father was a lawyer with a well-connected firm in the city. Their mother, Mary Gates, was a schoolteacher, active in charity work. Gates attended public elementary school and the private Lakeside School. There, he discovered his interest in software and began programming computers at the age of 13. "He was a **computer nerd** before the term was invented," as one of his teachers described Gates at the time.

In 1973, Gates entered Harvard University as a freshman, where he lived down the hall from Steve Ballmer, now Microsoft's chief **executive officer**. While at Harvard, Gates developed a version of the **programming language BASIC** for the first **microcomputer** – the MITS Altair.

In his junior years, Gates left Harvard to devote his energies to Microsoft, a company he had begun in 1975 with his childhood friend Paul Allen. Guided by a belief that the computer would be a valuable tool on every office desktop and in every home, they began developing software for personal computers. Gates and Allen were not typical entrepreneurs. They had no business plan, no **venture capital**, no bankers or Small Business Administration loans. But they had the most important tools needed for **software development**: brains and computers, and they had everything necessary for entry into the porous **computer industry** of the time: they had product, programming **expertise**, and most importantly, a **vision** of greater possibilities.

The introduction of Windows 95 mirrored the rapid changes in the marketplace and marked a new crucial point for Bill Gates. His role in the personal computer revolution had given him a **net worth** estimated in the summer of 1996 at \$18 billion, and had turned him into an icon of **information technology**. Few American businessmen have ever occupied such a niche in the popular imagination. Just as John D.

Rockefeller created order from chaos in the most important new industry of the late nineteenth century, Gates and his company did the same in the most **crucial** industry of the late twentieth century: computers. And, like Rockefeller, Gates found ways to force the rest of the industry to follow his lead.

Gates was married on January 1, 1994, to Melinda French Gates. They have three children. Gates is an avid reader, and enjoys playing golf and bridge.

In 1999, Gates wrote *Business & the Speed of Thought*, a book that shows how **computer technology** can solve business problems in fundamentally new ways. The book was published in 25 languages and is available in more than 60 countries. Gates' previous book, *The Road Ahead*, published in 1995, held the No. 1 spot on the *New York Times*' **bestseller** list for seven weeks.

Though an **innovative** and **forward-thinking** entrepreneur, Bill Gates didn't invent crucial technology. Rather, he shrewdly adapted and improved products first made by others. He recognized the coming of the personal computer (PC) long before others did, and deduced that operating systems and applications (software) would be at least as important to the PC business as the nuts-and-bolts equipment (**hardware**). Part of the reason for Microsoft's dominance in the field lies precisely in Gates's ability to anticipate developments in computer technology and to judge when the public will be ready for them. Another part of Microsoft's success lies in Gates's **unwavering** confidence in his own ideas. Through the force of his **personality**, as much as through the popularity of his products, Bill Gates has imposed his own order on the burgeoning computer industry.

Gates has **donated** the **proceeds** of both books to non-profit organizations that support the use of technology in education and professional skills development. Under Gates' leadership, Microsoft's mission has been to continually advance and improve software technology, and to make it easier, more cost-effective and more enjoyable for people to use computers.

Philanthropy is also important to Gates. He and his wife, Melinda, have **endowed** a foundation with more than \$24 billion to support initiatives in the areas of global health and learning, including the Gates Library Initiative to bring computers, Internet Access and training to public libraries in low-income communities in the United States and Canada.

Essential Vocabulary

bestseller *n* – сенсационная книга; бестселлер

compatible *adj* – совместимый

computer industry – промышленность средств вычислительной техники

computer nerd – компьютерный фанат

computer technology – компьютерные технологии

crucial *adj* – ключевой, решающий

donate *v* – передавать в дар

endow *v* – пожертвовать капитал, делать дар (учреждению, на благотворительные цели и т. п.)

executive officer – должностное лицо, ведающее исполнительными функциями разного рода

expertise *n* – опыт, знание дела; квалификация, компетенция

foresight *n* – предвидение

forward-thinking *adj* – прогрессивно мыслящий

frenzy *n* – безумие

hardware *n* – аппаратура, оборудование

information technology – информационные технологии

innovative *adj* – новаторский

Internet – Интернет, всемирная компьютерная сеть

lead *n* – лидерство; руководство; инициатива

microcomputer *n* – микрокомпьютер

net worth – собственный капитал предприятия

operating system – операционная система

personality *n* – индивидуальность, личность

proceeds *n* – выручка, доход

programming language – язык программирования

software *n* – программное обеспечение

software architect – разработчик структуры системы программного обеспечения

software development – разработка программного обеспечения

software industry – промышленность (по производству) программного обеспечения; индустрия программных средств

unwavering *adj* – непоколебимый, твердый, стойкий; не дрогнувший

upgrade *n* – модернизация, проф. апгрейд

upgrade *v* – модернизировать, делать апгрейд

venture capital – венчурный капитал; капитал, вложенный или вкладываемый в новое предприятие, связанное с риском (в том числе в разработки и организацию производства нового продукта)

vision *n* – предвидение, представление

Exercises

1* Translate the following word combinations or find Russian equivalents.

1. software architect
2. software industry
3. media frenzy
4. IBM-compatible personal computers
5. to spare no expenses
6. venture capital
7. computer industry
8. programming expertise
9. non-profit organizations
10. professional skills development

2* Translate the following sentences into Russian.

1. Gates' foresight and his vision for personal computing have been central to the success of Microsoft.
2. The unprecedented marketing and media frenzy was for a piece of software Windows 95.
3. Through the force of his personality Bill Gates has imposed his own order on the burgeoning computer industry.
4. Microsoft's mission has been to continually advance and improve software technology.
5. Bill Gates devoted his energy to make it easier, more cost-effective and more enjoyable for people to use computers.

3* Fill the gaps in the sentences below with the words and expressions from the box. There are two expressions, which you don't need to use.

software, computer technology, an upgraded operating system, information technology, net worth, innovative, foresight, marketplace, business problems, computer nerd, software architect, forward-thinking, executive officer, demand, Internet technologies

1. Bill Gates is chairman and chief _____ of Microsoft Corporation.
2. Bill Gates is the worldwide leader in software services and _____ for personal and business computing.
3. Customers queued up outside computer stores to purchase Windows 95, _____ for IBM and IBM-compatible personal computers.
4. Microsoft Corporation spared no expense in exciting the _____ for its new product, namely Windows 95.
5. Bill Gates was a _____ before the term was invented: he devoted all his energies to developing _____ for personal computers.

6. The introduction of Windows 95 mirrored the rapid changes in the _____ and marked a new crucial point for Bill Gates.
7. Gates' ability to anticipate developments in _____ had given him in 1996 a _____ of \$18 billion.
8. Bill Gates' role in the personal computer revolution had turned him into an icon of _____.
9. In 1999, Gates wrote a book that shows how computer technology can solve _____ in fundamentally new ways.
10. Being an _____ and _____ entrepreneur Bill Gates found ways to force the rest of the industry to follow his lead.

4* Find English equivalents for the following Russian expressions and words:

1. лидер на мировом рынке
2. программное обеспечение
3. Интернет
4. операционная система
5. стимулировать спрос
6. компьютерный фанат
7. язык программирования
8. разработка программного обеспечения
9. ключевой момент
10. непоколебимая уверенность

5* Translate the following sentences from Russian into English.

1. Успех "Майкрософт" состоит в непоколебимой убежденности Гейтса в своих собственных идеях.
2. Гейтс разработал версию языка программирования BASIC для первого микрокомпьютера.

3. У Гейтса были самые важные инструменты, необходимые для разработки программного обеспечения: мозги и компьютеры.
4. У Гейтса было все необходимое для компьютерной промышленности: продукт, опыт программирования и предвидение еще больших возможностей.
5. Гейтс пожертвовал гонорар, полученный за обе книги, общественным организациям.

Unit 2. LISTENING

MARY KAY ASH AND WALT DISNEY

- 6*** Before you listen to Talk No 1 use Glossary to match the words and expressions below with their definitions.

1. corporate culture	a. the feeling that you are someone who deserves to be liked, respected, and admired
2. full-time	
3. launch a company	b. a company which sells its products directly to retailers
4. positive reinforcement	c. the attitudes and beliefs about something that are shared in a particular corporation
5. vertically integrated corporation	d. a person who works for a little company with low turnover and few employees
6. a single mother	e. a combination of companies involved in different steps of the same production process
7. self-esteem	f. a year when highest achievements and best results have been achieved
8. direct-sales company	g. to start a new business, especially one that involves some risk
9. blind date	h. a system of incentives encour-
10. tenacity	
11. corporate structure	
12. small-business operator	
13. radio personality	
14. a record-breaking year	

aging people to work harder or start new activities

- i. a mother who looks after her children on her own, without a husband
- j. an arranged meeting between a man and woman who have not met each other before
- k. working all the normal working time (i.e. about seven hours a day, five days a week)
- l. someone who works for a broadcasting company
- m. determination to do something and unwillingness to stop trying even when the situation becomes difficult
- n. the structure of a corporation

7 Listen to Talk No 1 and answer the questions below. Then listen again and check your answers.



Mary Kay Ash

- 1. Who is presented in this talk?
- 2. What is Mary Kay famous for?
- 3. When did she launch a cosmetic business company?
- 4. What are the annual sales of Mary Kay Cosmetics?
- 5. What is the key to Mary Kay's success?

8* Complete the text using the words from the box. There are two words which you don't need to use.

profits, market, chief executive officer, computer, entrepreneur, computer science, corporate, encourage, business world, correct, direct-sales company, personal computer industry

Porta Isaakson is a classic example of a successful _____ (1) _____. As founder, president and _____ (2) _____ of Future Computing Inc. Isaacson has made a name for herself as an authority on market trends in the _____ (3) _____.

Isaakson did not start at the top of _____ (4) _____. She grew up on a small struggling dairy farm in Oklahoma. She got the training she needed, eventually earning two masters' degrees and a doctorate in _____ (5) _____.

In 1980 she founded a _____ (6) _____ research and consulting firm Future Computing.

In 1981 Isaakson learned of IBM's plans to market a new personal computer. In a published report she predicted that the IBM PC would have a dramatic effect on the _____ (7) _____ market. When Isaakson's prediction proved _____ (8) _____ her company began to be taken seriously.

In 1984 she sold Futute Computing for \$8 million plus a percentage of future _____ (9) _____. She felt the sale was necessary because Future Computing needed access to _____ (10) _____ management experience. As part of the corporate merger Porta Isaakson continues to run Future Computing.

9* Before you listen to Talk No 2 match the expressions in the left column with their translation in the right one.

1. instant success

2. honorary degree

a. приводить в восторг, очаровывать

3. animated cartoon	b. Золушка
4. amusement park	c. устанавливать; монтировать
5. celebrity	d. волшебный мир приключений
6. to fascinate	e. воображение; фантазия
7. innovations	f. почетная ученая степень
8. to install	g. знаменитость; звезда
9. imagination	h. мгновенный успех
10. Adventureland	i. Белоснежка
11. Cinderella	j. нововведение, новшество
12. Snow White	k. мультипликация
	l. парк с аттракционами



Walt Disney

10 Listen to Talk No 2 and answer the questions below. Then listen again and check your answers.

1. Who is the hero of this talk?
2. Which of Disney's characters became an overnight success?
3. What are the most popular films of Walt Disney?
4. Where is the magic kingdom of Walt Disney located?
5. How much does the amusement park Disneyland bring each year?

II* Complete the text using the words from the box. There are two words which you don't need to use

success, imagination, recasting, foresight, innovative, chief executive, multitude, established, fascinated, endow, founded, launch

Robert Edward Turner was born in 1938 in Cincinnati. He is world famous American television network _____ (1) _____.

In 1976, he _____ (2) _____ a television station, WTBS, and built it into the Turner Broadcasting System (TBS). As he was a man with _____ (3) _____, he decided to _____ (4) _____ first 24-hour news channel. So, in 1980, The Cable News Network (CNN), was _____ (5) _____. People from all over the world including monarchs, presidents, prime ministers and many other very important persons were _____ (6) _____ by this innovation.

Ted Turner is a forward thinking person always coming up with _____ (7) _____ ideas. In 1988, Ted Turner started up TNT, a movie channel giving the opportunity to the _____ (8) _____ to enjoy his vast library of film classics.

Ted Turner announced he would _____ (9) _____ \$1 billion to United Nations programs devoted to international understanding and peace and the environment. His creative activity is _____ (10) _____ American life and culture.

Unit 3. READING COMPREHENSION

The ethical heart of business is service to others. Without it, no enterprise and no entrepreneur can succeed. Here are two profiles of great business leaders. They believed passionately in America as the land of opportunity and in the possibilities for individuals to succeed here.

JOHN D. ROCKEFELLER AND THE MODERN CORPORATION

John Davison Rockefeller, the head of Standard Oil, a multibillion-dollar enterprise, established an **integrated** system of production and distribution. His most lasting contribution lay in the systems of professional management that **integrated** the many aspects of his business. Rockefeller's extraordinary **drive** and legendary attention to detail led his company to early success. An understanding of the history of the Standard Oil Company is



essential to the understanding of the rise of the large corporation in the American economy. By 1913 Rockefeller **amassed** a fortune of \$900 million and owned nearly all of the nation's oil industry.

John D. Rockefeller was born in 1839 on a small farm in upstate New York. In 1853, his father, William A. Rockefeller, an occasional farmer, **small-time entrepreneur**, moved from upstate New York to Cleveland with his deeply pious wife and five children. Rockefeller upon completing secondary school and a few business courses at Folsom's Commercial College, found work as a \$4-a-week bookkeeper for a Cleveland **dry goods merchant**.

Obsessed with attaining professional and financial independence, John **scrimped** and borrowed for three years, until he had enough – \$1,800 – to set up shop in 1859 as a dry-goods **trader**. Rockefeller watched as Cleveland-area businessmen made quick fortunes in **oil refining**, and he too was caught up in the **heady** excitement.

Rockefeller was among the first to set up **refineries** in Cleveland in the mid-1860s, when the end of the Civil War signalled a period of unprecedented economic expansion,

Rockefeller brought in new interests, **recapitalized** his firm, and began to **buy out** the competition.

Unable to control the price of vital raw materials, Rockefeller decided that the best way to **boost** his profits was to **raise production**, so he borrowed money to open a second refinery, the Standard Works. Surveying the refining business in 1870, the 31-year-old Rockefeller began to think about expanding further. Despite the oil industry's chaos, Rockefeller had a clear vision of where it was going, and the **key role** his company could play in it. Following his instincts, he and his associates set out to combine all of Cleveland's refineries into a single firm in order to gain still greater **leverage** over railroads and **crude oil** producers. Capitalized at \$1 million, Standard Oil eventually grew into a multibillion-dollar enterprise.

Once Standard Oil was established, Rockefeller approached weaker competitors with a simple proposition: join us or face the **ravages** of **heightened** competition. By 1870, when he formed the Standard Oil Company of Ohio, Rockefeller owned all of the refineries in his home base.

By the end of 1872, Standard had boosted its capacity sixfold and was refining 10,000 barrels a day. With 80 percent of Cleveland's refining industry under its roof, the company already stood as the nation's largest refining complex.

Standard Oil Company embodied the principle of a twentieth century factory – it facilitated a continuous flow of raw materials through various links in a **production chain** until it **emerged** as a finished consumer product.

In the 1890s, Rockefeller, though only in his fifties, essentially removed himself from the daily affairs of the Standard Oil Company. He devoted much of the rest of his life to **charity**. He endowed the University of Chicago in 1892, and set up a foundation that dispensed millions to educational and health efforts around the world. Rockefeller died in 1937 at the age of 97. He provided the basis for one of America's greatest philanthropic foundations and serving

the needs and desires of others, he improved to a great extent the quality of life for millions of people.

HENRY FORD AND THE "UNIVERSAL CAR"

Ford's "universal car" was the industrial success story of its age. Model T Ford cars pervaded American culture. The central role that the Model T had come to play in America's cultural, social and economic life elevated Henry Ford into a full-fledged folk hero.



Henry Ford invented neither the automobile nor the assembly line, but recast each to dominate a new era. Indeed, no other individual in this century so completely transformed the nation's way of life. He transformed the automobile itself from a luxury to a necessity.

"I'm going to democratize the automobile, I will build a motorcar for the great multitude," Henry Ford had said in 1909. "When I'm through, everybody will be able to afford one, and about everybody will have one." Such a notion was revolutionary. Ford set out to make the car a commodity.

Henry Ford was born in 1863 in Dearborn, Michigan, on the farm operated by his father, an Irishman, and his mother, who was from Dutch stock.

Ford devoted himself to making a working automobile. On weekends and most nights, he could be found in a shed in the back of the family home, building his car. So great was his obsession that the neighbors called him Crazy Henry. In 1903, he formed the Ford Motor Company in association with Alexander Malcomson and about a dozen other investors.

Prickly, brilliant, willfully eccentric, he relied more on instinct than business plans. With a few colleagues, he devoted two years to the design and planning of the Model T.

The car that finally emerged from Ford's secret design section at the factory was simple, sturdy, and versatile. That little car was doomed to excite the public imagination and change America forever. The car went to the first customers on October 1, 1908. In its first year, over ten thousand were sold, a new record for an automobile model. Between 1914 and 1916, the company's profits doubled from \$30 million to \$60 million.

On June 4, 1924, the ten millionth Model T Ford left the Highland Park factory, which would remain the main facility for T production.

On May 26, 1927, the fifteen millionth Model T Ford rolled off the assembly line at Ford's factory in Highland Park, Michigan.

In 1929, Ford, General Motors and the newly formed Chrysler Corporation – known then and now as the Big Three – accounted for 80 percent of the market.

Henry Ford died on April 7, 1947, at the age of eighty-three. The world remains in large part the one set into motion by Henry Ford: a world in which cars are for everyone. Model T Ford cars jammed the streets of the great eastern cities and roamed newly laid roads in southern California. They represented an opportunity for change in practically everything. They also became a crucial factor in recasting America's growing economy. Henry Ford had created a car for the multitudes and that car had created the basis of the car culture embraced by every subsequent generation.

Words and Expressions

amass *v* – накопить скопить (*капитал, состояние*)

assembly line – сборочный конвейер

boost *v* – повысить (*прибыль производительность, мощность и пр.*)

brilliant *adj* – выдающийся, замечательный (*о человеке*)

buy out *v* – выкупать (*чью-л. долю контрольного пакета акций*)

charity *n* – благотворительность

commodity *n* – товар широкого потребления

crucial factor – решающий фактор

crude oil – сырая, неочищенная нефть

dominate *v* – доминировать, господствовать над чем-л.

drive *n* – энергия, напористость, настойчивость (*в достижении какой-л. цели*), внутренний импульс

dry goods *n* – мануфактура, галантерея, галантерейные товары

embody *v* – воплощать; олицетворять, заключать в себе (какую-л. идею)

embrace *v* – принимать, воспринимать

emerge *v* – появляться; всплывать; выходить, возникать

facility *n* – техническое оборудование

full-fledged folk hero – признанный народный герой

great multitude – широкие массы

heady *adj* – головокружительный, опьяняющий, неистовый

heightened – все возрастающий, все более интенсивный

integrate *v* – составлять единое целое; объединять

integrated *adj* – комплексный; единый

jam *v* – запруживать, заполонять

key role – ведущая роль

leverage *n* – рычаг, средство для достижения цели

luxury *n* – предмет роскоши

merchant *n* – купец; лавочник

necessity *n* – предмет первой необходимости

obsession *n* – наваждение, одержимость

oil refining – перегонка нефти

pervade *v* – проникать; наполнять, пропитывать

prickly *adj* – вспыльчивый, раздражительный, обидчивый

raise production – повысить производительность, увеличить производство

ravages – разрушительное действие

recapitalize *v* – изменять структуру капитала компании

recast *v* – переделывать, перекраивать; изменять, перестраивать

refinery *n* – нефтеперегонный завод

roam *v* – путешествовать, странствовать

scrimp *v* экономить (*особ. на еде*)

shed *n* – гараж; сарай

small-time entrepreneur – предприниматель средней руки

sturdy *adj* – прочный, крепкий; выносливый (*о предме-
тах*)

to a great extent – в значительной степени

trader *n* – торговец (*особ. оптовый*)

versatile *adj* – многоцелевой, универсальный

willfully eccentric – своевольно эксцентричный

12 Answer the questions.

1. What is Rockefeller's contribution to American economy?
2. What was Rockefeller's first job?
3. Why did Rockefeller choose oil-refining as his business?
4. In what way did Rockefeller try to boost his profits?
5. What is the key to Rockefeller's heady success in business?
6. How did he try to improve the quality of life for American people?
7. What is Henry Ford's role in American way of life?
8. Why Henry Ford's ideas were considered revolutionary?
9. What qualities led Henry Ford to his success in business?
10. Why Model T was so popular with the consumers?

13* Say if the statements are true or false. Prove your point.

1. John Davison Rockefeller established an integrated system of production and distribution.
2. By 1913 Rockefeller amassed a fortune of \$1,800 million and owned nearly one half of the nation's oil industry.

3. Rockefeller was among the first to set up oil-refineries in Cleveland.
4. Rockefeller decided that the only way to boost his profits was to stop production.
5. Capitalized at \$1 million, Standard Oil eventually grew into a multibillion-dollar enterprise.
6. By the end of 1872, Standard had boosted its capacity twofold and was refining 10,000 barrels a day.
7. Rockefeller improved to a great extent the quality of life for millions of American people.
8. Ford's "universal car" Model T was the industrial success story of its age.
9. Henry Ford transformed the automobile itself from a necessity to a luxury.
10. In designing and making his automobile Ford relied only on his business plan.
11. Ford's universal car excited the public because it was simple, sturdy and versatile.
12. Model T went to the first customers in Highland Park, Michigan on June 4, 1924.
13. Between 1914 and 1916, the Ford Motor's profits doubled from \$30 million to \$60 million.
14. Model T became a crucial factor in recasting a growing American economy.

14* Complete the following sentences by choosing the one correct variant (a, b or c) that best completes the sentence.

1. John D. Rockefeller was born _____ on a small farm in upstate New York.
 - a. in 1863
 - b. in 1839
 - c. in 1859
2. Rockefeller decided that the best way to boost his profits was _____.
 - a. to borrow money

- b. to stop production
- c. to raise production
- 3. John Davison Rockefeller established an _____ system of production and distribution.
 - a. integrated
 - b. oil refining
 - c. versatile
- 4. In the mid-1860s Rockefeller recapitalized his firm, and began to buy out the _____.
 - a. oil industry
 - b. railroads
 - c. competition
- 5. Rockefeller devoted himself to charity and provided the basis for one of America's greatest _____.
 - a. heady
 - b. philanthropic
 - c. commodity
- 6. Model T Ford cars became a crucial factor in _____ growing American economy.
 - a. recasting
 - b. obsessing
 - c. embracing
- 7. Henry Ford transformed the automobile itself from a luxury to a _____.
 - a. facility
 - b. scarcity
 - c. necessity
- 8. Henry Ford was born _____ in Dearborn, Michigan, on the farm operated by his father.
 - a. in 1872
 - b. in 1863
 - c. in 1901
- 9. Model T Ford cars pervaded _____.
 - a. the assembly line
 - b. American culture
 - c. the great multitude

10. On May 26, 1927 the _____ Model T Ford rolled off the assembly line at Ford's factory in Highland Park, Michigan.
- a. fifteen millionth
 - b. ten millionth
 - c. one million

Unit 4. DISCUSSION

15 Study the expressions in the Useful Language box and the examples below showing different lexical and grammatical ways of expressing one and the same language function.

Useful Language

Expressing similarity 1. just the same as 2. like 3. as + preposition phrase 4. as if 5. as though	Expressing preference 1. would prefer ... rather than 2. would rather ... than 3. prefer ... rather than 4. rather than ... prefer 5. prefer smth to smth
Expressing condition 1. if 2. as long as 3. in case	Expressing comparison 1. as ... as 2. more ... than 3. less ... than

a) similarity

- 1. Like advertising promotion has the same objective: namely to persuade the consumer to buy.
- 2. The objective of advertising is **just the same** as that of promotion, namely to persuade the consumer to buy.

3. As in advertising the objective of promotion is to persuade the consumer to buy.
4. A corporation is a business organization that is treated by law as if it were an individual person.
5. A corporation is a business organization that is treated by law as though it were an individual person.

b) preference

1. I would prefer to fail with honour rather than win by cheating.
2. I would rather fail with honour than win by cheating.
3. I prefer to fail with honour rather than win by cheating.
4. Rather than win by cheating I prefer to fail with honour.
5. Most people prefer trains to buses.
6. Most people prefer travelling by train to travelling by bus.
7. Most people prefer travelling by train rather than travelling by bus.

c) condition

1. If the price for the air ticket is too high the travellers will use automobiles, trains, or buses.
2. In case the price for the air ticket is too high the travellers will use automobiles, trains, or buses.
3. The travellers will use automobiles, trains, or buses as long as the price for the air ticket is too high.

d) comparison

1. Success is as ice cold and lonely as the North Pole.
2. Job satisfaction is more important than high salary.
3. High salary is less important than job satisfaction.

16* Rewrite each sentence so that it has a similar meaning and it contains the expression in bold type.

1. Most of the successful people are the ones who do less talking than listening.
more
-

2. Automobile firms prefer to advertise in magazines rather than in newspapers or on the radio.

would rather

3. Rockefeller created order from chaos in the oil industry, Bill Gates did the same in computer technology.

Just as

4. The doing is usually more important than the outcome.

less

5. To guarantee success, act as if it were impossible to fail.

as though

6. Most government monopolies prefer to provide goods or services that enhance the general welfare rather than seek profits.

would rather

7. In case you love what you are doing, you will be successful.

if

8. The marketing concept is practiced more in large companies than in small companies.

less

9. Just like Rockefeller Bill Gates found ways to force the rest of the industry to follow his lead.

just the same as

10. Rather than require money for a purchase, businesses prefer to allow customers to buy on credit.

would prefer

11. If you want success, start thinking of yourself as a success.

in case

12. If you can run one business well, you can run any business well.
as long as
-

17 Read what famous people said about the essence of success. Discuss the position of the authors. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box.

1. Success is going from failure to failure without loss of enthusiasm.

Winston Churchill (1874–1965),

British statesman, Prime Minister

2. The most important single ingredient in the formula of success is knowing how to get along with people.

Theodore Roosevelt (1858–1919),

Twenty-sixth President of the USA

3. Success is a journey, not a destination. The doing is usually more important than the outcome.

Arthur Ashe

4. Character is more important than intelligence for success.

Gilberte Beaux

5. My definition of success is control.

Kenneth Branagh

18 Read what famous people said about the key to success. Discuss the extent to which you agree or disagree with the opinion stated below. Support your point of view with reasons and examples from your reading, your observations or your own experience. Use the expressions from the Useful Language box.

1. Action is the foundational key to all success.

Anthony Robbins (1960–), American author, speaker

2. Sweat plus sacrifice equals success.

Charles O. Finley

3. The secret of success is consistency of purpose.

Benjamin Disraeli (1804-1881),

British statesman, Prime Minister

4. You will find the key to success under the alarm clock.

Benjamin Franklin (1706-1790),

American scientist, publisher, diplomat

5. Patience, persistence and perspiration make an unbeatable combination for success.

Napoleon Hill (1883-1970), American speaker

KEYS

to

EXERCISES

Chapter ONE

- 1
 1. производить доставку
 2. широкий ассортимент товаров
 3. существующие ресурсы
 4. необходимый для выживания
 5. сверх того, что необходимо для выживания
 6. предлагать услуги
 7. повышать эффективность на рабочем месте
 8. рисковать
 9. открыть новое дело/бизнес
 10. внедрить новый продукт

- 2
 1. В терминах экономики, товар – это физический объект, который можно купить.
 2. Необходимость выбора происходит из-за проблемы нехватки.
 3. Ресурсы, которые могут использоваться для производства товаров и услуг, называются движущими силами производства.
 4. Природный ресурс может рассматриваться как движущая сила производства только в том случае, если он используется для производства товаров и оказания услуг.
 5. Экономисты проводят жесткое разграничение между средствами производства и товарами народного потребления.

6. Технический прогресс в области компьютерной технологии, к примеру, значительно повысил эффективность на рабочем месте.

- 3**
1. economics
 2. service
 3. producers
 4. wants
 5. factors of production
 6. capital resources
 7. technology
 8. entrepreneur

- 4**
1. factor of production
 2. natural resources
 3. human resources
 4. survival
 5. to start a new business
 6. for a fee
 7. consumer goods
 8. capital goods
 9. technological advances
 10. to introduce a new product

- 5**
1. The term 'product' is often used to name both goods and services
 2. Economists generally classify the goods or services that are necessary for survival as needs.
 3. Any human effort exerted in the production process is classified as human resource.
 4. The goal of entrepreneurship is to create a new product or new factors of production and thereby create something of value.
 5. Because the messenger is using the bicycle to make deliveries – to provide a service – the bicycle is considered a capital good.

6. Scarcity exists because people's wants and needs are greater than the resources available to satisfy them.

6 1e, 2a, 3f, 4c, 5d, 6b.

7 Dialogue No 1 (168 words)

Henry Brown and Janet Harvey are discussing the problem of recruiting new staff by advertising.

HENRY: Good morning, Janet. It's Henry Brown. There is something I want to ask you about. Do you know how to approach the problem with this new Sales Manager post?

JANET: Well, yes, most companies recruit new staff by advertising in the press. Pages listing job advertisements are usually titled as "appointments". They must contain detailed descriptions or specifications on the type of people the advertiser is looking for such as their qualifications (degrees, diplomas, certificates) which are obviously important, but as I am sure, you know, experience may count for much more.

HENRY: Oh, I see. As far as I can guess the aim is to attract a small number of well-qualified applicants, so that it is fairly easy to make a shortlist of the people you actually want to interview.

JANET: You've got it right. If the advertisement is not specific enough, hundreds of people will send in their applications; but if it demands too much, they may be discouraged.

HENRY: OK, now I know how to handle this problem. Thanks for your help. Good-bye.

- 8** (1) advertisement
 (2) appointment
 (3) qualifications
 (4) experience
 (5) interview

9 1h, 2f, 3b, 4e, 5g, 6j, 7d, 8c, 9a, 10i

- 10**
1. applied
 2. offered
 3. taken
 4. CV
 5. been
 6. left
 7. lose
 8. interview
 9. opportunities
 10. satisfaction

11 Dialogue No 2 (280 words)

Personnel Manager Jack Lytton is speaking to Karen Evans seeking the position of a Branch Manager.

INTERVIEWER: Good morning, Miss ... , could I have your name?

CANDIDATE: Miss Evans.

INTERVIEWER: So, Miss Evans, I gather you'd like to join our company.

CANDIDATE: Yes, I would.

INTERVIEWER: I'm happy to hear this. Your CV seems pretty well. But, perhaps you could tell me a little bit more about yourself.

CANDIDATE: Oh yes, right. Well, I finished school at 18 and then worked for two years with Johnson & Johnson, you might know them, they're an engineering firm. After that I moved on to my present company, that's Gabriel Marketing. I've been with them for three years now, first working with the Marketing Director and now I'm with the Sales Director.

INTERVIEWER: Now, could you explain why do you want to leave your present employers?

CANDIDATE: Well, at the moment most of my duties is rather routine secretarial-type work and I would like to move to a

job that gives me more opportunity. Doing a job of a Branch Manager I can use my initiative. Also traveling will let me use my language skills. I mean French and German.

INTERVIEWER: That's all very interesting, Miss Evans. I'd like to know, what is it specifically about our company, I mean Anglo-European Ltd., that attracted you?

CANDIDATE: Well, I know the reputation of Anglo-European and it is very good, it has branches in many countries. And I feel that I would have more scope and opportunity in your company and that the work will be more challenging for me. I hope I might be able to travel and use my languages.

INTERVIEWER: Very good, that might be very useful. Thank you very much for coming to see me and we'll be in touch with you before the end of the week.

CANDIDATE: Good. Well, thank you for seeing me.

INTERVIEWER: Good-bye.

CANDIDATE: Good-bye.

13 1. True, 2. False, 3. True, 4. False, 5. True.

14 1b, 2c, 3a, 4b, 5c

16 1d, 2a, 3f, 4e, 5c, 6b

Chapter TWO

- 1**
1. обеспечивать материальные потребности
 2. удовлетворять запросы общества в области социального обеспечения
 3. устанавливать четкие и ясные цели
 4. обеспечивать профессиональные услуги
 5. мелкие магазины розничной торговли
 6. фирмы по торговле недвижимостью
 7. составить письменный договор
 8. распределение прибылей и убытков
 9. конкретные обязанности

10. нанимать рабочих
11. платить налоги
12. вкладывать деньги в бизнес
13. краткосрочная цель
14. отдел связи с общественностью
15. правление, совет директоров

- 2**
1. Организации учреждаются для удовлетворения потребностей общества.
 2. Цели организации обычно решаются советом директоров (правлением).
 3. Дело, которое принадлежит одному лицу и управляется одним лицом, называется единоличным владением.
 4. Товарищество – это дело, которое принадлежит двум и более лицам и управляется двумя и более лицами.
 5. В договоре о сотрудничестве намечается распределение прибылей и убытков.
 6. Корпорация принадлежит акционерам.
 7. Акционеры вкладывают деньги в корпорацию, чтобы получить прибыль.
 8. Рентабельность – это основная цель любой коммерческой организации.
 9. Акционеры и служащие получают выгоду от роста компании.
 10. Ряд компаний имеют отделы по связям с общественностью, чтобы улучшить имидж компании.

- 3**
1. material wants, commercial wants
 2. social welfare
 3. make a profit
 4. limited
 5. provision
 6. closed corporation
 7. shares
 8. public at large

- 4**
1. to meet wants
 2. social welfare
 3. to make a profit
 4. board of directors
 5. distribution of profits and losses
 6. to invest in the business
 7. to benefit from
 8. public at large
 9. public relations department
 10. competitive
- 5**
1. Organizations are established to meet wants in society.
 2. Government Organizations satisfy society's desire for defence, law and order, education and social welfare.
 3. Organizations set definite and clear aims, e.g. to make a profit.
 4. Stocks are the certificates of ownership in the corporation.
 5. Stockholders are individuals who invest in a corporation by buying shares of stock.
 6. Many doctors, lawyers, bakers, dentists organize sole proprietorships to provide professional services.
 7. A partnership is a business that is owned and controlled by two or more people.
 8. In order to avoid conflicts, the partners usually formulate a written agreement called a partnership contract.
 9. Corporations can buy property and resources, hire workers, make contracts.
 10. Growth and development of the firm are the only way to ensure its survival.

6 1g, 2f, 3e, 4b, 5c, 6d, 7a

7 Dialogue No 1 (174 words)

A new management trainee Peter Jackson is speaking with the Managing Director of the company.

PETER: Good Morning. My name is Peter Jackson, I am the new management trainee.

MANAGING DIRECTOR: Hello, Peter! Management trainees are supposed to make themselves familiar with every department of the company. I think you might find it useful to write a company profile. Visit all the department heads. Introduce yourself. Find out everything you can about how the company is organized, how each department operates. I tell you what. How would you like to write a short report for me, say by the end of the week?

PETER: Yes, of course.

MANAGING DIRECTOR: Oh, would you like to make a start now?

PETER: Yes, of course, but before getting down to my report, will you explain me some basic notions?

MANAGING DIRECTOR: What exactly are you interested in?

PETER: Well, does the company profit depend on the turnover?

MANAGING DIRECTOR: First of all, I believe, that the company's profit depends on professional management, capital invested, and reliable personnel.

PETER: Oh, that's great! Thank you, I will remember that.

MANAGING DIRECTOR: One more thing. The company's image depends on its earnings per share and timely payout dividends to shareholders.

- 8** (1) capital
(2) shares
(3) investment
(4) dividends
(5) turnover
(6) profit
(7) earnings

- 9** 1m, 2c, 3f, 4l, 5a, 6j, 7g, 8e, 9k, 10b, 11o, 12h, 13d, 14n, 15i

10 Dialogue No 2 (286 words)

John Knox, the General Manager of the factory, is speaking with the journalist presenting the company on TV channel.

PRESENTER: Today we are talking to John Knox about the structure of TMN Ltd. John is the General Manager of the branch factory. John, do you think you could tell us something about the way TMN is actually organized?

JOHN KNOX: Yes, certainly. We employ about two thousand people all in all two different locations. Most people work here at our headquarters plant. And this is of course where we have the administrative departments.

PRESENTER: Perhaps you could say something about the departmental structure?

JOHN KNOX: Well, yes. First of all we've got different divisions. There's the production division which, as the name suggests, is responsible for production operations. And as you know we've got two factories. Oh, and I forgot to mention the most important division of all. That's finance division. The Financial Director is Fred Samuels. He's a very important man. And his task is to make sure the money-side of things is going all right. The accountant and such people, they report to him directly.

PRESENTER: Is that all?

JOHN KNOX: Oh no, no, there's personnel division.

PRESENTER: Yes.

JOHN KNOX: That's quite separate. David Brown is Personnel Manager. And the Training Manager reports to him of course.

PRESENTER: What about Research and Development? Isn't that a separate department?

JOHN KNOX: Well, in terms of the laboratories, there are two at each production plant.

PRESENTER: Are there any other features worth mentioning?

JOHN KNOX: Now there's the planning department. Ray Wood is in charge of that. And a purchasing department where they buy in the materials for production.

PRESENTER: Yes, and what about the board of directors and the chairman?

JOHN KNOX: Yes, well, they're at the top, aren't they? The Managing Director, of course, that's Ernest Roberts and then...

12 1. True, 2. False, 3. True, 4. False, 5. True, 6. False, 7. True

13 1c, 2b, 3a, 4b, 5c, 6a, 7b .

15 1e, 2c, 3b, 4a, 5f, 6d

Chapter THREE

- 1**
 1. изучение рынка
 2. отдел маркетинговых исследований
 3. товары одноразового использования
 4. товары длительного пользования
 5. первичная информация
 6. вторичная информация
 7. разработка статистической документации
 8. исследования на местах
 9. делать прогнозы
 10. предлагать стратегию
 11. толковать данные
 12. наличие ссудного капитала
 13. общий объем спроса на рынке
 14. издержки производства
 15. распределение по возрасту

- 2**
 1. Рынок можно определить как любую форму контакта покупателей и продавцов с целью покупки или продажи товаров и услуг.
 2. Было установлено, что социальное положение и род занятий часто определяют покупательские привычки потребителей.

3. Сбор информации из различных источников, таких как государственная статистика, деловые и торговые издания, называется разработкой статистической документации.
4. На общий объем спроса на рынке будут оказывать влияние объем населения, его распределение по возрасту и государственная политика.
5. Исследования потребителя могут быть проведены Центрами маркетинговых исследований, специализирующимися на предоставлении производственным компаниям услуг такого рода.

- 3**
1. demand
 2. supply
 3. single-use
 4. consumer durable
 5. consumer requirements
 6. product-oriented firm
 7. consumer profile
 8. forecasts

- 4**
1. consumer requirements
 2. demand
 3. supply
 4. local market
 5. international market
 6. market-oriented
 7. product-oriented
 8. marketing campaign
 9. buying habits
 10. forecast
 11. hire purchase
 12. consumer profile
 13. consumer research
 14. market expansion
 15. purchase on credit

- 5**
1. Buyers are people wishing to acquire goods and services.
 2. Sellers are people wishing to sell goods and services.
 3. Markets can be local, national or even international.
 4. Questioning consumers directly about their tastes and preferences is called "field research".
 5. The demand is affected by such factors as consumers' personal tastes, the size of their income, advertising and the price of the product.

6 1d, 2c, 3j, 4g, 5b, 6a, 7i, 8e, 9h, 10f

7 Dialogue No 1 (226 words)

William Grant, the Managing Director of Harper Toys Ltd., is speaking with Marketing Analyst Susan Shakley.

WILLIAM: Oh, good afternoon! My name is William Grant. I am the Managing Director of Harper Toys Ltd. We manufacture and distribute toys.

SUSAN: Good afternoon, Mr. Grant! How can I help you?

WILLIAM: I have just received market research survey which I have ordered your company to do for me.

SUSAN: Is it all right?

WILLIAM: Well, I thought that this survey was supposed to cover only Virginia and not the whole of the USA.

SUSAN: That's right! However, we believe that a broader view of the market may be needed. Here we see the population of Virginia analysed by age – you notice the very high proportion of young people – and on the right by social classification – basically that means by occupation and disposable income, per head.

WILLIAM: These are very interesting, but we would need to compare them with similar breakdowns for, say, Spain or France, and if we're to spot any trends we'd also need disposable per-capita incomes for Virginia in previous years.

SUSAN: Yes, of course! All that information is available in the rest of the report. You know, although we've extrapolated the figures over the next five years, under conditions of high inflation,

reliable forecasting isn't easy. All the statistics and diagrams – together with some supplementary data – are in our report.

WILLIAM: Great! That should keep me busy. I'd like to talk to you again once I've digested this lot. How about Thursday?

- 8** (1) urban
 (2) proportion
 (3) gross domestic product
 (4) inflation
 (5) consumers
 (6) breakdown
 (7) social
 (8) disposable
 (9) extrapolate
 (10) forecast

9 1f, 2h, 3d, 4g, 5i, 6e, 7j, 8b, 9a, 10c

10 Dialogue No 2 (230 words)

William Bontrager, the Sales Manager of Harper Toys Ltd., is speaking with his former teacher Maryann Quince.

MARYANN: Good afternoon, Johnson Consultants, can I help you?

WILLIAM: This is William Bontrager. Do you remember me?

MARYANN: Yes, sure. What type of business are you in now?

WILLIAM: I work for Harper Toys Ltd. We manufacture and distribute toys. All kinds of toys. So, I'm planning to go to Richmond in about three weeks to start investigating the market for the Harper Toys Ltd. merchandise in Virginia.

MARYANN: Good thinking. I'm glad you learnt something in my classes. Harper Ltd. is sure to be a success. Those toy whales seem to be very popular with kids this last fall.

WILLIAM: Yes, I know. We're about to meet the orders from the big retailers. We've contracted out a lot of the manufacturing work to firms in Oklahoma and Nebraska, and all the packaging and distribution is being done in Cleveland,

Ohio. But when the Asian countries get the know how in the new year, the market is likely to explode overnight.

MARYANN: In that case I'd better get off the line and let you get on with it! I believe I can find for you very reputable wholesalers, I have one or two contacts in Richmond you might find useful, by the way – I'll dig out their addresses for you.

WILLIAM: Thanks, I'd really appreciate it if you could do that. Well, it's been good talking to you, Maryann. I'll speak to you again soon.

MARYANN: Surely. Take care now. Goodbye

12 1. False, 2. True, 3. False, 4. False, 5. True, 6. False, 7. False, 8. True

13 1b, 2a, 3c, 4b, 5a

15 1d, 2f, 3b, 4a, 5c, 6e

Chapter FOUR

- 1**
1. предпочтение потребителей
 2. политика цен
 3. четыре пи
 4. выпуск нового продукта на рынок
 5. отсутствие конкуренции
 6. сильные и слабые стороны компании
 7. возможности и угрозы рынка
 8. продолжительность срока оплаты
 9. розничная торговая точка
 10. канал распределения

- 2**
1. Деятельность по организации спроса и сбыта состоит из рекламы, личных продаж и продвижения товара.
 2. Маркетинг товара предполагает рассмотрение таких его аспектов, как качество, характерные особенности, торговая марка и упаковка.

3. SWOT-анализ используется, чтобы выявить слабые и сильные стороны компании и показать возможности и угрозы рынка.
4. Жизненный цикл товара – это отрезок времени, в течение которого товар привлекает покупателя.
5. Место включает такие факторы, как каналы распределения, границы рынка и местонахождение точек розничной торговли.
6. Принимая решения по политике цен, фирма рассматривает преysкуранные цены, скидки на оптовые закупки и беспроцентный кредит.

- 3**
1. profitably
 2. product, price, promotion, place
 3. satisfy
 4. competitive
 5. advertising
 6. distribution
 7. strengths, weaknesses, opportunities, threats
 8. product-oriented
 9. needs
 10. products

- 4**
1. to anticipate consumer requirements
 2. to satisfy consumer requirements
 3. to identify consumer requirements
 4. to meet consumer preferences
 5. marketing mix
 6. to adapt existing products
 7. interest-free credit
 8. charge a price
 9. cheap and cheerful
 10. cheap and nasty

- 5**
1. Marketing mix differs according to the type of product that is being sold.

2. The four Ps – product, price, promotion and place – can be combined in different ways.
3. A low price may make consumers suspicious.
4. If the price of the product is higher it means that the quality of the product is higher.
5. The firm usually gives a discount for bulk buying.
6. The launching of a new product usually needs a lot of advertising.

6 1e, 2c, 3a, 4f, 5b, 6d

7 Dialogue No 1 (274 words)

Jenny Brown and Alex Clevelend are discussing the main principles of a marketing plan.

JENNY: Can you instruct me on some principles of developing a marketing plan?

ALEX: Well, the marketing plan should be flexible enough and supported by well-developed and effective marketing services. But first of all the problem of target market is to be settled.

JENNY: And has our target market been identified yet?

ALEX: Yes, it has, and now the company has to decide what goods or services to offer while always remembering the existence of its competitors. Companies are always looking for marketing opportunities – possibilities of filling unsatisfied needs in areas in which they are likely to enjoy a differential advantage, due to their particular competencies.

JENNY: Are there any problems in this area?

ALEX: Marketing opportunities are generally isolated by market segmentation – dividing a market into submarkets or segments according to customers' requirements or buying habits.

JENNY: You see, we were told at the Business School that marketers do not only identify consumer needs; they can anticipate them by developing new products.

ALEX: That's right. Marketers should design marketing strategies and plan marketing programmes, and then organize, implement, and control the marketing effort.

JENNY: What do you mean by controlling the marketing effort?

ALEX: Well, once the basic offer, for example a product concept, has been established, the company has to think about the marketing mix – the set of all the various elements of a marketing plan, their integration, and the amount of effort that a company can expend on them in order to influence the target market.

JENNY: If I am not mistaken the best-known classification of these elements is the four P's: Product, Price, Promotion and Place, isn't it?

ALEX: Good for you! I am sure very soon you'll make an effective marketer!

- 8** (1) marketing opportunities
- (2) advantage
- (3) market segmentation
- (4) submarkets
- (5) buying habits
- (6) competitors
- (7) consumer needs
- (8) marketing strategies
- (9) marketing effort
- (10) marketing mix
- (11) marketing programme
- (12) target market

9 1f, 2h, 3b, 4a, 5d, 6c, 7e, 8g

10 Dialogue No 2 (212 words)

Two old friends Ellen and Andrew are discussing the approaches to marketing research.

ELLEN: So, you have come to Manchester to study. What subject?

ANDREW: I am doing a marketing diploma and I hope also a doctor's degree in business administration.

ELLEN: Really? What problem are you concerned with?

ANDREW: You see, in recent years marketing has become a driving force in most companies. Underlying all marketing strategy is "the marketing concept".

ELLEN: What exactly does it mean?

ANDREW: Well, we must produce what people want, not what we want to produce. That means that we put the customer first.

ELLEN: You mean, you carry out marketing research, am I right? And in this way you can supply exactly what the customer wants.

ANDREW: Sure, we can do this by developing marketing know-how.

ELLEN: Well, from what you are saying it seems nowadays a company needs marketing control.

ANDREW: I tell you, a company that believes in marketing effort is forward-thinking and it doesn't rest on its past achievements: it must create a marketing policy having a clear idea of what causes the customers to buy.

ELLEN: Are you speaking of marketing forecast? You mean marketers should not only identify consumer needs; they should anticipate them by developing new products.

ANDREW: Exactly, and what's more: to create long-term demand, perhaps by modifying particular features of the product to satisfy changes in consumer needs or market conditions.

ELLEN: Sorry, Andrew, I've got to go, it was nice talking to you. Bye.

ANDREW: Bye.

12 1. True, 2. False, 3. True, 4. False, 5. True

13 1b, 2c, 3a, 4b, 5c

15 1d, 2f, 3b, 4a, 5c, 6e

Chapter FIVE

- 1**
 1. себестоимость товара
 2. цены конкурирующих фирм
 3. желаемая/предполагаемая доля компании на рынке
 4. стратегия ценообразования
 5. установить соотношение цен
 6. установить монополию на рынке
 7. тактика входящей цены
 8. величина снижения цены
 9. разница в ценах, колебание цен
 10. удерживать цену

- 2**
 1. На цену товара, установленную фирмой, влияет множество факторов, таких как себестоимость товара, цены конкурирующих фирм, вид товара и желаемая доля компании на рынке.
 2. Тактика входящей цены избирается компанией, когда она впервые выходит на рынок и старается завоевать место на рынке.
 3. Ценообразование по методу «снятия пенки» происходит там, где фирма устанавливает высокие цены на товар, чтобы «снять пенку» на «максимальной точке» рынка, когда продукт новый и покупатели еще не сумели установить соотношение цен.
 4. Тактика занижения цены – это когда фирмы устанавливают цены ниже себестоимости товара (следовательно, получают убыток) в целях стимулирования продажи товаров.
 5. Тактика введения предельной цены имеет место, когда фирма сбрасывает цену на свою продукцию с целью ограничения или недопущения выхода на рынок новых конкурентов.
 6. Тактика демпинговой цены используется фирмой, когда она выбрасывает на рынок свои товары по цене ниже, чем их себестоимость в надежде занять прочную позицию на рынке.

7. После того как рынок завоеван, цена на товар может повыситься до уровня цен конкурентов.
8. Наценка на прибыль может меняться, принимая во внимание воздействие конкуренции и экономические условия.

3

1. demand
2. cost-plus pricing
3. marginal-cost pricing
4. price discrimination
5. penetration pricing
6. skimming price
7. price plateau
8. loss leader pricing
9. limit-pricing
10. competitive pricing

4

1. average costs
2. marginal costs
3. pricing methods
4. price discrimination
5. additional cost
6. charge a price
7. establish a market share
8. non-price competition
9. competitive pricing
10. make an estimate

5

1. Supermarkets frequently adopt loss leader pricing to encourage people into the stores.
2. A firm calculates its average costs of producing a product and then simply adds a profit mark-up.
3. Sometimes firms charge different prices for a similar product. This is known as price discrimination.
4. When products are new, some consumers are willing to pay a high price only because of their novelty value.

5. There is little price variation between the types of goods being sold in competitive pricing.
6. The success of non-price competition depends on packaging and design of the product.
7. When a company tries to establish a market share it adopts penetration pricing.
8. Price is one of many factors that determine the demand for a product.

6 1h, 2c, 3e, 4a, 5g, 6d, 7b, 8j, 9f, 10i

7 Dialogue No 1 (222 words)

Mark Brown, the Marketing Director of SWA Corporation, is speaking with Jennifer Harvey, a Sales Manager of Eckener Verlag Ltd.

MARK: I have told you something about our new product – now does anyone have any questions?

JENNIFER: Could you give us some indication of cost?

MARK: Are you interested in factory gate price or unit price?

JENNIFER: Well, to tell the truth we are interested both in factory gate price and in unit price.

MARK: You know, I must admit that the selling costs for this equipment proved to be very high and that is why we had to fix the factory gate price as high as \$1500.

JENNIFER: In this case the retail margin would be very low.

As a matter of fact, we wanted to place a contract to purchase two thousand items.

MARK: Oh, I appreciate your interest and my company is always willing to offer a generous discount, what do you say to a 5% discount?

JENNIFER: That's not encouraging, I'm afraid. I believe the demand curve for your equipment will come down if you don't reconsider your pricing policy.

MARK: Frankly speaking, I was sure that there exists an inelastic demand for our production. We have been in the market for so long that we don't need any penetration strategy.

JENNIFER: OK, let's wait for the Leipzig Fair to reveal the state of affairs and show who is going to win in this price war.

MARK: That's right, let's wait and see.

- 8** (1) unit price
 (2) break even
 (3) production costs
 (4) penetration strategy
 (5) recommended retail price
 (6) factory gate price
 (7) price war
 (8) market share

9 1c, 2a, 3b, 4c, 5a, 6a, 7b, 8a

10 Dialogue No 2 (272 words)

Margaret Johnson, a young Sales Assistant, is speaking to William Harrison, a Marketing Manager.

MARGARET: Excuse me, can you tell me what is the main factor that affects the supply of goods?

WILLIAM: Well, to my mind it's the cost of production. You see production costs are generally divided into fixed costs, variable costs, and total costs.

MARGARET: I see, and what is the difference between fixed and variable costs?

WILLIAM: Fixed costs include interest payments on loans and bonds, insurance premiums, local and state property taxes, rent payments, and executive salaries. Fixed costs do not depend on quantity of production and they do not change as output changes. As for variable costs they change according to the quantity of production, they are usually associated with cost of labour and raw materials.

MARGARET: That's clear. And what is meant by total fixed costs?

WILLIAM: Oh, that's the money, which is spent on the day-to-day running of a company and it is usually called overheads.

MARGARET: Is it the same as total costs?

WILLIAM: No, of course not. The total costs are the sum of fixed and variable costs of production. But at zero output, a firm's total costs are equal to its fixed costs. Then as production increases, so do the total costs as the increasing variable costs are added to the fixed costs.

MARGARET: By the way, do you know how per unit production cost is calculated?

WILLIAM: That's easy. You should take the sum of total costs of production and divide it by the total units produced. In this way you get the unit cost.

MARGARET: Thank you very much for explaining these basic points.

WILLIAM: You are welcome. I am always ready to answer any questions, concerning pricing policy and marketing strategies.

10 1. False, 2. True, 3. False, 4. True, 5. False

12 1. True, 2. False, 3. False, 4. True, 5. True, 6. False, 7. False, 8. False, 9. True, 10. True

13 1b, 2c, 3a, 4b, 5c

14 Useful Language

Expressing time 1. five years later 2. at that time 3. meanwhile 4. the next year 5. by the mid-1980s	Introducing points 1. first 2. second 3. in the first place 4. to begin with 5. finally
Developing the idea 1. what is more 2. in addition	Expressing contrast 1. in spite of 2. however

Expressing purpose	Expressing reason
1. in order to	1. because
2. so that + could	2. as

Chapter SIX

- 1
 1. ставить цели
 2. выбирать дистрибьютеров (агентов по продаже)
 3. выбор товаров и услуг
 4. создавать атмосферу доброжелательности
 5. на пользу потребителю, для выгоды потребителя
 6. дискредитировать рекламу
 7. при создании рекламного сообщения
 8. содержание рекламного сообщения
 9. подход к рекламной кампании
 10. честная конкуренция
 11. стараться быть не хуже других
 12. широкая реклама
 13. интенсивная реклама
 14. знаменитость, звезда
 15. исправлять ложную информацию
- 2
 1. Задача рекламы состоит в том, чтобы укрепить боевой дух торговых работников компании.
 2. Остановившись на определенном сообщении, рекламодатель затем должен выбрать наиболее выгодное средство массовой информации.
 3. После того как фирма приняла решение проводить рекламную кампанию, она должна выбрать рекламное сообщение, средство массовой информации и получателя сообщения.
 4. При создании рекламного сообщения рекламодатель должен принимать во внимание такие вопросы, как: какой товар предлагается, на какой рынок он выпускается, кто является целевым потребителем.

5. Все рекламные объявления должны подчиняться принципам честной конкуренции, как обычно принято в бизнесе.
6. Убеждающая реклама пытается заставить тех, кто не пользуется этим товаром, чувствовать себя так, как будто они что-то теряют.
7. Для фирмы, рекламирующей промышленные изделия, выбор средств массовой информации может быть ограничен выставками, специальными журналами и непосредственной рассылкой.

- 3**
1. increase sales
 2. influence
 3. easy recognition
 4. launched
 5. informative advertising
 6. persuasive advertising
 7. sense of responsibility

- 4**
1. goals of advertising
 2. to increase sales
 3. to influence people's behaviour
 4. informative advertising
 5. persuasive advertising
 6. main drawback
 7. to run the advertising campaign
 8. the so-called target audience
 9. to reduce confidence in advertising
 10. to launch a product
 11. price schedule
 12. cost-effective advertising campaign

- 5**
1. The role of advertising is to inform the public of the product's existence and its particular uses.
 2. The general goal of advertising is to increase sales.
 3. The goals of advertising also include entering a new geographic market and attracting a new group of customers.

4. Persuasive advertising plays on jealousy, envy and "keeping up with the Joneses".
5. Persuasive advertising is usually associated with consumer products and is used where differences between products are minor.
6. The content of the message depends on the type of the product and the market in which it is to be sold.

6 1b, 2d, 3a, 4h, 5g, 6c, 7e, 8f

7 Dialogue No 1 (318 words)

Advertising Manager Ellen Brown is speaking with Personnel Manager Michael Thompson.

MICHAEL: You are not your usual happy self this morning. What's the matter?

ELLEN: To tell you the truth I am very much worried about this new advertising campaign.

MICHAEL: What kind of campaign?

ELLEN: Don't you know our Marketing Director is going to run a new advertising campaign to increase consumer awareness of our products, as he puts it.

MICHAEL: You don't need to worry. I am sure you'll make a good job of it.

ELLEN: You're joking. First, I must plan a variety of advertising techniques. This advertising mix must consist of television commercials, newspaper advertisements, and street advertising.

MICHAEL: Well, that is not the first time you're running advertising campaign, is it?

ELLEN: No, of course not. But this time he wants me to use direct mail too, because we have a good target customer database.

MICHAEL: May be he is right. Direct mail is more personal than other media and it has the greatest flexibility.

ELLEN: Frankly speaking, it is very difficult indeed to correctly estimate how much and what kind of promotional efforts are necessary to reach a certain objective.

MICHAEL: By the way, did you consider the possibility of advertising on the Internet?

ELLEN: That's a good idea! We should organize an on-line promotion and the customers will be able to order goods on-line!

MICHAEL: To make this dream come true you should first create a company website, where you can advertise the company's products.

ELLEN: Now we come to the problem of expenditures. To what extent does the advertising really pay? Our General Manager is fond of saying: "We know that one half of our advertising budget is wasted but we do not know which half."

MICHAEL: May be he is right.

ELLEN: So everybody is right except me and nobody wants to let me off the hook*.

MICHAEL: Oh, come on, you are making a mountain out of a molehill.

- 8**
- (1) media
 - (2) effectiveness
 - (3) sales
 - (4) pays off
 - (5) influence
 - (6) evaluative
 - (7) attention
 - (8) success
 - (9) persuade
 - (10) competitive

- 9** 1g, 2h, 3f, 4i, 5d, 6a, 7j, 8b, 9e, 10c

10 Dialogue No 2 (263 words)

The Marketing Director John Crosby and the Advertising Manager Diana Hollywood are preparing for a new advertising campaign.

* to let sb off the hook – to allow someone to escape from a difficult situation or to avoid doing sth that one doesn't want to do

JOHN: Oh, hello, Diana.

DIANA: Now, there are two things I'd like to tell you. Well, I'm changing the style of our advertisements. I think the old slogan "S. & H. is your guarantee" is a bit out of date now.

JOHN: I agree it's old-fashioned, but it's been part of our publicity for so long now that it's almost a household expression.

DIANA: I think we should change it. We need to project a forward-looking image. You know, modern efficiency plus elegance and old-time product reliability.

JOHN: I certainly think that applies to the new desk range, but I'm not so sure about, well, the old 'steadies' like the 'Windermere' range, for instance. That's run for years, and is still selling well. That style of desk is still far from the end of its product life cycle.

DIANA: If you think so, I won't change the slogan for that range. The advertising agency are all for keeping it, too.

JOHN: And we've got a lot of older customers who trust our reputation, so let's keep the new campaign for the new lines as well.

DIANA: All right. Now we come to the new desk range, the 'Graymatfirm'. I'm very excited about this. It's a most attractive range.

JOHN: I think so, too. We've got great hopes for it.

DIANA: I've planned a 'teaser' campaign. We'll run it for two months before the official launching, and that, as you know, is to be at the International Office Equipment Exhibition. Here are the suggested layouts. What do you think of this one?

JOHN: The girl is marvellous. But where are the desks?

DIANA: That's the idea! Here's the perfect secretary, the ideal office: all the boss needs now is one of our magnificent 'Graymatfirm' desks to complete the picture. Details will be given later.

JOHN: Splendid! Now what about the direct mailing?

DIANA: We will solicit by mail two thousand potential customers. I think it should go out a few weeks before the exhibition.

JOHN: That sounds good.

12 1. True, 2. False, 3. False, 4. True, 5. False, 6. True, 7. False, 8. True, 9. False, 10. True, 11. False, 12. True

13 1i, 2c, 3j, 4b, 5g, 6h, 7a, 8f, 9d, 10e

14 Useful Language

Generalising 1. it is common knowledge 2. on the whole 3. it is a well-known fact 4. in general	Listing 1. first 2. second 3. in the first place 4. next 5. finally
Expressing reason 1. as 2. because	Adding 1. moreover 2. and 3. more than that
Expressing result 1. so 2. therefore	Expressing contrast 1. however 2. but

Chapter SEVEN

- 1**
1. область деятельности
 2. стимулировать покупателей
 3. деятельность, направленная на стимулирование сбыта
 4. купи два и получи один бесплатно
 5. осведомленность о торговой марке
 6. увеличить площадь прилавка
 7. ценовое стимулирование

8. материалы для выставки и рекламы товаров на месте продажи товара
9. совещание по организации сбыта
10. денежное поощрение

- 2**
1. Целью большинства средств стимулирования сбыта является увеличение объема продаж.
 2. Упаковка продуктов за последние годы претерпела революцию.
 3. Этот метод часто называют «немой продавец» или «продажа с использованием технических приемов».
 4. Призы, которые можно выиграть, очень привлекательны.
 5. Лучшие или наиболее выгодные места для продаж в супермаркете – это места расположения касс.

- 3**
1. increasing sales
 2. brand awareness
 3. packaging and design
 4. game slips
 5. free samples
 6. shelf space
 7. display allowances

- 4**
1. sales campaign
 2. the objectives of promotion
 3. free sample
 4. special offer
 5. to increase brand awareness
 6. to catch customer's eye
 7. shopping basket
 8. prime selling spot
 9. sales promotion methods
 10. display allowances

- 5**
1. Newspapers have tried bingo games to increase their circulations.

2. A child's attention is easily caught by sweets at the check-out.
3. Supermarkets, garages and travel agents often run competitions to increase sales.
4. Sales promotion often takes the form of an incentive e.g. "buy two and get one free".
5. Sales promotion efforts should help dealers operate more effectively.

6 1d, 2c, 3j, 4g, 5b, 6a, 7i, 8e, 9h, 10f

7 Dialogue No 1 (280 words)

Maryann and George are planning a new promotional campaign.

MARYANN: Hello, how are things going?

GEORGE: Are you asking me about the sales promotion campaign connected with launching our new product?

MARYANN: Yes, that's right. By the way, did you make up your minds how to name it?

GEORGE: Yes, we did, and this is the name I would give it myself. It's Maxy.

MARYANN: Great! And what kind of promotional tools are you going to use?

GEORGE: Well, first of all, our promotional mix consists of an extended TV and radio advertising campaign;

MARYANN: What about personal appearances? Celebrities often appear on "chat shows", to promote a new product.

GEORGE: Don't forget about our promotional budget. I am happy that we can offer our customers a special promotional discount.

MARYANN: What about in-store promotion?

GEORGE: Naturally, there'll be point-of-sale merchandising, I mean: show cards, special display stands – where we can find room for them. But you must remember floor space in supermarkets is at a premium.

MARYANN: I tell you what, you can offer some promotional allowance to the retail dealers.

GEORGE: You know, finding the right promotion to appeal to general public is no easy task.

MARYANN: I agree. You know, to my mind the most effective way of stimulating demand for a new product is distributing free samples. You can make them smaller than regular size, you call it a "trial size". The most important thing you have to do is to attract attention to your product, am I right?

GEORGE: We must always bear in mind the expenditures and that this promotional tool is very expensive, only large firms can afford it and as the saying goes 'cut your coat according to your cloth'.

- 8**
- (1) promotion
 - (2) displayed
 - (3) general public
 - (4) free samples
 - (5) launching
 - (6) consumers
 - (7) buy
 - (8) sales
 - (9) opportunity
 - (10) promotional gimmick
 - (11) promotional methods
 - (12) distributed
 - (13) promotional budget

9 1d, 2c, 3j, 4k, 5h, 6a, 7i, 8g, 9l, 10f, 11e, 12b

10 Dialogue No 2

Richard and Sara are discussing personal selling.

RICHARD: Do you know that there is a traditional point of view that salespeople are born, not made.

SARA: Nonsense, I am convinced that good selling can be developed by proper training and experience.

RICHARD: May be you are right but some firms, however, prefer to let a person "prove" himself or herself in the field first, before going through the time and expense necessary to give intensive training.

SARA: I, for one, would welcome the chance to prove myself and to know that my good efforts are quickly recognized and rewarded.

RICHARD: It goes without saying that selling jobs are rewarding because in few other types of work can the fruits of one's efforts be so clearly revealed as in direct sales.

SARA: Not only because of that. I like this job because it gives freedom of action. Many sales positions require people who can work effectively on their own with minimum supervision. To my mind, the freedom of selling offers both a comfort and a challenge.

RICHARD: It depends. On the one hand, the freedom of selling is an advantage but on the other hand, it is a significant responsibility because a salesperson is the major and often the sole contact that a customer has with a company, and by his or her actions, people will form high or low opinion of the company.

SARA: If you ask me, responsibility is not a disadvantage, it gives the salesperson an additional self-respect being the company representative. The sales force can also be proud because selling as a form of personal communication between a salesperson and a customer is an ancient occupation. Trading companies and salesmen were present in Mesopotamia in 2500 B.C. and Phoenician salesmen sailed the Red Sea and the Persian Gulf from 1500 to 1200 B.C.

RICHARD: I give up!

12 1. True, 2. False, 3. True, 4. False, 5. True, 6. True

13 1d, 2f, 3b, 4a, 5e, 6c

Making things clear 1. I mean 2. actually 3. in other words 4. that is to say	Listing 1. first 2. second 3. in the first place 4. in the second place 5. finally
Expressing contrast 1. on the contrary 2. not only ... but also 3. but 4. however	Adding 1. moreover 2. on top of that 3. in addition
Expressing result 1. consequently 2. so 3. as a result 4. therefore	Expressing reason 1. as 2. since 3. because

Chapter EIGHT

1. повседневные расходы
2. повышать производительность
3. внутренние источники финансирования
4. внешние источники финансирования
5. в оплату за установленную арендную плату
6. специалист по финансовому учету
7. бухгалтер с управленческими функциями
8. финансовый аналитик (эксперт, осуществляющий финансовый анализ предприятий с целью внесения предложений о купле-продаже их акций)
9. новейшая финансовая информация
10. коммерческая деятельность

- 2**
1. Самой главной задачей всех фирм/компаний является выживание.
 2. Для того чтобы оставаться конкурентоспособной, компания должна поддерживать и наращивать производительность
 3. Самым главным фактором при определении метода получения капитала является причина, для которой он требуется.
 4. Для того чтобы выполнять обязательства, необходимо осуществлять текущий контроль за движением денежной наличности.
 5. Источники капитала и использование денежных средств тесно связаны.
 6. Внутреннее финансирование может осуществляться за счет прибылей с торговой деятельности.

- 3**
1. cash flow
 2. current income
 3. diversify its product range
 4. economies of scale
 5. encounter problems
 6. internal finance
 7. external finance
 8. extending ownership
 9. financial accounts
 10. budgeting

- 4**
1. current income
 2. current expenditure
 3. short-run objective
 4. capital finance
 5. application of funds
 6. financial resources
 7. trading activities.
 8. reinvestment
 9. capital expenditures
 10. loan

- 5**
1. The collection, presentation and evaluation of financial data are central to the work of the Finance Department.
 2. Financial Analysts give advice on the advisability of new investment proposals.
 3. Survival of the business and its growth and development are closely related.
 4. Reinvestment is a very important source of finance for capital expenditure.
 5. The financial decisions depend on both sources of funds and the application of these funds.
 6. All businesses borrow money in order to finance their business activity.

6 1h, 2f, 3k, 4l, 5g, 6a, 7j, 8c, 9e, 10d, 11b, 12i

7 Dialogue No 1 (315 words)

Hans and Julia are discussing the possibilities of raising money for extending transport business.

HANS: My transport business in Greece is showing a good profit, I have done rather well in my first year and now I want to expand my business and to set up a limited company in the UK. The problem is I haven't had time to build up any reserves.

JULIA: Do you have to be so dependent on external finance? Can't you finance part of your expansion internally? You said the family business was worth half a million. Can't you get any more out of it? Sell some property? Move some of your assets over here as collateral. Why not get some members of your family in as shareholders?

HANS: I'm afraid that would not be acceptable. I together with my partner, I mean Andrew and I, we want to be independent of the Greek company. We want to raise nearly £250,000 altogether, and the bank manager is not sure that we can finance such a large sum.

JULIA: Maybe you should agree on equal representation of German and Greek shareholders and in this case you can

ask the bank for a short-term loan. I mean a loan from a Greek bank. You can also offer your Greek assets as security for a loan.

HANS: Oh! Well, I'm not sure we can fix it. I need a loan from a UK bank. Maybe some of my trucks, which at the moment are registered in Greece, could be re-registered in the UK? Do you think that might persuade them?

JULIA: You see, you want to raise nearly £ 250,000 altogether, and your share capital will amount to only £ 40,000 and it is not always easy for a bank to take a charge over property in another country, to say nothing of the fact that the shareholders may object.

HANS: I see, you mean 'a bird in the hand is worth two in the bush'. Maybe you are right and I had better just keep on my family business.

- 8**
- (1) finance
 - (2) exploit
 - (3) internal
 - (4) reserves
 - (5) assets
 - (6) leaseback
 - (7) collateral
 - (8) take a charge over
 - (9) property
 - (10) grants
 - (11) low-interest loans
 - (12) create

- 9** 1c, 2a, 3d, 4b, 5h, 6g, 7f, 8j, 9e, 10i.

10 Dialogue No 2 (365 words)

Speaking to Daniel Janet is trying to outline the main features of a business plan.

DANIEL: You see, I need your advice. I am going to start up a new business and so I need to raise some money.

JANET: In this case you must produce a written business plan.

DANIEL: Is it really so important?

JANET: Look, without a plan you will not be able to persuade anyone to lend or invest enough money in your business. In your plan, you must show that the lender or investor stands a good chance of being paid back or getting a good return on the investment.

DANIEL: But what kind of information will do the trick?

JANET: If your plan is intended to raise money, your figures must achieve a balance between optimism and realism to persuade banks and others that your business will be successful and worthy of a loan or an investment.

DANIEL: I am not very keen on figures and charts and it all seems very complicated.

JANET: It is very important for your plan to look professional, so you must consider seeking advice and help on its production from accountants who can help you prepare the figures and corporate finance specialists who are mainly interested in helping you raise substantial sums of money from venture capital sources.

DANIEL: Maybe you will help me with the financial part of my business plan. By the way, what does it consist of?

SAMUEL: Well, the financial analysis must include a summary of the forecasts, monthly profit and loss forecast for two years, monthly cash flow forecast for two years, forecast balance sheet for two years, the assumptions behind your forecasts, the principal risks which could affect figures.

DANIEL: Oh my, I give up.

JANET: But I have not finished yet. You must outline your short-term and long-term objectives, the finance needed and what it is needed for shareholders' information, prospects for the investor or lender, including the possible value of business if floated on the stock market, so investors will be able to cash in their investment.

DANIEL: You were trying to talk me into starting a business but as a matter of fact you talked me out of doing it. The saying goes 'Look before you leap'. I did and I won't leap.

- 12**
1. Финансовый контроль означает управление и контроль за использованием финансовых ресурсов внутри компании.
 2. Основание, по которому компании требуются средства, очень часто является самым важным фактором при определении метода получения средств (источника финансирования).
 3. Обеспечение консультативной помощи относительно оптимального метода финансирования является одной из главных обязанностей финансовой службы.
 4. Общим для всех бюджетов является то, что все они имеют отношение к будущему и, следовательно, основываются скорее на прогнозах, нежели на фактах.
 5. Если средства нужны немедленно, в таком случае выбор, вероятнее всего, будет ограничен малым количеством источников.

- 13**
1. benefits
 2. purposes
 3. administrative
 4. goals, office-workers
 5. contact, in that way, corporate image
 6. on top of that
 7. lastly, reveals, consequently

- 14**
1. When choosing the best method of financing, a number of factors must be taken into account.
 2. Once the budget has been agreed it is used to monitor the performance of all departments in the business.
 3. It should be noted that the larger the business, the greater the number of possible sources of funds available.
 4. Therefore, decisions are to be made regarding the most appropriate source of finance.
 5. Small firms face difficulties in raising the finance they need.

- 16**
1. Many people take no care of their money till they come nearly to the end of it, and others deal with their time in a similar way.
 2. If the brand is well-known the dealers will be willing to carry the product.
 3. I'd advise you to agree on equal representation of German and Greek shareholders.
 4. In spite of severe competition the sales had rapidly increased.
 5. Personal selling in the same way as wholesale selling requires much effort.
 6. On condition that the consumer likes the product he will continue to use it.
 7. In advertising as in the case of promotion the most important quality is the gift of persuasion.
 8. If I were you I would ask the bank for a short-term loan.
 9. Although advertising is criticized it is a very effective source of informing and influencing the customer.
 10. In case of effective advertising campaign the demand will be very high.
 11. This job requires high qualification and much effort whereas the salary is rather low.
 12. You should offer your assets as collateral for a loan.

Chapter NINE

- 1**
1. относительная стоимость
 2. подсчитывать прибыли и убытки
 3. налоговые поступления
 4. задача бухгалтерского учета
 5. накапливать состояние
 6. не поддаваться износу
 7. чеканить монеты
 8. стабильность ценности
 9. долговечность

10. приемлемость
11. заключать сделки
12. подлежащий оплате немедленно по предъявлении
13. деньги безналичных расчетов
14. бумажные деньги, полностью обеспеченные золотом или серебром
15. деньги, считающиеся деньгами по указу

- 2**
1. Сочетание монет различного достоинства дает возможность покупателям и продавцам совершать сделки любого размера.
 2. Если оба этих условия выполняются, то многие люди будут накапливать свое богатство для будущего использования.
 3. Металлы, такие как золото и серебро, идеальны, потому что они хорошо противостоят износу.
 4. Делимость также стимулирует использование денег как меры стоимости, потому что могут быть сделаны точные ценовые сравнения между товарами.
 5. Чеки являются представительными деньгами, потому что они символизируют сумму денег на счете человека.
 6. Приемлемость означает, что люди готовы принимать деньги в обмен на свои товары или услуги.

- 3**
1. medium of exchange
 2. relative value
 3. standard of value
 4. store of value
 5. accumulate their wealth
 6. durability
 7. portability
 8. stability in value
 9. commodity money
 10. representative money

- 4**
1. medium of exchange
 2. standard of value

3. store of value
4. record keeping
5. cost of expenditures
6. unit of accounting
7. purchasing power
8. portability
9. divisibility
10. perishable
11. demand deposits
12. savings accounts
13. time deposits
14. bill of exchange
15. commodity money

- 5**
1. In fact, many coins minted in ancient times are still in existence.
 2. Comparing the prices of products people can judge the relative worth of different items.
 3. Businesses need to figure profits and losses.
 4. Money is nonperishable so it can be saved or stored for later use.
 5. In other words, the purchasing power of the money must be relatively constant.
 6. Checks are considered money because they are a medium of exchange, a standard of value, and a store of value.

6 1c, 2k, 3b, 4h, 5e, 6i, 7a, 8g, 9j, 10m, 11n, 12d, 13l, 14f

7 Talk No 1 (350 words)

A university professor is speaking on the first period in the history of American money and banking system.

Good morning. The subject of my lecture, as it has been announced, will be devoted to the history of American money and banking systems. I will start by saying that the history of American money and banking is interwoven with the history of the United States.

First of all I'd like to point out that the American monetary and banking systems have gone through three periods of development. During each of these periods, stability and progress in the nation's money and banking systems has increased.

Today I am going to speak about the first period, which lasted from the 1780s to 1860. It was a time of experimentation and debate in American banking. During this period, money and banking were part of a large battle between Federalists and advocates of states' rights.

Federalists, such as Alexander Hamilton, believed that a strong, centralized banking system was necessary if the United States expected to develop its industries and commerce. As Secretary of the Treasury, Hamilton proposed that a national bank have the power to handle the government's funds, charter and monitor other banks throughout the country, and issue currency.

Advocates of states' rights, such as Thomas Jefferson, opposed the national bank because they feared that the concentration of economic power at the national level would weaken the economic and political power of individual states. Jefferson supported a decentralized banking system in which the states, rather than the federal government, would charter and regulate the banks within their borders.

In this battle Hamilton's views prevailed. In 1791 Congress established the First Bank of the United States as a private business. Its Charter, or legal permission to operate, outlined the bank's responsibilities, which included the issuing of representative money in the form of banknotes. These banknotes were backed by gold and silver specie.

A year later, Congress established a national coinage system, and the federal government began to mint gold and silver coins. It also established the dollar as the official unit of currency.

The First Bank of the United States brought some order to monetary and banking systems in the United States.

- 8** (1) mint
(2) denominations
(3) coin

- (4) gold
- (5) containing
- (6) sell
- (7) value
- (8) buy
- (9) investment
- (10) rise

9 1h, 2d, 3j, 4g, 5a, 6i, 7k, 8e, 9c, 10l, 11f, 12b

10 Talk No 2 (368 words)

A university professor is speaking on the second period in the history of American money and banking system.

Good morning. At our previous lecture, we discussed the first period in the history of American money and banking systems. As you know the American monetary and banking systems have gone through three periods of development. Today we are going to speak about the second period which lasted from 1860 to 1913.

The situation in the country and problems connected with the Civil War convinced national leaders that the United States needed a better banking system. Congress took steps to establish a new national banking system.

By the end of the Civil War in 1865, \$450 million in currency was in circulation but this fiat money was backed only by the federal government's promise to repay at some future date. After the Civil War, Congress took actions to support the national currency as a stable medium of exchange. First, Congress tied the paper money to gold with the passage of the Coinage Act of 1873. The Gold Standard Act of 1900 committed the government to the gold standard – a monetary system in which paper money is fully backed by and convertible into gold.

The next step Congress took was to create a dual banking system composed of national banks and state banks. The system brought more uniformity and stability to money and banking. The National Banking Acts of 1863 and 1864 required banks to hold gold and silver reserves. National banks were

chartered by the federal government. As for the state banks they were chartered and regulated by individual states.

A further decision by the federal government was to issue a national currency only through the national banks. A national currency provided a nationally acceptable medium of exchange and stabilized the entire economic system.

So, to sum up we can say that a national system of banking introduced in the second period increased public confidence in paper currency and in the banking system as a whole. But of course, the system had some disadvantages. First, it did not provide for an efficient way to regulate the amount of money circulating in the economy. Second, the system lacked any central organization.

At our next lecture we shall find out how these problems were solved and speak about failures and successes of the third period.

11 1. about, 2. from, 3. to, 4. of, 5. in, 6. through, 7. of, 8. by, 9. by, 10. by, 11. in, 12. and, 13. with, 14. during, 15. in, 16. of, 17. of, 18. of, 19. during, 20. from, 21. Between, 22. and, 23. in, 24. to, 25. in, 26. in, 27. in, 28. to, 29. in, 30. of

13 1. False, 2. True, 3. False, 4. True, 5. False, 6. True, 7. True, 8. False, 9. False, 10. True

14 1f, 2j, 3c, 4e, 5a, 6i, 7g, 8h, 9b, 10d

16 1. Money, it turned out, was just the same as sex. You thought of nothing else if you didn't have it and thought of other things if you did.
2. Money is a terrible master however it is an excellent servant.
3. Before you start up a new business you should write a business plan.
4. If the company does well the profits will be very high.
5. Money is like promises – easier made than kept.
6. Personal selling will be very effective provided the promotional efforts are well planned.

7. You had better persuade banks, not me, that your business is worthy of a loan.
8. Money can't buy happiness but it will get you a better class of memories.
9. Getting money is the same as digging with a needle.
10. As long as the price is reasonable the travelers will be using this airline.
11. Spending money is like water soaking into sand.
12. Doing business is the same as making war.
13. My great wealth was acquired with no difficulty, yet my small wealth, my first gains, with much labor.
14. If I were you I would make financial analysis of monthly profit and loss forecast.
15. The advertisers try to persuade the customers. In a similar way the politicians try to persuade their electors.

Chapter TEN

- 1**
 1. разработчик структуры системы программного обеспечения
 2. индустрия программных средств
 3. бешеная сенсация в средствах массовой информации
 4. IBM-совместимый персональный компьютер
 5. не жалеть затрат, не экономить
 6. венчурный (рисковый) капитал
 7. промышленность средств вычислительной техники
 8. компетенция/опыт в области программирования
 9. общественные организации
 10. развитие профессиональных навыков
- 2**
 1. Решающими в успехе "Майкрософт" были дальновидность Гейтса и его предвидение в области персональных компьютеров.
 2. Беспрецедентный бум в области маркетинга и в средствах массовой информации был вызван компьютерной программой Windows 95.

3. Силой своей личности Билл Гейтс установил свой собственный порядок в быстро развивающейся компьютерной промышленности.
4. Миссия "Майкрософт" состояла в том, чтобы постоянно продвигать и совершенствовать технологию программного обеспечения.
5. Билл Гейтс отдавал свои силы на то, чтобы пользование компьютером стало легче, рентабельнее и доставляло удовольствие.

- 3**
1. software architect
 2. Internet technologies
 3. an upgraded operating system
 4. demand
 5. computer nerd, software
 6. marketplace
 7. computer technology, net worth
 8. information technology
 9. business problems
 10. innovative, forward-thinking

- 4**
1. worldwide leader
 2. software
 3. Internet
 4. operating system
 5. to excite demand
 6. computer nerd
 7. programming language
 8. software development
 9. crucial point
 10. unwavering confidence

- 5**
1. Microsoft's success lies in Gates's unwavering confidence in his own ideas.
 2. Gates developed a version of the programming language BASIC for the first microcomputer.

3. Gates had the most important tools needed for software development: brains and computers.
4. Gates had everything necessary for computer industry: he had product, programming expertise, and a vision of greater possibilities.
5. Gates has donated the proceeds of both books to non-profit organizations.

6 1c, 2k, 3g, 4h, 5e, 6i, 7a, 8b, 9j, 10m, 11n, 12d, 13l, 14f

7 Talk No 1 (332 words)

A TV narrator is presenting one of the most successful and popular women of her time, Mary Kay Ash.

Today I am going to tell you about a woman who built the first female corporate culture and who became one of the most successful entrepreneurs in cosmetic business. I am sure you have guessed right, it's Mary Kay Ash.

In 1963, when she was forty-five and when most American women did not hold full-time jobs, Mary Kay launched a direct-sales cosmetics company run by women. From modest origins in a Dallas storefront, Mary Kay Cosmetics grew into a vertically integrated corporation with annual sales of over \$950 million. In 1976 it became the first company chaired by a woman to be listed on the New York Stock Exchange.

Mary Kay was born in 1918 in Hot Wells, Texas. At seventeen she married Ben Rogers, a local musician and radio personality. The young couple had three children within seven years. Mary Kay found a job with a direct-sales company because it was a good-paying job with flexible hours. When her husband divorced her in 1945 she had to raise her children as a single mother.

In 1963, she decided to form her own direct-sales cosmetics company. Mary Kay built a new corporate culture based on the education, participation, and authority of women.

In 1966, she decided to rebuild her personal life. She married Mel Ash, a businessman whom she had met on a blind date.

In 1972, with several thousand employees and \$18 million in sales Mary Kay Cosmetics was one of the nation's largest private employers of women.

Her success is based upon sound business practices combined with tenacity and original thinking – about the market place, about corporate structure, and about women themselves.

In 1994, the company celebrated another record-breaking year, one in which sales totaled \$850 million. Her company's structure inspired hundreds of thousands of saleswomen to become small-business operators. She encouraged their self-esteem and confidence through constant positive reinforcement and material rewards. In one of her books Mary Kay wrote "I believe in the personal touch, because it makes every human feel appreciated."

- 8**
1. entrepreneur
 2. chief executive officer
 3. personal computer industry
 4. business world
 5. computer science
 6. market
 7. computer
 8. correct
 9. profits
 10. corporate

- 9** 1h, 2f, 3k, 4l, 5g, 6a, 7j, 8c, 9e, 10d, 11b, 12i

10 Talk No 2 (365 words)

A cinema reviewer is speaking about the king of animated cartoons, about the greatest dreamer of all times Walt Disney.

Today I am going to tell you about a world-famous producer, the creator of Mickey Mouse, Donald Duck, Snow White and Cinderella – about Walt Disney. He was always a man of dreams, fantasy and imagination.

Walt Disney was born in 1901 in Chicago. At the age of sixteen he volunteered as a driver with the American Red

Cross. After the war he returned home to Chicago and settled in Kansas City where he found a job with a company producing cartoon advertisements.

In 1923, Walt Disney left Kansas City for Hollywood, a place where he had heard young film-makers could find financial backing for their projects. Disney boarded a train with \$40 in his pocket. When a fellow traveler asked about his intentions, he said, "I am going to direct great Hollywood motion pictures."

In 1928, Walt Disney produced a mouse character Mickey Mouse which was an overnight success and changed animation forever. As Mickey's creator Disney became a celebrity.

In 1934, Disney decided to do something that nobody in Hollywood had ever done. He decided to make a full-length animated film "Snow White and the Seven Dwarfs". In 1937, the first release of the film brought \$8.5 million. In 1939, the production received a special Academy Award. In 1938, he received honorary degrees from both Harvard and Yale.

In 1952, he came up with an idea to build an amusement park, that would be entertaining for adults as well as for children.

Disney located the park 25 miles south of Los Angeles, California. The total cost was estimated at \$5 million.

The amusement park was an instant success. Adventureland, Fantasyland, and Tomorrowland fascinated both children and adults. Walt Disney's magic kingdom Disneyland offered a unique fantasy adventure. People from all over the world including monarchs, presidents, prime ministers and many other very important persons flocked to Disneyland by the millions.

Walt Disney died in 1966 at the age of sixty-five. Today these parks bring nearly \$1 billion to the United States each year. More and more innovations are installed each year because, as Walt Disney himself said "the park will never be completed - not as long as there is imagination left in the world!"

- II (1) chief executive
- (2) founded
- (3) imagination
- (4) launch

- (5) established
- (6) fascinated
- (7) innovative
- (8) multitude
- (9) endow
- (10) recasting

13 1. True, 2. False, 3. True, 4. False, 5. True, 6. False, 7. True, 8. True, 9. False, 10. False, 11. True, 12. False, 13. True, 14. True

14 1b, 2c, 3a, 4c, 5b, 6a, 7c, 8b, 9b, 10a

- 16**
1. Most of the successful people are the ones who do more listening than talking.
 2. Automobile firms would rather advertise in magazines than in newspapers or on the radio.
 3. Just as Rockefeller created order from chaos in the oil industry, Bill Gates did the same in computer technology.
 4. The outcome is usually less important than the doing
 5. To guarantee success, act as though it were impossible to fail.
 6. Most government monopolies would rather provide goods or services that enhance the general welfare rather than seek profits
 7. If you love what you are doing, you will be successful
 8. The marketing concept is practiced less in small companies than in large companies.
 9. Bill Gates found ways to force the rest of the industry to follow his lead just the same as Rockefeller.
 10. Businesses would prefer to allow customers to buy on credit rather than require money for a purchase.
 11. In case you want success start thinking of yourself as a success.
 12. You can run any business well as long as you can run one business well.

GLOSSARY

A

ability-to-pay principle: principle that states taxes ought to be paid by those who can best afford them.

absolute advantage: occurs when one nation can produce an item more efficiently than another.

accounts payable: the amount a company owes for goods already received. Not unlike a person's credit card balance; you've got the video cassette recorder (VCR), but you haven't taken the money out of the bank yet.

accounts receivable: the amount a company is owed for goods it sold on credit.

accrual method of accounting: used for most corporate financial statements. Revenues are counted during the time they're earned, and expenses are counted during the time they're incurred. Cash doesn't need to change hands to be recorded. This is a fuller way of looking at financial health. It's as if you kept records not just of checks you'd written and deposits you made, but also of what you owed on your credit cards and what you were owed by others. You can feel pretty rich if your checking account is flush, but if you owe thousands on your credit card and don't take that into account, you can spend yourself into trouble.

advertisement: a public notice usu. printed in a newspaper, of goods for sale or services offered; or of goods or services wanted.

aggregate demand: total planned spending by consumers, business and government to purchase the aggregate supply.

aggregate supply: all the goods and services provided by the economy.

allowance for bad debt: the amount of debt a company expects not to collect. This is subtracted from what the company is owed for goods it sold on credit (accounts receivable), so the balance sheet better reflects the company's true economic health.

annual percentage rate (APR): the APR is the percentage cost of credit calculated on an annual basis.

annual report: report to stockholders containing pertinent financial information.

antitrust laws: laws regulating the growth and use of monopolistic power or tendencies.

application: a letter of an employee asking for employment.

appointment: an office for which a person has been chosen.

arbitration: one method of settling disputes, including union-employer battles. The parties choose a third party to settle their disagreement. This is called binding arbitration when the parties also agree to abide by the arbitrator's decision.

assembly line: a manufacturing system in which parts are assembled by moving them from one worker or machine to another.

assets: things (something of value) a company controls, which usually means it owns these items. A car company's assets would include everything from computers used by the accounting department to cars not yet sold, to the factory where the autos are made. Items must have value and must have been obtained for a measurable cost; broken computers that can't be repaired don't count, nor does a company's reputation.

automatic stabilizers: features built into the economy that put money into the economy during periods of recession and take money out during periods of inflation.

automatic teller machine (ATM): the machine that let you do your banking without dealing with a person. At ATMs, you can take cash from your account, make deposits and

move money between accounts. All you need is a password you key in and an access card.

B

back: to support someone or something, especially with money, power, or influence.

balance of payments: summary of the flow of international transactions; statement of payments made to all other countries and payments received from all other countries.

balance of trade: the difference between the export and import of merchandise (an accounting of a country's exports versus imports).

balance sheet: a reckoning of a company's financial health at a given time. Lists assets, liabilities and equities, financial statement summarizing a firm's assets, liabilities and net worth.

balanced budget: financial plan in which expenses exactly equal income.

bandwagon advertising: an appeal that suggests everybody is using a particular product.

bank: financial institution that accepts demand deposits and makes commercial loans.

bank charter: official government document allowing the establishment of a bank.

bankruptcy: a word you don't want to hear if a company or person owes you a lot of money. The person or company is considered bankrupt if they're unable to pay their debts. The U.S. Bankruptcy Court tries to sort out the financial troubles and get creditors paid. Companies filing for protection under Chapter 7 of the bankruptcy code are shut down and their assets handed over to the creditors. Under Chapter 11, companies try to rework their debts and stay in business.

barter: the exchange of one good or service for another.

base year: the reference year, with a value of 100, used in the construction of index numbers.

bears: speculators who anticipate a decline in the economy.

benefits-received principle: principle of taxation that states those who benefit from a government program are the ones who ought to pay for it.

blacklist: list of disapproved persons.

black market: illegal underground economy.

block grants: lump sums given to communities by the federal government to be spent as the community deems appropriate.

board of directors: a group of people chosen by stockholders to watch over a company and its executives, and to set overall corporate policy. Their job is to try to keep the company healthy and ensure stockholders get a good return on their money.

Board of Governors: governing body of the Federal Reserve System; establishes policies for the Fed. It consists of seven persons appointed by the President for 14-year terms.

bond: a written promise to repay a loan plus interest, usually more than one year after the bond is issued. Investors buy bonds from a company or government entity, essentially loaning the company or government that money. A certificate representing indebtedness, usually of a corporation or unit of government, to the holder.

boom: the peak of the business cycle; business is producing at or near capacity.

boycott: a refusal to do business with a firm involved in a labor dispute.

breakdown: (a) a situation in which a machine or vehicle stops working; (b) analysis; information, separated in different groups, details shown item by item.

break even: to balance costs and receipts.

break-even point: point at which income from sales equals fixed and variable expenses.

brokerage: in the securities industry, the buying and selling of stocks and bonds on behalf of others.

budget: a financial plan that summarizes income and expenditures over a period of time.

bulls: speculators who anticipate an increase in the price of securities.

Bureau of Labor Statistics (BLS): the principal data-gathering agency of the federal government.

business cycle: periodic fluctuation in the economy.

business ethics: concern for keeping fair business practices.

business firm: organization that produces goods or services.

business unionism: Samuel Gompers's principle of seeking better wages and working conditions rather than political or social reform.

buying on margin: for those who don't have lots of money, but believe that's what it takes to make a killing on the stock market. Stock buyers purchase stocks with borrowed money, gambling the share price will rise enough to pay off the loan and then some.

bylaws: rules of operation for a corporation, stated in the charter, that govern the corporate officers' actions.

C

call: an option to buy a certain amount of stock at a specific price during a specific time.

capacity: the maximum number of units a firm can produce.

capital: money needed to start or grow a business. This pool can come from securities offerings and retained earnings. Something created to produce other goods and services; also money used to pay for the operations of a business.

capital budget: shows plans for buying long-term assets – machinery and other things you expect to last several years – and estimates the costs of those purchases.

capital gain: the increase in the value of an asset over a period of time.

capitalism: an economic system based on the private ownership of the factors of production, competition, and the profit motive.

cash flow: money coming into a company and being paid out by the company. Ideally you'd want to take in at least as much

as you pay out. On a personal level, you're having a cash-flow problem if you can't make your mortgage payments. You're not necessarily poor; your house might be worth a lot if sold, but you're still having cash-flow problems.

caveat emptor: Latin term that means "let the buyer beware".

cease and desist order: federal Trade Commission ruling that orders a stop to an unfair business practice.

Celler Antimerger Act: a law passed by Congress in 1950 that declared mergers to be illegal where they serve to "lessen competition or tend to create a monopoly".

central economic planning: doctrine placing production decisions in the hands of government planners.

centralize: to organize the control of a country or organization so that one central group has power and tells people in other places what to do.

certificates of deposit (CDs): generally considered conservative investments. Certificates issued by banks guaranteeing repayment of principal at a fixed rate of interest after a specified period of time. You purchase the CDs from financial institutions – essentially loaning your money – and they promise to pay you back on a fixed date, usually with interest. You can invest for several months, but longer investments generally earn higher interest.

chambers of commerce: associations of business and professional people that seek to promote the interests of the business community.

charter *n*: a document issued by a state government granting a corporation permission to operate.

charter *v*: to say officially that a town, organization, or bank officially exists and has special rights.

checking account: a bank account against which the depositor can write checks.

checks: written orders directing a bank to pay a person or business a specific sum of money.

Clayton Antitrust Act: law passed by Congress in 1914 which specified what acts would be considered "in restraint of trade." This one forbids price discrimination.

- closed (or private) corporation:** one whose stock is not sold to the public.
- closed shop:** one in which workers must belong to the union before they can be hired.
- closed-end fund:** a mutual fund that sells a limited number of shares.
- coinage system:** the system of metal money used in a country.
- collateral:** something with monetary value pledged as security for a loan.
- collective bargaining:** the process by which labor leaders and management iron out agreements on pay and working conditions (negotiations with management by a union to prepare a labor contract).
- command economy:** an economic system in which major decisions concerning the allocation of resources are made by agencies of the government.
- commercial paper:** short-term note issued by a corporation promising to repay a sum of money at a specified rate of interest. Short-term unsecured debt, with maturity up to 270 days. Banks, corporations and others raise money by issuing commercial paper to investors.
- commission broker:** a person who does the trades for a stock broker's clients, receiving a commission for the work. The stock broker places orders with them.
- common stock:** a security that represents ownership in a corporation. Regular old stock. Owners of this bottom rung of stocks have a piece of the company and get to vote for the board of directors and on corporate policy. But they have to queue up behind owners of preferred stock both to receive dividends and usually to receive assets if a company is liquidated.
- company union:** union organized, financed and controlled by management.
- comparative advantage:** an advantage in producing an item because one's opportunity cost to produce it is lower than another's.
- competition:** the rivalry among buyers and among sellers in the purchase and sale of resources and products.

compound interest: interest computed on the principal and on the interest previously paid.

conciliation: effort by a third party to bring labor and management together to work out their differences on their own.

conglomerate merger: combination of unrelated businesses under a single management.

conspicuous consumption: Thorstein Veblen's term for the tendency to buy goods and services to impress others.

constant dollars: dollars that reflect changes in purchasing power from a base year.

consumer co-ops: retail businesses owned by members who share in the profits and/or purchase goods and services at lower cost.

consumer credit: an agreement whereby a consumer is provided cash, goods or services now with payment spread into the future.

consumer price index (CPI): compares present prices of commonly purchased goods and services to the prices of similar goods and services in a base year. Measures price changes of common goods and services, including such things as housing and food. What you quote when you're trying to convince your boss you need a raise to keep up with inflation.

consumer: anyone who uses goods and/or services.

contraction: period in the business cycle after a boom when businesses begin to reduce their spending levels.

cooperative (co-op): association of individuals or companies whose purpose is to perform some business function for its members.

copyright: exclusive right of authors of original writing and artistic work to sell or in any way reproduce their works for their lifetime plus fifty years.

corporation: a business organization created under a government charter and owned by shareholders.

co-signer: person with an acceptable credit rating who agrees to repay a loan if the borrower cannot.

cost: amount of money which has to be paid for something; **fixed costs** – business costs which do not rise with the quantity of the product made; **variable costs** – production costs which increase with the quantity of the product made (such as wages or raw materials); **unit cost** – the cost of one item (i.e. total product costs divided by the number of units produced).

cost of goods sold: how much it cost the seller to make or buy the goods sold. Same as “cost of sales”.

cost of labour: cost of paying workers employed to make a product.

cost-of-living adjustment (COLA): a type of raise workers can get to reflect the higher cost of consumer goods. Also a sort of corporate hardship pay for employees sent to live and work in expensive places.

cost of production: costs of making a product.

cost of sales: all the costs of a product sold, including manufacturing costs and the staff costs of the production department.

cost-push inflation: rising prices, rise due to an increase in the cost of production.

coupon: a detachable part of traditional bond certificates. You present these to the issuer to collect your interest payments.

coupon rate: a bond's annual interest rate, stated as a percentage of what was originally paid for the bond. Gets its name from traditional bond certificates, which have coupons you detach and return to the issuer to collect your interest payments.

craft worker: one of a wide variety of highly skilled workers such as carpenters, tool-and-die makers, machinists, electricians and automobile mechanics.

credit card: an identification card that entitles the lawful owner to make purchases on credit.

credit union: association of people with something in common that offers insured savings plans similar to those offered by other savings institutions.

creditor: one who lends money to another.

crowding-out effect: theory that government borrowing reduces the supply of credit for private use, pushes up interest rates, and reduces business and consumer spending.

cumulative preferred: preferred stock that is due dividends, even if payments are delayed until the company can afford them. The amount owed builds until the dividends are paid. Owners are entitled to their payments before common-stock owners can collect theirs.

currency: paper money and coins issued by the federal government.

currency exchange: buying or selling foreign currencies.

current assets: cash and assets that are expected to be used, sold or converted to cash in the near future, usually one year. A sporting goods store's current assets would include the money in the register and its bicycles, as well as short-term insurance policies and marketable securities – securities expected to be turned into cash in one year.

current liabilities: these liabilities must be paid in a relatively short time, usually one year. Taxes are one example.

customs union: an organization of countries who agree to promote free trade among members but to impose a common tariff on nonmembers. Best known is the European Community of Common Market.

D

debentures: you need to trust in a company and its strength to give this type of loan, which isn't backed by collateral.

debt-to-net-worth ratio: also debt-equity ratio. To get it, you divide liabilities by stockholders' equity. This is a general measure of how safe creditors can feel about their loans. Creditors often avoid lending to companies with a high debt-equity ratio.

decentralize: to move parts of a government, organization, etc., from one central place to several different smaller ones.

default: failure to meet an obligation when it comes due.

deficit: excess of expenses over expected income.

deflation: opposite of inflation. Decrease in the general price of consumer goods and services. A period during which the purchasing power of the dollar is rising.

demand: a consumer's willingness and ability to buy a product or service at a particular time and place; **elastic demand** – condition that exists when a small increase in a good's price causes a major decrease in the quantity demanded; **inelastic demand** – condition that exists when a change in a good's price has little impact on the quantity demanded.

demand curve: the graphic representation of demand.

demand deposit: checking accounts held by commercial banks; largest component of the money supply. So named because you can demand your money – or write a check – without clearing it with the bank first.

demand-pull inflation: rising prices because demand is increasing faster than industry's ability to satisfy that.

demand schedule: a table showing the quantities of a product that would be purchased at various prices at a given time.

deposit multiplier: a multiple by which the deposit of funds in the banking system will increase total deposits.

depreciation: dividing the cost of an asset over that asset's usable life. When dealing with a \$200,000 factory expected to be used for 10 years, you would count \$20,000 a year as expenses. Assets are considered unusable if they don't work well anymore or are obsolete.

derivative: a type of investment whose value depends on the value of other investments, indices or assets. A stock option is a common type of derivative.

diminishing marginal utility: the last item consumed will be less satisfying than the one before.

direct-sales company: a company which sells its products directly to retailers.

discount: percentage by which the seller reduces the full price for the buyer.

discount brokers: discount stock brokers are to full-service brokers as warehouse stores are to boutiques. You don't expect much, if any, advice from your discount broker on what to buy. She or he usually doesn't expect you to pay as much as you would at full-service brokers. A discount broker's main job is to carry out your requests to buy and sell.

discount rate: the interest rate charged by the Federal Reserve on its loans to banks and other financial institutions.

discounted loan: loan from which interest is deducted in advance.

discretionary income: money left after buying necessities.

district bank: one of 12 banks that make up the Federal Reserve System.

diversification: an investing technique. The idea is to buy lots of different types of investments so if the value of one nose dives, you're not suicidal.

dividends: payments corporations make to their shareholders. The per-share amount is determined by corporate earnings.

division of labor: breaking down a large task into a series of small ones so that each worker completes one or a few of the steps involved.

Dow Jones Industrial Average: an important stock market indicator, used to judge the stock market's general well-being and how well your stocks are doing comparatively. It measures the performance of 30 industrial stocks. When the media reports that the market rose 20 points, they're really saying the Dow rose 20 points.

dumping: selling the same goods for a lower price abroad than at home.

E

earnings per share: the amount of money a company makes per share of common stock. This figure is calculated by

taking net income and dividing it by the number of common shares outstanding.

earnings: the profit made by a company.

economic growth: increases in an economy's total output over a period of time.

economic indicator: a statistical measurement of the state of the economy or some important part of the economy.

economic model: any simplified statement, diagram or formula used to understand economic events.

economic rent: the amount received by property owners over and above the lowest price they would have accepted.

economic system: the approach a country uses to deal with scarcity and achieve its economic goals.

economics: the social science that describes and analyzes how society chooses from among scarce resources to satisfy its wants.

economies of scale: decrease in the unit cost of a product or service because of large-scale production.

economize: the effort to get the most out of one's resources.

elastic currency: supply of money expands and contracts with the needs of business.

elastic demand: condition that exists when a small increase in a good's price causes a major decrease in the quantity demanded.

elasticity of demand: measure of buyers' eagerness to acquire a good or service.

elasticity of supply: measure of how easily sellers can increase or decrease the quantity supplied.

eminent domain: the right of governments to take private property, at a fair price, for public purposes.

employee involvement (EI) programs: allow workers to assume responsibilities normally held by management.

Engel's Law: as a family's income increases, the percentage spent for necessities decreases, while the percentage spent for luxuries increases.

entrepreneur: a person who creates a business in the hope of earning a profit.

entrepreneurship: the managerial or organizational skills needed by most firms to produce goods and services at a profit.

equation of exchange: tells us that total spending is equal to the total value of the goods and services produced by the economy.

equilibrium price: the price of a good or service at which the quantity demanded matches the quantity supplied.

equilibrium quantity: the number of products that would be sold at the equilibrium or market price.

excess quantity demanded: the amount of a product that could be sold at a price lower than the market price.

excess quantity supplied: the amount of a product available at a price higher than the market price.

excise tax: a tax levied on the manufacture or sale of a specific item (a tax on perfume, for example).

expansion: phase of the business cycle following recession when the economy begins to recover.

expenditure: the money that we spend.

experience: knowledge and skill gained through time spent doing a job or activity.

export: a domestically produced good sold abroad. What Japan made its fortunes on — exports to the U.S. and elsewhere.

export subsidy: a payment by a country to exporters enabling them to sell their products abroad at a lower price than at home.

external funds: funds, such as loans, that come from outside the firm.

externalities: the effects of economic activities that fall outside the market system.

F

factors of production: the productive resources of land, labor, capital and entrepreneurship.

factory gate price: the price at which a factory sells goods to wholesalers and distributors.

Fair Labor Standards Act: one of the key federal laws protecting workers. This is the one you drop into conversation if your boss wants you not to claim all that overtime you're working. Established minimum wage and 40-hour work week. States that workers get 1.5 times regular hourly pay if they work more than 40 hours in a week.

Federal Advisory Council: offers advice to the Federal Reserve System on the nation's financial problems.

Federal Deposit Insurance Corporation (FDIC): a child of the Great Depression, this independent federal agency is supposed to inspire confidence in banks. It insures deposits up to \$100,000 in member commercial banks, so depositors can get their money back if a bank goes belly up.

Federal Reserve Bank: one of 12 district banks of the Federal Reserve System.

Federal Reserve System: group of banks that regulates the U.S. money supply, sets rules designed to keep commercial and savings banks solvent and provides emergency loans to those banks. Overseen by a board appointed by U.S. presidents. The chairman of that board is very powerful, and his actions are closely watched by investors.

Federal Trade Commission Act: law passed by Congress in 1914 which set up the Federal Trade Commission to enforce antitrust rules. The act gave the FTC the right to define unfair methods of competition and make rules to prevent such practices.

Federal Trade Commission: a government agency established to help prevent unfair business advertising and other trade practices.

finance *n*: money, used by a company, provided by the shareholders or by a bank, to help run a business.

finance *v*: to provide money, especially a large amount of money, to pay for something.

fiscal policy: use of the federal government's power to tax and spend to regulate economic activity.

fixed assets: a company's nonliquid assets, such as its office building or factory.

fixed costs: costs that remain the same regardless of how much business a firm does. Also called overhead. Costs that don't vary with sales volume. Rent is a fixed cost; companies need to pay it whether they make money that month or not. Other fixed costs are insurance payments and executives' salaries.

fixed-rate loan: a loan whose interest rate doesn't change.

A conventional mortgage is an example.

flat tax: a tax that would eliminate most deductions and apply the same tax rate to all incomes.

float: provides financial breathing room if you're short of cash. This is the value of the money that stays in your account until a check you wrote is processed.

foreign exchange market: place where foreign currencies are bought and sold.

fractional reserve banking: system in which banks hold a percentage of their customers' deposits and lend the rest.

franchise: a license to operate an individually owned business as if it were part of a large chain.

franchisee: one who purchases a franchise.

franchising: setting up a system like McDonald's. A company (the franchiser) grants the right to use its name and sell its products to a person or group (the franchisee).

free enterprise: an economic system based on the private ownership of property, competition, and the profit motive.

free market: a market that operates under conditions of perfect competition.

free trade: the absence of any trade restrictions.

free trade association: agreement among countries to remove trade restrictions among themselves.

frictional unemployment: temporary, unavoidable unemployment.

fringe benefits: items other than wages that the employer pays for, such as health insurance, retirement plans and vacations.

full-service brokers: like the full-service island at the gas station. You usually pay more, but you also get more – in this case a wide range of services including advice on what stocks to buy and sell. The “self-serve” variety of broker is called a discount broker, who generally just handles trades.

full-time: working all the normal working time (i.e. about seven hours a day, five days a week).

futures contract: legally binding agreement to buy or sell a commodity or financial instrument at a specific price and on a set date. Unlike an option, in that the seller must sell and the buyer must buy at the established time. Futures can be traded among parties.

G

General Agreement on Tariffs and Trade (GATT): an international accord meant to stimulate trade. It encourages lowering tariffs and abolishing quotas that restrict imports.

general partner: general partners are liable for all of their partnership's debts.

generally accepted accounting principles (GAAP): rules and procedures generally accepted by accountants. The rules guide them in assessing and reporting on a company's finances.

generic products: products sold without a trademark or brand name.

goods: tangible items of value.

government-owned corporation: one that has been created to provide services that private enterprise is unable or unwilling to offer.

grants-in-aid: money given by the federal government to state and local governments for a specific purpose.

Great Depression: the worst depression in American history, lasting from 1930–1940.

grievance procedures: procedures that employees follow if they feel they have been treated unfairly.

gross domestic product (GDP): key indicator of an economy's health, annual value of goods sold and services paid for inside a country.

gross national product (GNP): a measure of the nation's total output of goods and services per year. GNP is a key indicator of an economy's health; it's the value of all the goods and services produced by a country in a given period of time, including income from other countries.

gross profit: sales revenue minus the cost of making or buying the things that were sold (cost of goods sold). If a manufacturer sold 10 bikes for \$300 a piece, and each bike cost him \$250 to make, the company's gross profit is \$500.

gross sales: revenue from a company's total sales before deducting for returns and discounts.

growth funds: mutual funds that invest in companies that pay little or no dividends and reinvest their profits in expansion and in research and development. You buy these if you're willing to give up dividend income in return for a chance at big gains in the stock price over time.

H

health maintenance organization (HMO): type of health insurance that entitles members to unlimited visits to a doctor.

horizontal merger: combination of companies in the same business.

household: one or more persons living in the same dwelling (such as a house or an apartment) and functioning as an economic unit.

housing co-ops: multiple dwelling units that are owned by their tenants.

human resources (labor): the physical and mental effort needed to produce goods and services.

I

imperfect competition: Joan Robinson's term to describe markets in which sellers have more freedom to determine prices than in perfect competition but less than in monopoly.

import: good or service purchased from a seller in another country.

incidence: see *tax incidence*.

income from continuing operations: revenue minus expenses, including taxes. This doesn't include income from discontinued operations, like a closed arm of the corporation; extraordinary items or the financial effect of a change in accounting principles.

income statement: see *profit-and-loss statement*.

income tax: a tax on the income earned by individuals and corporations.

index number: a measure of relative value compared to a base number.

individual retirement account (IRA): you may place \$2,000 a year in these accounts, which are used to invest in stocks, certificates of deposit, etc. The contributions may be tax deductible depending on whether you're covered by a company retirement plan and whether your adjusted gross income is low enough. IRAs accumulate money tax-deferred.

inelastic demand: condition that exists when a change in a good's price has little impact on the quantity demanded.

inflation: period of rising prices during which the purchasing power of the dollar is falling. An increase in the general price of consumer goods and services. What the Federal Reserve chairman is always trying to keep under control so it doesn't harm the economy.

infrastructure: the basic facilities, such as roads, harbors and utilities, on which the smooth operation of the economy depends.

injunction: a court order forbidding an individual or organization from engaging in an activity. Courts issue this to

stop a person or group from doing something that might cause future harm.

input: anything that goes into the production process.

in-store promotion: promotion of a product inside a shop, by demonstrations, etc.

insurance: protection against financial loss by sharing risks with others.

interest: what a borrower pays for the privilege of using someone else's money for a given period of time. Income derived from allowing someone else to use one's capital.

internal funds: funds, such as profits, that come from within the firm.

International Development Association (IDA): agency of the World Bank that makes very long-term loans to the poorest of nations.

International Finance Corporation (IFC): provides capital and managerial assistance to private business in the less-developed countries.

International Monetary Fund (IMF): an international lending institution that focuses on stabilizing currencies. The United States contributes heavily to the fund and has the greatest number of votes about where to lend money. This is the group trying to resuscitate Asia's troubled economies by pouring in billions so the countries can repay debt (an agency that lends foreign exchange to LDC's and other member nations).

interview: a formal meeting in which someone asks you questions to find out if you are suitable for a job, course of study, etc.

inventory: stock of goods held by a business.

investment: placing of money so that it will increase in value or to purchase real capital (equipment, new tools, industrial buildings) to be used in the production of goods and services.

investment bankers: companies that help other companies raise capital through the sale of new stock and bonds.

issue: to officially produce something such as new stamps, coins, or shares and make them available for people to buy.

J

job discrimination: practice of favoring one group over another in hiring, salary or promotion for reasons that have nothing to do with ability.

L

L: the broadest definition of the U.S. money supply. Includes everything found in the other definitions (see *M1*, *M2* and *M3*) plus U.S. savings bonds, Treasury bills, and other credit instruments.

labor force: consists of all those people 16 years of age or older who are currently employed or are looking for a job.

labor unions: associations of workers formed to promote the interests of their members.

labor: the human effort required to produce goods and services.

laborer: generally refers to unskilled workers, such as freight handlers, sweepers, trash collectors and the like.

Labor-Management Relations Act: also known as the Taft-Hartley Act. The law governs unions' behavior. Among other things, it forbids unions from forcing prospective employees to become union members in order to get hired. It also forbids using dues to run campaigns for national union elections.

laissez faire: French term meaning "let them do"; describes a policy of minimal involvement of government in business.

launch: to start a new activity, especially one that involves some risk.

law of demand: all else being equal, more items will be sold at a lower price than at a higher price.

law of diminishing returns: as variable inputs are applied to the fixed input, output will increase at first. But, if the process is continued, a point will be reached (the point of diminishing returns) at which output per unit of input will begin to decrease.

law of supply: sellers will offer more of a product at a higher price and less at a lower price.

legal monopoly: right to be the sole provider of a good or service, such as public utilities, patents and copyrights.

legal tender: currency accepted in payment of debt.

less-developed countries (LDC's): countries in which per capita real income is much lower than in industrialized nations.

leveraged buyout (LBO): the purchase of a company using borrowed money. Usually the buyer secures the loan with the assets of the company to be purchased.

liability: any claim on, or debt of, a business or individual.

limited liability: advantage of a corporation allowing a stockholder no legal responsibility for its debts beyond the sum he or she has invested in the corporation.

limited partner: an owner in a limited partnership who's liable only up to the amount of money invested.

line of credit: financial institutions offer this to some customers. It allows the customer to borrow up to a certain amount of money without applying for another loan.

liquidity: the ease with which savings or other assets can be converted to cash.

load fund: a mutual fund that charges a commission for the stockbroker or financial planner who's marketing it.

lockout: suspending business and wages to pressure a union to accept management's terms. Management prevents union employees from entering the workplace and doing their jobs.

long-term loans: loans that mature (come due) in more than a year.

loss leader: article which is sold at a loss to attract customers.

M

M1: the narrowest definition of the U.S. money supply: includes currency in circulation, demand deposits, other checkable deposits, and travelers' checks.

M2: a broader definition of the U.S. money supply; includes all of M1 plus savings and time deposits of less than \$100,000, money-market deposit accounts, and shares of money-market mutual funds held by households and small businesses.

M3: broader definition of money; includes all of M2 plus deposits of \$100,000 or more and shares of money-market mutual funds that are used by large institutions and corporations.

macroeconomics: the study of the economy as a whole.

margin: the amount a customer deposits in a special account kept by a stockbroker. The customer uses the money in this margin account, combined with money borrowed from the broker, to purchase stock (called buying on margin).

market: place where buyers and sellers come together. The group of people who can and want to buy a product now or later. As in, is there a market for this \$3,000 bicycle?

market economy: an economic system in which national economic decisions are the result of decisions by individual buyers and sellers in the marketplace.

market price: price at which goods or services and money will actually be exchanged. The price at which supply exactly equals demand.

market segmentation: division of the market or consumers into certain categories according to their buying habits.

market share: a company's or product's portion of the total market for that good.

marketable securities: securities, like government bonds, that can be sold easily. On balance sheets, they are listed as current assets because they're expected to be converted to cash in the near future, usually one year.

marketing: the process of identifying needs and satisfying these needs with suitable goods or services, through product design, distribution and promotion, either as a business or as a non-profit-making organization.

marketing agreement: contract by which one company undertakes to market another company's products.

marketing board: organization set up by the government or by a group of producers to help producers market a certain type of product.

marketing budget: money set aside by an organization for its marketing activities.

marketing communications: all methods of communicating used in marketing, such as television, radio and sales literature.

marketing concept: business idea or philosophy based on the importance of profit, consumer satisfaction and the welfare of the general public.

marketing department: department in a company which specializes in using marketing techniques to sell a product, and which is responsible for taking marketing initiatives such as advertising and public relations.

marketing effort: company's marketing activities.

marketing intelligence: information about a market that can help a marketing effort.

marketing manager: person in charge of a marketing department.

marketing mix: combination of all the elements that make up marketing, such as price and distribution and advertising.

marketing model: overview of the entire marketing process which can be shown graphically, possibly using a computer, and used to solve problems.

marketing opportunity: possibility of going into a market for the first time.

marketing plan: plan, usually annual, for a company's marketing activities, specifying expenditure and expected revenue and profits.

marketing policy: basic attitudes underlying a company's marketing activities.

marketing research: all research carried out in the interests of successful marketing, including market research, media research and product research.

marketing services: marketing functions other than selling, such as market research and advertising.

- marketing strategy:** strategy or planning for marketing activities.
- marketplace:** open space in the middle of a town where a market is held; situation and environment in which goods are sold.
- mass production:** the production of goods and services on a large scale using division of labor and machinery or technology.
- mediation:** method for settling labor disputes in which a third party makes non-binding suggestions (using a neutral third party to settle a dispute by fostering compromise among battling groups). Can be used in labor-management disputes.
- mercantilists:** Some of the first modern economists who believed that nations should behave like merchants competing with one another; they wanted government support to keep the nation's businesses competitive.
- merchandizing:** organizing the display and promotion of goods in retail outlets.
- merger:** combination of previously separate firms into one.
- microeconomics:** the study of the individual parts of the economy, with special attention to the market process and how it works.
- minimum wage laws:** establish the lowest legal wage that an employer can pay.
- mint:** to make coins.
- mixed economy:** economic system that combines elements of public ownership of the means of production with private ownership.
- monetary:** referring to money or currency.
- monetary policy:** use of the Federal Reserve's power to control the supply of money and credit to influence economic activity in the nation as a whole, particularly to control inflation and stimulate economic growth.
- monetary system:** the system used by a country to provide the public with money for internal use and to control the exchange of its own currency with those of foreign countries.

money market deposit accounts: a bank account that pays a variable rate of interest based loosely on market rates. Often used by people who need to keep money readily available, but want to try for a higher return than on regular bank accounts. Added bonus: they're federally insured.

money market funds: mutual funds that use the resources of their investors to buy money-market certificates. Funds that put their money in short-term investments. Considered pretty safe because the funds invest in such things as U.S. government securities and bank certificates of deposit.

money market: market for short-term credit instruments such as Treasury bills.

money: can be anything that is generally accepted in payment for goods and services.

monopolist: seller who controls the supply of a good or a service.

monopolistic competition: a market in which many firms are selling similar (but not identical) products.

monopoly: market in which there is only one seller. What you tried for in the game with the same name: complete domination of a market. When you have a monopoly, you have no competitors for what you're selling.

mortgage: a long-term loan usually used to finance a building.

municipal bond: these bonds are issued by state or local government entities, such as cities and counties. Interest earned is generally tax-free.

mutual funds: corporations that sell stock and use the proceeds to invest or speculate in the securities markets. These funds pool money from many investors, and fund managers invest the money in specific types of securities. Money market funds are a type of mutual fund.

N

NASDAQ (The National Association of Securities Dealers Automated Quotations System): a computerized system

that lists price quotes for many over-the-counter stocks, as well as some other stocks.

National Labor Relations Act: federal law that created the National Labor Relations Board to supervise union elections and that banned certain unfair labor practices by employers. The NLRB can rule on whether labor practices are unfair, although the decisions are appealable to the courts.

nationalization: government takeover of a privately owned industry.

natural resources (land): the things provided by nature that go into the creation of goods and services.

negotiable order of withdrawal (NOW) accounts: interest-bearing accounts on which the depositor is entitled to write checks.

net exports: the difference between total exports and total imports over the course of a year.

net income: the bottom line, after everything is paid up, including taxes. What's left after all expenses are deducted from total revenue. Dividends are paid from net income.

net interest: an item in the federal budget representing the difference between the interest earned by the government on its investments and the interest it must pay on its debts.

net worth: the difference between a firm's assets and its liabilities. Equity. Fair market value of total assets minus total liabilities.

no-load fund: mutual fund that doesn't charge a commission.

nonprice competition: methods other than selling-price changes used by firms to compete with one another.

nonprofit corporations: or simply nonprofits. Organizations that don't exist to make a profit. Usually, the groups are dedicated to charitable or educational efforts; they are, therefore, exempted from income taxes.

note receivable: what you put on the books if you're owed money by someone who has signed a promissory note,

which states you will be paid a certain amount by a certain time.

notes payable: short-term loans owed by the corporation.

not-for-profit corporation: one that has been organized to serve some particular educational, social, charitable or religious purpose rather than to earn a profit.

O

Occupational Safety and Health Administration (OSHA): an arm of the U.S. Department of Labor that attempts to keep people safe in their workplace by setting safety standards and enforcing them. OSHA will inspect for such problems as contaminants in a factory's air.

oligopoly: market dominated by a few large firms. Not quite a monopoly, but getting there. A small group of large suppliers dominate a market, providing similar versions of a product, like cars.

OPEC (Organization of Petroleum Exporting Countries): a cartel of crude-oil producing countries formed to regulate the production and prices of petroleum on international markets.

open (or public) corporation: one whose stock is sold to the public.

Open Market Committee: agency of the Federal Reserve that regulates the nation's money supply.

open shop: a business open equally to union and nonunion workers.

open-end fund: mutual fund that doesn't limit its number of shares.

open-market operations: refer to the purchase and sale of government securities by the Fed's Open Market Committee.

opportunity cost: the amount of goods and services that must be given up in order to obtain other goods and services.

option: the right to buy or sell stock at a given price within a certain period of time. Options are often traded.

output per worker per hour: terms in which productivity is usually measured.

overhead costs: money spent on the day-to-day cost of a business.

over-the-counter market (OTC): brokerage firms around the nation that buy and sell securities of smaller firms not listed on the large exchanges. A virtual marketplace for trading securities. Dealers conduct transactions via computer or telephone, rather than through an auction at a central location, like the New York Stock Exchange.

P

partnership: unincorporated business owned by two or more people who share profits and losses. Owners are personally liable for the partnership's debt.

passbook and statement savings accounts: savings accounts offering ease of withdrawal, safety of principal, and low interest rates.

patent: a monopoly to use a new product or idea exclusively for 17 years.

peer review panels: committees made up of management and labor representatives who listen to worker grievances and rule on them.

penetration pricing: pricing a product low enough to achieve market penetration.

penetration strategy: selling more of a company's products into a market segment, shown as a percentage of the total market, by aggressive pricing and advertising.

per capita real GNP: GNP adjusted for changes in average prices and divided by the population; a figure showing the amount of real goods and services per person produced in the nation in a given year.

perfect competition: a market for uniform products in which there are many buyers and sellers, no one of which is big enough to affect the price, and full knowledge of market conditions.

physiocrats: thinkers in 18th-century France who believed that because natural resources were the source of wealth, it made little sense for government to promote business.

picketing: effort by unions to inform the public of a labor dispute by parading in front of their workplace with signs listing their grievances.

poison pill: companies resort to poison pills when someone is trying to take them over. To discourage the suitor, the takeover prospect takes on a heap of new debt or does something else to make the stock less attractive.

political action: refers to the effort by labor unions to enlist the support of government and politicians for their programs.

popularity appeal: suggestion that simply using the advertised product will make you popular.

preferred stock: stock that receives a specified dividend before any dividends are paid on common stock and that receives a share of the assets of a liquidated corporation ahead of common stockholders. If you own this higher class of stock, you get your dividends before common stockholders. If the company folds, you also get assets before common stockholders do. The one thing you usually don't have is voting rights.

premium: an amount of money paid in addition to the usual amount; **at a premium** – difficult to obtain and more expensive than usual.

price: the money value of a good or service.

price discrimination: practice of selling the same product for less to one company than to another.

price-earnings ratio: one measure of how much faith investors have in a particular stock, it shows how much they're willing to pay for each share of a corporation's earnings. You calculate it by dividing the current price per share by the earnings per share for the last year.

price stability: the absence of inflation or deflation – a period of time in which there is little change in what the dollar can buy.

price system: economic system in which resources are allocated as a result of the interaction of the forces of supply and demand.

price war: a situation in which businesses compete to attract customers by lowering prices.

primary market: market where new issues of securities, like stocks, are sold and the proceeds go to the issuer.

prime rate: interest rate banks charge their most credit-worthy commercial customers for loans. Often given to large corporations.

principal: the amount borrowed.

private property: basic right of the free enterprise system that guarantees the individual's right to own, use, and dispose of things of value.

pro forma income statement: a statement of revenue and expenses that includes some hypothetical values. It shows what could be expected to happen if a corporation decided to go through with a takeover, for example.

producer co-ops: manufacturers and marketers of products on behalf of their members.

product: the good or service one receives in an exchange.

product differentiation: process of creating uniqueness in a product.

product labeling: attaching to a product statements identifying its contents and use.

production-possibilities curve: a curve showing the possible combinations of total output that could be produced if a nation's resources were fully employed.

productive capital: things used to produce goods and services; machines, tools, factories, equipment, etc.

productivity: the output of goods and services as measured per unit of time, or per person, per company, per industry, or for the whole economy. What plummeted nationwide during the President Clinton–Monica Lewinsky controversy. Productivity measures how much work you get done in a given period of time.

profit: the money that remains after the costs of doing business have been paid. Difference between a firm's total rev-

venues and its total costs. Same as income, the difference between revenue and expenses, before taxes.

profit margin: difference between cost and selling price. A good measure of a company's efficiency, this essentially tells you how much the company makes off sales after expenses are paid. Generally, the higher the profit margin, the more efficient the company. Net profit margin is net income divided by net sales. Gross profit margin is gross profit divided by net sales.

profit motive: the desire to benefit from the investment of time and money in a business enterprise.

profit-and-loss statement: summary of a firm's revenue, costs and taxes over a period of time.

profit-sharing plan: if your company's doing well, this is one great perk. The company gives employees bonuses tied to the amount of profit it makes.

progressive tax: one that takes a larger percentage of a higher income and a smaller percentage of a lower income.

promote a new product: to increase sales of a new product by a sales campaign.

promotion: program designed to sell goods or services to the public. All means of conveying the message about a product or service to potential customers (by publicity or sales campaign or TV commercials or free gifts, etc.).

promotional allowance: discount which is offered to a buyer in return for some promotional activity in connection with the product sold.

promotional budget: forecast cost of promoting a new product.

promotional campaign: coordinated activities to increase sales of a new product.

promotional discount: special discount offered as part of the promotion for a product.

promotional mix: combination of all the elements that make up a company's promotion.

proportional tax: one that takes the same percentage of all incomes regardless of size.

promotional tools: material used in promotion, such as display material and sales literature.

prospectus: a statement containing pertinent financial information published when a corporation is about to issue new securities.

protective tariff: tariff levied to protect a domestic industry from foreign competition (see *revenue tariff*).

proxy: a written authorization transferring voting rights to another at a stockholders' meeting.

public utilities: privately owned firms that provide an essential public service and are subject to government regulation.

purchasing power: value of money.

push strategy: attempt by a manufacturer to push the product towards the customer.

put: an option to sell a certain amount of stock at a specific price during a specific time.

Q

qualification: something such as a degree or a diploma that you get when you successfully finish a course of study.

quality circles: small, voluntary groups of employees who meet regularly to identify and solve work problems.

quality control: maintaining acceptable and dependable levels of quality in production.

quotas: restrictions on the number of goods that can enter the country from abroad.

R

raise: collect money for a particular purpose, get a loan from a bank.

rate of exchange: the price at which a particular currency sells in terms of other currencies.

rate of inflation: annual percentage increase in the general level of prices.

rate of return: the amount of interest or dividends stated as a percentage of the principal of an investment.

rational appeals: rely on logic or reason to convince the consumer to buy a product.

raw materials: raw as in unfinished. The stuff finished products are made of.

real GNP: GNP adjusted for changes in the price level; the value of goods and services produced in the nation in a given year.

recession: the bottom of the business cycle; a period of low business activity and high unemployment. A time when business is slow, people lose jobs and sitting presidents worry about their re-election prospects as people tend to blame them for economic woes. Technically speaking, six months or more of a decline in the gross domestic product.

regional exchanges: national securities exchanges (not in New York City). These exchanges are registered with the U.S. Securities and Exchange Commission. Chicago has one.

regressive tax: one that takes a higher percentage of a low income and a lower percentage of a high income.

rent: return paid to those who supply the factor of production known as land.

research and development (R&D): activity directed toward discovering new products and processes.

reserve ratio: the proportion of a bank's deposits that must be kept on reserve at the Federal Reserve bank or in its own vaults.

reserve requirements: set by the Federal Reserve, these rules require member banks to keep a certain amount of cash and other liquid assets on hand or at a nearby Federal Reserve bank. The amount is stated as a percentage of deposits. The rules help the Fed control lending and the nation's money supply.

reserves: fixed portion of bank's deposits that cannot be loaned.

resources: anything used as an input in the creation of goods and services.

retail margin: the difference in price between what retailers pay for a product and what they sell the product at.

retailer: person who runs a retail business, selling goods direct to the public.

retail price: price at which the retailer sells to the final customer.

retained earnings: undistributed profits, often used to finance major projects. What's left of earnings after dividends are paid. These are cumulative; they're additions to capital earned since a company's birth.

return on owners' equity: a measure of profitability. Net income is divided by common stock equity.

revenue tariff: tax on imports designed to raise money for the government (see *protective tariff*).

revolving credit agreement: you have one of these for your charge cards. The lender lets you borrow up to a certain amount again and again; once you pay off part of the loan you can reborrow that part. In other words, once you pay off one shopping spree, you can start on another.

right-to-work laws: state laws guaranteeing individuals the right to hold a job without being required to join a union. Right-to-work laws have been enacted in: Alabama, Arizona, Arkansas, Florida, Georgia, Idaho, Iowa, Kansas, Louisiana, Mississippi, Nebraska, Nevada, North Carolina, North Dakota, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, and Wyoming.

rural community: one in which there are fewer than 2,500 residents and one that is far from any urban community.

S

S corporation: business organization that enjoys the advantages of the corporation without being subject to corporate taxes.

sales tax: a regressive tax added to the price of goods at the time they are sold.

savings institution: financial institution that holds personal savings for safekeeping and pays interest.

scarcity: a limit to the supply of productive resources or consumer goods in relation to producers' or consumers' demand for them.

secondary boycott: when a union puts the squeeze on. It organizes a boycott of companies that do business with the company the union is battling. The idea is to isolate the company fighting with the union, hurting its business by cutting off supplies or buyers.

secondary market: where securities are traded after their initial issuance. Money from trades goes to dealers and sellers, not to the company that originally issued the security. Secondary markets include exchanges, as well as virtual marketplaces – the over-the-counter markets of computer and telephone lines.

secured bonds: bonds backed by collateral or a lien. If the bond issuer defaults, he or she must hand over whatever asset was pledged – such as a house – so the creditor can recoup the loss on the bond.

secured loan: to get one, you have to promise to hand over specific assets if you default.

securities: stocks, bonds and a host of other investments, including certificates of deposit. Investments for consumers; ways of raising cash for the issuer, including corporations and governments.

Securities and Exchange Commission (SEC): Federal agency charged with protecting the public against wrongdoing in the sale of securities.

security exchange: market where brokers meet to buy and sell stocks and bonds.

security: something such as property or other goods used to provide a guarantee for a loan.

selling costs: costs involved in distributing, promoting and selling a product.

selling price: price at which someone is willing to sell.

selling short: gamblers love this technique that lets them bet a stock price will drop. It works this way: you borrow stock from your broker and sell it. If the price drops, you buy the shares you owe the broker and return them, pocketing the difference between what you sold them for and what you bought them back for. You're in trouble if the price rises since you still owe the broker his shares.

seniority: the importance assigned to a worker's length of service when it comes to questions of raises or layoffs, etc.

service industries: businesses which provide services, such as health care, legal advice or appliance repair.

services: intangible items of value, such as the work of physicians, lawyers, actors or mechanics.

share: one of the equal parts of a company that you can buy as a way of investing money.

share capital: value of the assets of a company held as shares less its debts.

shareholder=stockholder: a person who owns shares in a company.

Sherman Antitrust Act: a law passed by Congress in 1890 that prohibits monopolies or any business combination that restrains trade. First U.S. antitrust law. Outlawed price-fixing – when competing companies collude to set similar, high prices.

short-term credit instruments: notes and other items that come due in a year or less.

short-term loans: loans that must be repaid in a year or less.

slogans: words or phrases used in advertising that sound great but mean little or nothing.

small business: a little company with low turnover and few employees.

Small Business Administration (SBA): U.S. agency that nurtures small businesses. Provides low-interest loans.

socialist economy (socialism): economic system in which the principal means of production are owned by the state, and resources are allocated by central planning.

sole proprietorship: a business that is owned by one person.

- specialization:** production of a limited variety of products by a business, region or country.
- specie:** money in the form of coins.
- stability:** being steady or not moving up and down.
- standard of living:** a measure of the amount of goods and services an individual or group considers essential.
- stock:** share in the ownership in a corporation.
- stock insurance companies:** an insurance company owned by stockholders.
- stock market indicators:** indexes of stock-market performance, including the S&P 500 and the Dow Jones Industrial Average. Indicators help investors figure out if their mutual fund or stock is doing as well as the rest of the market.
- stock option:** popular form of employee compensation, most often given to executives. The options allow executives to buy stock for a number of years at or below the share price when the option was granted. This is an added incentive for executives to maximize company profit and increase share prices.
- stock split:** corporations do this to make shares more affordable. They multiply the number of shares, while keeping the aggregate value of stock even. In a 2-for-1 split of shares worth \$50, an investor would have twice as many shares as he had, but each would be worth \$25.
- stockbroker:** person in charge of a client's stock trades. If the stock is traded on an exchange, the broker relays buy and sell orders to representatives on the exchange floor. Full-service brokers give advice on which stocks to buy; discount brokers generally charge less, but usually don't offer advice.
- stockholder=shareholder:** owner of stock in a corporation.
- strike:** work stoppage to pressure management to accept union demands.
- structural unemployment:** unemployment resulting from changes in technology, consumer preference or movement of jobs from one region to another.

subsidy: financial aid.

subsistence level: the level of income necessary to maintain a minimum standard of living; any less will result in hunger and disease.

supply: refers to the number of items that sellers will offer for sale at every price at a particular time and place.

supply schedule: a table showing the quantities of a product that would be offered for sale at various prices at a given time.

surplus: excess of revenues over expenditures.

T

target: thing to aim for.

target market: market in which a company is planning to sell its goods.

tariff: a federal tax or duty on imports or exports. Japan's import tariffs drive U.S. trade negotiators nuts. The tariffs protect Japan's domestic industries by raising foreign producers' expenses – and usually the price of their goods.

tax base: the money, property and people on whom taxes could be levied.

tax incidence: the final effect of a tax; who will really have to pay the tax.

technological revolution: refers to a relatively sudden change resulting from the introduction of new products or processes.

technology: the application of science to commerce and industry.

term loans: loans that are generally several years' long.

testimonials: advertisements in which a famous person claims that he or she uses and enjoys a particular product.

thrift institutions: savings and loan associations, mutual savings banks and credit unions.

trade deficit: what the U.S. has with Japan. Imports exceed exports – or we buy more than we sell. Opposite of *trade surplus*.

trade loans: credit extended by vendors to their customers.

trade surplus: exports exceed imports – or you sell more than you buy. Opposite of *trade deficit*.

trademarks: special designs, names or unique symbols that identify a product, service or company.

trade-off: giving up one thing in order to obtain something else.

traditional economy: an economic system that allocates scarce resources according to custom; change and growth are very slow; people do what their parents did before them; and most goods are produced and consumed locally.

transfer payments: payments that represent a redistribution of wealth, such as Social Security benefits, pensions, welfare, rather than an exchange for goods or services.

travelers' checks: checks sold by certain banks and specialized firms (such as American Express) that are refundable if lost or stolen.

treasurer: someone who is in charge of the money that belongs to an organization.

Treasury (the): a government department responsible for a country's financial matters.

Treasury bills: securities of the federal government issued for terms of less than a year. The purchasers are lending money to the government.

trust: an arrangement whereby a bank provides safekeeping and management of funds for individuals, estates or institutions such as pension funds. The term also refers to a specific form of monopolistic practice, and sometimes to monopoly in general – as in “antitrust law”.

turnover: amount of sales of goods or services by a company in a particular period of time.

U

underground economy: exchanges of goods and services not reported to the government for tax purposes.

underwrite: to assume risk, as in the case of those who underwrite the sale of securities by purchasing an entire issue from the corporation and marketing it on their own.

underwriting: buying an initial stock or bond offering and selling it to the public. Investment bankers are underwriters; they make money by charging more for the stock or bonds than they paid for the securities.

unemployment rate: indicator of economic activity that compares the number of people in the labor force to the number looking for work; percentage of the labor force unable to find jobs.

Uniform Commercial Code (UCC): a comprehensive set of business laws adopted by almost all the states. The idea was to make the rules of commercial transactions – such as the sales of goods – universal.

union shop: allows nonunion workers to be hired on condition that they join the union.

unit cost: the cost of producing an item, determined by dividing total costs by the number produced.

unit price: the price of one item.

United States savings bonds: small-denomination certificates issued by the U.S. government for relatively long terms; purchasers are lending money to the government.

unlimited liability: requirement that the owner or owners assume full responsibility for all losses or debts of a business.

urban community: one in which 50,000 or more people live in a central city and its surrounding suburbs.

urban enterprise zone: area offering special tax incentives to businesses locating within its boundaries.

Utopian socialists: creators of small, ideal communities in which factories were owned by the workers and profits shared by all.

V

value added: the amount added to sales value through production. It's considered good for an economy to produce

lots of value-added goods, which adds jobs, rather than shipping raw materials elsewhere to be processed. Smoked salmon is a value-added product because it's processed and more expensive than regular salmon.

value-added tax (VAT): tax levied on the value added to goods at every stage of production.

variable costs: costs that increase as the number of units produced increases.

variable expense: expenses that increase or decrease with the volume of business.

variable-rate loan: a loan with an interest rate that changes, tracking market conditions.

velocity: the number of times that the money supply is spent in a year; the speed at which money circulates.

venture capital: money available for high-risk investments.

vertical integration = vertical merger

vertical merger: combination of companies involved in different steps of the same production process; also called vertical integration.

W

wages: the price paid for the use of labor. (To the economist, the term refers to the nation's wealth paid to labor, as distinct from other forms of income – rent, interest, and profit.)

wampum: a form of money used by Native Americans.

wealth: the total value of one's tangible assets.

World Bank: officially, the International Bank for Reconstruction and Development, the bank is an international agency that makes loans to less-developed countries as a way of stimulating economic growth. (This international bank focuses its lending on helping developing countries develop.)

Y

yellow-dog contract: agreement signed by workers in which they promise not to join a union. Outlawed by the Norris – LaGuardia Act.

yield: actual amount of interest earned; depends on the rate of return and the frequency of compounding.

СПИСОК ИСПОЛЬЗОВАННОЙ ЛИТЕРАТУРЫ

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