

МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
КИЇВСЬКИЙ НАЦІОНАЛЬНИЙ ЕКОНОМІЧНИЙ УНІВЕРСИТЕТ
імені ВАДИМА ГЕТЬМАНА

ENGLISH FOR STUDENTS IN FINANCE

**АНГЛІЙСЬКА МОВА ДЛЯ СТУДЕНТІВ
ФІНАНСОВИХ СПЕЦІАЛЬНОСТЕЙ**

Навчальний посібник

У 2 частинах

Частина II

За загальною редакцією Е. І. Щукіної

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Навчальний посібник ґрунтується на принципах сучасної методики та передових методів викладання іноземної мови професійного спілкування (ESP). Авторами посібника враховані загально-європейські рекомендації з мовної освіти щодо рівнів володіння мовою, компетенцій тих, хто навчається, та можливих контекстів користування мовою. Посібник спрямований на розвиток та вдосконалення у студентів професійно орієнтованих комунікативних мовленнєвих компетенцій для забезпечення ефективного спілкування в академічному та професійному середовищі.

Навчальний посібник призначений для студентів другого курсу фінансових спеціальностей, а також може становити значний інтерес для широкого кола осіб, які самостійно вивчають професійну англійську мову і прагнуть її опанувати.

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Передмова

Даний навчальний посібник є другою частиною посібника “English for Students in Finance” та призначений для студентів другого курсу фінансових спеціальностей.

Мета посібника – сформувати у студентів професійно орієнтовані комунікативні мовленнєві компетенції для забезпечення їхнього ефективного спілкування в академічному та професійному середовищі, вдосконалити уміння та навички перекладу автентичних текстів та роботи з літературою за фахом.

Посібник є модульним за своєю організацією і складається зі вступу, 6 тематичних розділів (Units) та додатків. До вивчення пропонуються шість тем професійного спрямування: «Попит і пропозиція» (Demand and supply); «Ринкові структури» (Market structures); «Гроші та фінансові установи» (Money and Financial institutions); «Податки» (Taxes); «Податкове планування та комплаєнс (Tax planning and compliance); «Форми організації бізнесу» (Forms of business organisation).

Тексти, що увійшли до складу посібника, дібрані з оригінальних фахових наукових праць за відповідною тематикою та несуть у собі нову важливу інформацію, необхідну сучасному економісту.

Кожен розділ містить:

- перелік компетенцій, яких набуває студент після опанування теми;
- дотекстові комунікативні вправи, стимулюючі зацікавленість студентів темою (Lead-in);
- тексти, яким передуює список вживаних ключових термінів, їх визначення англійською мовою, український переклад та вправи на закріплення;
- вправи на засвоєння лексичного матеріалу з тематики;
- вправи на розвиток читання: переглядового, пошукового та вивчаючого;
- вправи для розвитку навичок усного мовлення з тематики;
- завдання для самоконтролю.

Додатки містять опис графіків та таблиць (describing graphs and tables); перелік латинських слів та скорочень (Latin words and abbreviations); глосарій економічних термінів (Glossary of economic terms).

Автори посібника висловлюють подяку професору Т.І. Петровій, доцентам Ю.М. Друзю, М.М. Гавришу, Г.Е. Борецькій за позитивну оцінку даного навчального посібника.



UNIT ONE

THE INTERACTION OF DEMAND AND SUPPLY. MARKET PRICE

Section I Text A. What is Demand?

Section II Text B. What is Supply?

Section III Text C. Market Price

Useful English Giving examples/ Generalising / Highlighting

*Markets exist when buyers and sellers interact,
and market prices are set by the interaction of demand and supply.*

LEARNING OBJECTIVES

In this unit you will practise the following skills and strategies:

- applying reading skills to comprehend, analyze, summarize and interpret texts related to demand, supply and market price;
- identifying the main idea; read for details, deal with unknown vocabulary;
- expressing general and personal opinion; agreement and disagreement;
- evaluating information; draw conclusions; formulate questions;
- tracking cause and effect; sequence of events;

- talking about demand and supply, price, price system, price mechanism and pricing: give spontaneous and prepared monologues, dialogues, and group interaction using topical vocabulary;
- summarizing, rendering and translating texts related to the issues covered in the unit.

SECTION I

What Is Demand?

LEAD-IN

1. Think about the items you bought during the past two months.

- What influenced your purchases?
- Did you need the items, or did you buy them because you wanted them?

2. Make a list of the items, and next to each one write why you bought it. Then add for each item whether you would have bought more if the price had been lower, or fewer had the price been higher.

KEY TERMS

I. Before reading texts A and B study the key terms and their definitions. While reading the texts, you should pay attention to the economic and business terms. They will become the basics of your professional vocabulary.

1. Demand – *nonum* — combination of desire, ability, and willingness to buy a product. **Demand schedule** – *шкала nonumy* — a table that lists how much of a product consumers will buy at all possible prices.

2. Quantity demanded — *величина nonumy* — amount of goods or services that are demanded at any given point in time; point on the demand curve.

3. **Demand curve** — *крива попиту* — a curve that shows the quantities demanded at all possible prices.

4. **Law of Demand** — *закон попиту* — rule stating that consumers will buy more of a product at lower prices and less at higher prices.

5. **Change in quantity demanded** — *зміна величини попиту* — movement along the demand curve showing that the amount someone is willing to purchase changes when the price changes.

6. **Change in demand** — *зміна попиту* — shift of the demand curve when people buy different amounts at every price.

7. **Substitutes** — *товари-замінники* — competing products that can be used in place of one another.

8. **Complements** — *товари-доповнювачі* — products that increase the use of other products.

9. **Elasticity** — *еластичність* — a measure of responsiveness that tells us how a dependent variable such as quantity responds to a change in an independent variable such as price.

10. **Demand elasticity** — *еластичність попиту* — a measure that shows how a change in quantity demanded responds to a change in price.

11. **Elastic** — *еластичний* — type of elasticity where the percentage change in the independent variable (usually price) causes a more than proportionate change in the dependent variable (usually quantity demanded or supplied)

12. **Inelastic** — *нееластичний* — type of elasticity where the percentage change in the independent variable (usually price) causes a less than proportionate change in the dependent variable (usually quantity demanded or supplied)

13. **Unit elastic** — *одинична еластичність* — type of elasticity where a change in price causes a proportional change in quantity demanded.

14. **The business cycle** — *цикл ділової активності* — is the fluctuations of economic expansion and contraction that occur over time. It's also called the boom and bust cycle.

15. **A recession** — *рецесія* — is when the economy declines significantly for at least six months. That means there's a drop in the following five economic indicators: real GDP, income, employment, manufacturing, and retail sales.

16. **Inflation** — *інфляція* — is the rising price of goods and services over time. **Economic growth** — *економічне зростання* — is how much more the economy produces than it did before.

17. **Aggregate demand** — *сукупний попит* — the total expenditures on gross domestic product.

II. Match the terms with their definitions.

Term	Definition
1. The Law of Demand	a. a concept specifying the different quantities of an item that will be bought at different prices.
2. Demand curve	b. shows the quantities demanded by everyone who is interested in purchasing the product.
3. Demand	c. states that the quantity demanded varies inversely with its price.
4. Demand schedule	d. a graph showing the quantity demanded at each and every price that might prevail in the market.
5. Complements	e. a rise in the general prices of goods and services in a particular country over of period of time, resulting in a fall in the value of money.
6. Inelastic	f. a difficult period in the economy of a country or group of countries, when there is less trade and industrial activity than usual and more people are unemployed.
7. Elasticity	g. products that can be used in place of other products.
8. Elastic	h. related products that increase the use of the other.
9. Substitutes	i. a measure of responsiveness that shows how one variable responds to a change in another variable.
10. Inflation	j. type of elasticity where a change in price causes a relatively larger change in quantity demanded
11. Recession	k. type of elasticity where a change in price causes a relatively smaller change in quantity demanded.
12. Quantity demanded	l. a change that appears when the price of a product changes while all other factors remain the same.
13. Change in quantity demanded	m. a change that appears when some other factors change while the price remains the same.
14. Change in demand	n. the extent to which a change in price causes a change in the quantity demanded.
15. Demand elasticity	o. amount of goods or services that are demanded at any given point in time; point on the demand curve.

PRONUNCIATION GUIDE

determinant [dɪ'tɜːmɪnənt]

complementary[.kəmplɪ'ment(ə)rɪ]

substitute ['sʌbstɪtju:t]

schedule ['ʃedʒu:l]; ['skedʒu:l]

percent [pə'sent]

intuitively [in'tju:ɪtɪvli]

inversely ['ɪn'vɜ:sli]

ratio ['reɪʃiəu]

conversely ['kɒnvɜ:sli]

ceteris paribus [ˌketəris'pæribəs],

[₁setəris'pɑ:ribəs]₂

III. Read text A and be ready to answer the following questions.

1. What is the relationship between elasticity and revenues?
2. What are the determinants of demand elasticity?
3. What is demand elasticity?
4. How can we determine elasticity?
5. How do we determine total expenditures? Why is it very important?



Text A

What Is Demand?

Demand and supply determine the price of any good or service. To understand how the price level is determined and why the price rises or falls, it is necessary to know how demand and supply function. We begin by considering demand alone, then supply, and then we put the two together. Before we begin, we discuss some economic terminology that is often confusing.

When we talk about ‘demand’ for a product, we mean more than the desire to simply have or to own the item. In order for demand to

be counted in the market place, desire must be coupled with the ability and willingness to pay for it. Demand in economics is how many goods and services are bought at various prices during a certain period of time. Demand is the consumer's need or desire to own the product or experience the service. It's constrained by the willingness and ability of the consumer to pay for the good or service at the price offered.

Demand can change because of changes in the determinants of demand. There are five determinants of demand.

- **The price of the good or service** itself is the most important.

- **Prices of related goods or services. These are either complementary (purchased along with) or substitutes (purchased instead of).** Examples of complementary goods include: mobile phones and recharge cards, cars and petrol, printers and ink cartridges, boots and laces, computer hardware and computer software. Examples of substitute goods are Coke and Pepsi, McDonald's and Burger King Hamburgers, or Blend-a-med and Colgate toothpastes.

- **Income of buyers.** When income rises, so will the quantity demanded. When income falls, so will demand.

- **Tastes or preferences of consumers.** When tastes rise, so does the quantity demanded. Likewise, when tastes fall, it will depress the amount demanded.

- **Expectations. These are usually about whether the price will go up.** When people expect that the value of something will rise, then they demand more of it.

The number of buyers in the market is the sixth determinant. It affects overall, or aggregate demand. As more buyers enter the market rises, so does the quantity demanded — even if prices don't change. Aggregate demand is the overall demand for all goods and services in an entire economy. It's a macroeconomic term that describes the relationship between everything bought within a country and prices. You can understand how each determinant affects demand if you first assume that all of the other determinants don't change. That's the principle known as *ceteris paribus*¹ — all other things being equal. So, *ceteris paribus* here's how each element affects demand.

Demand refers to how much of a product or service is desired by buyers. The quantity demanded is the amount of a product that people are willing to buy at a certain price. The relationship between the quantity demanded and the price is governed by the law of demand.

¹ *Ceteris paribus* is a Latin phrase that means "all other things being equal." It's used to explain the theory behind laws of economics and nature. It means that most of the time, something will occur as a result of something else. That is, of course, if nothing else changes. The concept and phrase of *ceteris paribus* are used extensively in economics.

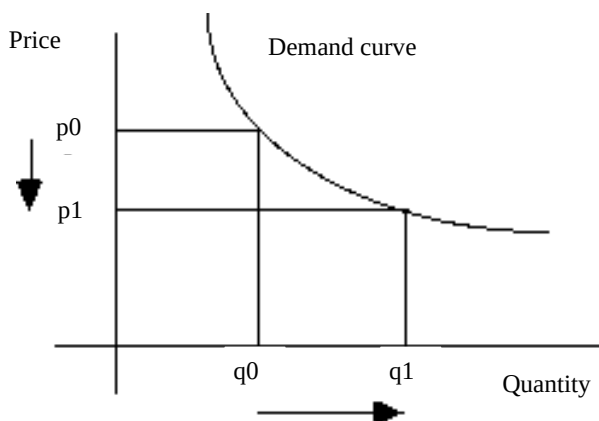
This economic principle describes something you already intuitively know — if the price goes up, people buy less. The reverse is, of course, true — if the price drops, people buy more. However, price is not the only determining factor. Therefore, the law of demand is only true if all other determinants don't change. The law of demand formally states that, *ceteris paribus*, the quantity demanded for a good or service is **inversely** related to the price. Retailers use the law of demand every time they offer a sale. In the short-term, all other things are equal. That's why sales are usually very successful in driving demand. Shoppers respond immediately to the advertised price drop.

It works especially well during massive holiday sales, such as Black Friday and Cyber Monday².

The demand schedule is a table or formula that tells you how many units of a good or service will be demanded at the various prices, *ceteris paribus*.

If you were to plot out how many units you would buy at different prices, then you've created a demand curve. It graphically portrays the data in a demand schedule. When the demand curve is relatively flat, then people will buy a lot more even if the price changes just a little. When the demand curve is fairly steep, then the quantity demanded doesn't change much, even though the price does.

The demand curve graphically shows how many units of a good or service will be bought at each price. It plots the relationship between quantity and price that's been calculated on the demand schedule. As you can see in the chart, the price is on the vertical (y) axis and the quantity is on the horizontal (x) axis.

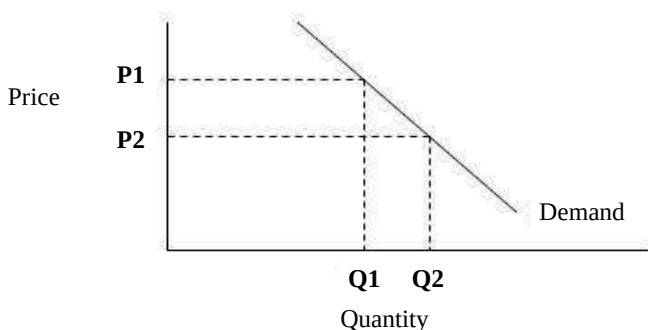


² Cyber Monday is November 28, 2016, the first Monday after Thanksgiving.

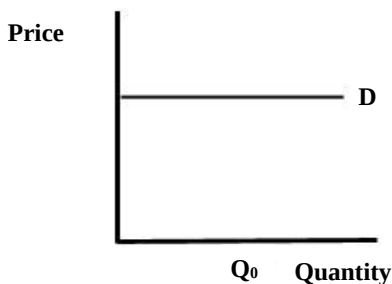
This chart plots the conventional relationship between price and quantity. The lower the price, the higher the quantity. As the price decreases from p_0 to p_1 , the quantity increases from q_0 to q_1 .

Demand elasticity means how much more, or less, demand changes when the price does. It's specifically measured as a ratio – the percent change of the quantity demanded divided by the percent change in price. There are three levels of demand elasticity:

1. Unit elastic is when demand changes the exact same percent as the price does.

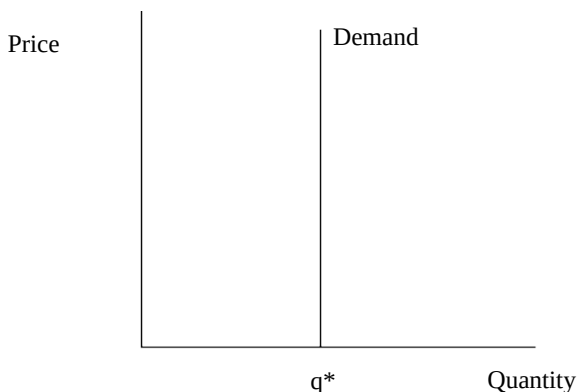


2. Elastic is when demand changes by a greater percent than the price does. For example, clothing has elastic demand. True, people have to wear clothes, but there are many choices of what kind of clothing, and how much to spend. Stores offered sales, and as a result clothing prices dropped to maintain demand. Small stores that couldn't offer huge discounts went out of business.



3. Inelastic is when demand changes a smaller percent than the price does. There is no example in real life of something with perfectly inelastic demand. But there are some products that come close. For example, gasoline is something that drivers need a certain amount of

each week. Gas prices can change every day. If there is a shortage, the prices will skyrocket. People will still buy gas, because they can't change their driving habits very quickly.



Demand is the underlying force that drives everything in the economy. Fortunately for economics, people are never satisfied. They always want more. This drives economic growth and expansion. Without demand, no business would ever bother producing anything. All businesses try to understand or guide consumer demand, so they can be the first or the cheapest in delivering the right products and services. If something is in high demand, businesses make more revenue. If they can't make more fast enough, the price goes up. If the price increase is sustained over time, then you have inflation. Conversely, if demand drops, then businesses will first lower the price, hoping to shift demand from their competitors and take more market share. If demand isn't restored, they will innovate and create a better product. If demand still doesn't rebound, then companies will produce less and lay off workers. This contraction phase of the business cycle can end in a recession.

WORDS AND PHRASES TO BE REMEMBERED

to constrain — стримувати, ставати на заваді, перешкоджати (руху)

to assume — припускати, допускати

recharge card — карта поповнення

likewise — аналогічно

to depress — знижувати, зменшувати (ціну)

to govern — правити, управляти, регулювати

inversely — обернено пропорційно
to plot out — запланувати, намічати; визначати (*в данному випадку*)
data — дані, факти; інформація
flat — пологий
steep — крутий
ratio — співвідношення; коефіцієнт
shortage — недостача, брак; дефіцит
underlying — щолежить в основі, основний
expansion — ріст, зростання, розвиток, поширення, розширення
revenue — дохід, надходження
conversely — протилежно, навпаки
to shift — переміщати; пересувати
to restore — відновлювати
to rebound — поправитися, відновитися
to lay off — звільняти робітників (*звич. тимчасово*)

VOCABULARY PRACTICE

I. Find in the text the English equivalents for the following word combinations. Величина попиту; зміщуватися вправо; де-термінанти (визначники) попиту; за певний період часу; бажання і готовність заплатити за щось; за різними цінами; споріднені товари; сукупний попит; в межах країни; впливати на попит; керуватися законом попиту; роздрібні торгівці; відображати дані; досить крутий; визначати; горизонтальна вісь; звичайний зв'язок; нестача; тимчасово звільнювати робітників; надходження; протилежно; економічне зростання; аналогічно; економічний закон (2); зменшувати ціну.

II. Give the Ukrainian equivalents for the following word combinations.

To put the two together; the consumer's need or desire; substitutes; to depress the amount demanded; relationship; to assume; inversely; to be measured as a ratio; contraction phase; to guide consumer demand; underlying force; to constrain; tastes or preferences of consumers; price level; must be coupled; during a certain period of time; re-charge card; gasoline; to innovate; market share; to be sustained over time; all other things being equal; to come close.

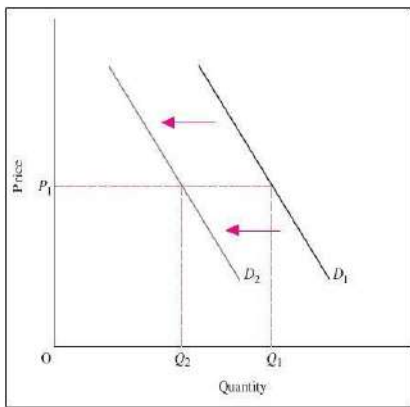
III. The italicized words in the sentences below are found in this unit. Study the sentences. Then identify the part of the speech and write your own definition for the words on the line provided.

EXAMPLE: He *acquired* his wealth in the steel industry.
acquired(V) GAIN POSSESSION OF

1. Warm weather has *depressed* sales of winter clothing.
depress(_____)_____
2. They are *shifting* 70% of their production to China.
shift (_____)_____
3. Higher *prices* are associated with smaller amounts demanded.
price (_____)_____
4. There was little *expansion* in business investment last year.
expansion(_____)_____
5. There are serious labor *shortages* in some sectors.
shortage (_____)_____
6. The reason we buy something in the first place is because we feel that the *product* is useful and will give satisfaction.
product (_____)_____
7. This modest rise in sales will not be enough to *restore* the industry to financial health.
restore(_____)_____
8. The *aggregate* cost of the equipment was about \$1million.
aggregate(_____)_____
9. They reported a three percent increase in advertising *revenue* for the first half of the year.
revenue(_____)_____
10. Despite some problems, there has been an *overall* improvement.
overall (_____)_____

IV. Fill in the missing words and word combinations in the text below. Choose from the box.

Shift in Demand Curve: When Price Doesn't Matter



Substitutes, income, shifts, related goods, at every price, tastes or preferences, aggregate demand, a determinant of demand, recession, expectations.

A shift in the demand curve is when _____ *other than price* changes. Here are these other four determinants.

1. _____ of the buyers.
2. _____ of consumers.
3. _____ of future price, supply, needs, etc.
4. The price of _____. These can be _____, such as beef vs.³ chicken.
5. There is a fifth determinant that applies to _____ only. That is the number of potential buyers.
6. The curve shifts to the left if the determinant causes demand to drop. That means less of the good or service is demanded _____. For example, when the economy is booming, buyers' incomes will rise. That means they'll buy more of everything, even though the price hasn't changed.
7. The curve _____ to the right if the determinant causes demand to increase. That means that more of the good or service is demanded at every price. Using that same illustration, when the economy is in a _____, buyers' income drops. They will buy less of everything, even though the price is the same.

V. Complete the examples with the words the right and the left.

Income of the buyers: If you get a raise, you're more likely to buy more of both steak and chicken, even if their prices don't change. That shifts the demand curves for both to _____.

³ vs. – проти, відносно.

Tastes or preferences of consumers: During the mad cow disease⁴ scare, consumers preferred chicken over beef. Even though the price of beef hadn't changed, the quantity demanded was lower at every price. That shifted the demand curve to_____.

Expectations of future price: When people expect prices to rise in the future, they are more likely to buy more of a good now, even if the price hasn't even changed. In other words, they want to stock up now before prices rise. That shifts the demand curve to_____.

The price of related goods: If the price of beef rises, you're more likely to buy more chicken, even if its price doesn't change. That's how an increase in the price of a substitute (beef) shifts the demand curve to_____for chicken.

The number of potential buyers (affects aggregate demand only): When there's a flood of newly eligible consumers in a market, they will naturally buy more product at the same price, shifting the demand curve to_____.

VI. Discuss the Summary Chart and give your own examples.

Determinant	Action	Effect on Demand of Good	Curve Shifts to
Income of Buyers	Rises	Rises	Right
	Falls	Falls	Left
Consumer Trends	Hot ⁵	Rises	Right
	Not hot	Falls	Left
Buyers' Expectations of Future Price	Expect inflation	Rises	Right
	Expect deflation	Falls	Left
Substitute	Price rises	Rises	Right
	Price falls	Falls	Left
Complementary	Price rises	Falls	Left
	Price falls	Rises	Right

⁴ “коров’ячий сказ”

⁵ посилювати; оживляти.

VII. Write one word in each gap to complete the sentences. Translate the sentences into Ukrainian.

1. The _____ of demand states that, all other things being equal, the _____ bought is a function of price. As long as nothing else changes, people will buy _____ of something when its price rises. They'll buy more when its price _____.

2. The demand schedule tells you the exact quantity that will _____ at any given price.

3. The demand curve plots those numbers on a chart. The quantity is on the _____ or x-axis, and the price is on the vertical or _____.

4. If the _____ bought changes a lot when the price does, then it's called _____.

5. If the quantity doesn't change much when the price does, that's called _____.

6. This _____ holds true as long as "all other things remain equal." That part is so important that economists use a Latin term to describe it — _____.

7. For _____, the number of buyers in the market is also a determinant.

8. If the other _____ change, then consumers will buy more or less of the product even though the price remains the same. That's called a _____ in the demand curve.

9. The demand curve graphically shows how many _____ of a good or service will be bought at _____. It plots the relationship between quantity and price that's been calculated on the _____.

10. _____ is a change in price that causes a proportional change in the quantity demanded.

VIII. A. Mind the difference.

Іменник **amount** в значенні *сума, кількість чого-небудь* вживається, в основному, з незлічуваними іменниками, **e.g.** *amount of work / information / coffee / money*. Зі злічуваними іменниками він вживається, тільки коли йдеться про велику загальну суму предметів, що утворюють ціле, **e.g.** *the total amount of goods produced, a maximum / minimum amount of goods, a large amount of potatoes*.

Іменник **number** в значенні *номер* служить для розрізнення та підрахунку предметів, **e.g.** *the cheque number, the banknote number*. У значенні *кількість, число* **number** вживається зі злічуваними іменниками, **e.g.** *I do not know what the number of pages in this book is*.

A number of означає *ряд, декілька*, **e.g.** *a number of goods / producers*. Після такого словосполучення дієслово стоїть у множині: *A number of tests were made by the consumer society last month*.

Іменник **quantity** вживається як зі злічуваними, так із незлічуваними іменниками, **e.g.** *a small quantity of gas, a large quantity of goods*. На відміну від **number** іменник **quantity** означає вагу і об'єм, а не чисельну кількість. Він не вживається з такими іменниками, кількість яких не може бути виражена у вазі або об'ємі, наприклад: *consumer, factory*.

B. Give English equivalents to the Ukrainian words in the parentheses.

1. Last year there was an increase in the (*кількості*) of gas produced.
2. (*Число*) of sellers in the market has decreased.
3. Almost the same (*кількість*) of coffee was exported last year as the previous year.
4. When there is a shortage, sellers can charge (*призначати*) the maximum (*суму*) for their goods.
5. They supply the same (*кількість*) of the commodity to this customer every week.
6. The (*сума*) he puts in the bank every month is the same.
7. (*Число*) of their customers has increased this month.
8. It is cheaper to buy goods in large (*кількостях*).
9. This big store has (*ряд*) suppliers.
10. The economist calculated the total (*суму*) of the expenditures.
11. There is a shortage of the (*кількості*) demanded of the goods.
12. Write down the banknote (*номера*) you paid him for his services.

COMPREHENSION CHECK

Now read the text again and answer the following questions. Compare your answers with another student and discuss any differences. Make sure you can refer to a particular phrase or sentence from the text for each answer.

1. Why is it necessary to know how demand and supply function and put the two together?
2. What is demand?
3. What is the consumer's need or desire to own the product or experience the service constrained by?
4. What are the determinants of demand?
5. What goods are called substitutes?
6. What are complementary goods?
7. How can the sixth determinant affect overall, or aggregate demand? Give the definition of aggregate demand as a macroeconomic term.
8. Why does the principle known as *ceteris paribus* help us understand how each determinant alters consumer demand?
9. What is the essence of the principle known as *ceteris paribus*?
10. What factors alter consumer demand?
11. What does the law of demand state?
12. What does a demand schedule show?
13. What is a demand curve? What does a demand curve represent?
14. What is the difference between demand and quantity demanded?
15. What is elasticity as an economic concept?
16. What is the unit elastic?
17. What demand is considered as elastic?
18. When is demand said to be inelastic?
19. The law of demand states that the demand for a product varies inversely with its price, all other factors remaining equal. Explain what other factors are meant.
20. What can cause a change in quantity demanded?
21. When does the quantity demanded decrease?
22. Why is knowledge of demand elasticity extremely important to most businesses?

TRANSLATION PRACTICE

Translate into English.

1. Попит означає бажання мати певний економічний продукт, готовність та спроможність заплатити за нього ринкову ціну.

2. Відповідно до закону попиту люди купують менше товару протягом даного періоду часу за вищими цінами ніж за нижчими і, навпаки, вони купують більше товару за низькими цінами ніж за високими.

3. Крива попиту — це графічне зображення як шкали попиту, так і закону попиту.

4. Величина попиту — це кількість, за яку покупці готові та здатні заплатити.

5. Зміни у попиті трапляються також у випадках, коли відбуваються зміни у факторах інших, ніж ціна товару.

6. Попит називається еластичним, якщо невелика зміна ціни має відносно великий вплив на величину попиту.

7. Підвищення ціни на не вкрай необхідні товари стримує споживачів від їх покупки за поточною ціною.

8. Попит на товари першої необхідності завжди нееластичний, тому що незважаючи на збільшення або зменшення ціни, споживачі купують цей виріб або через відсутність замінників, або їх погану якість.

9. Якщо кількість споживачів на ринку збільшиться, попит на наявну продукцію зросте.

10. Якщо величина попиту перевищить величину пропозиції, ціна підніметься.

11. Попит на економічний продукт змінюється обернено пропорційно відносно ціни.

12. На деякі економічні продукти попит нееластичний.

13. Якщо ціни високі, величина попиту буде низькою.

14. Закон попиту виражає взаємозалежність між попитом на товар та його ціною.

15. Нееластичний попит викликає невелику зміну у величині попиту.

16. На попит впливають не тільки ціни, але багато інших факторів.

17. Якщо зміна ціни призводить до відносно невеликої зміни величини попиту, товар має нееластичний попит.

18. Зміна попиту — це зміна у кількості товару, яку покупці готові та можуть купити.

READING STRATEGIES

I. Read the text below.

A. Define the main idea of each paragraph.

What Makes Demand Elastic or Inelastic?

When we question why some items are subject to elastic demand and others are not, we are really asking why price changes affect the purchase of some things more than of others. *If one of the following four conditions is present, the demand for a good or service will usually be sensitive to price changes.*

1. The item is considered a luxury. Luxuries are goods or services that consumers regard as something they can live without. Consumers are less likely to buy a luxury if the price is high. They will, however, consider buying one if the price drops enough. An item considered a luxury need not be costly in dollars. For example, a person with a modest income might consider fresh flowers, a steak dinner, and a taxi ride as luxuries. Also, what are considered luxuries by one person (for example, plane tickets, meals in restaurants, and expensive clothes) may be normal or even necessary expenses for someone else. If a product or service is considered a luxury by a large number of consumers, it will be subject to elastic demand.

2. The price represents a large portion of the family income. Buying an automobile or a home would represent a significant portion of most families' incomes. Therefore, a rise in the price of such items will discourage many consumers from buying them. Because of the greater utility of many costly items, however, a decrease in their price will cause a significant increase in sales.

3. Other products can easily be substituted for it. Because there are many less expensive substitutes for steak, many people will shift to chicken or some other meat if the price of steak goes up. Similarly, if the price of steel rises, manufacturers and builders will substitute other materials, such as aluminum or concrete. At present, though, there are no competitive substitutes for gasoline as a fuel for automobiles. Therefore, the demand for this fuel is inelastic. Our society is trying to develop alternative energy sources that pollute less and can be produced at competitive prices. Such products include natural gas, solar-powered cells, and battery-powered electric motors.

4. The items are durable. Furniture, appliances, and automobiles are relatively long-lasting. Since they are often major household items, many consumers purchase new ones if the prices are low enough. If prices remain high, however, people tend to "make do" with the old ones rather than replace them.

B. Mark these statements T (true) or F (false) according to the information in the text. Find the part of the text that gives the correct information.

1. Luxury is an inessential, desirable item which is expensive or difficult to obtain.

2. A person with low income might consider fresh flowers, a steak dinner, and a taxi ride as luxuries.

3. If a product or service is considered a luxury by a large number of consumers, it will be subject to inelastic demand.

4. Because of the greater utility of many costly items, however, an increase in their price will cause a significant decrease in sales.

5. If the price of steel rises, manufacturers and builders will continue buying this material of high quality.

6. The demand for the fuel is always elastic.

7. Many consumers purchase appliances and automobiles if the prices are reasonable enough.

II. Read the text about types of demand and make up a mind map with your own examples. Discuss it.

Types of Demand

There are mainly 8 types of demands in Marketing which have to be taken into consideration by the marketing manager during demand forecasting.

Negative demand — Negative demand is a type of demand which is created if the product is disliked in general. The product might be beneficial but the customer does not want it. For example — Dental work where people don't want problems with their teeth and use preventive measures to avoid the same. Insurance, which people should have but they delay buying an insurance policy. The marketer has to solve the issue of no demand by analyzing why the market dislikes the product and then counter acting with the right marketing tactics.

Unwholesome demand* — Unwholesome demand is the other side of Negative demand. In negative type of demands, customer does not want the product even though product might be necessary for the customer. But in unwholesome demand, the customer should not desire the product, yet the customer wants the product badly. Best examples of unwholesome demand are cigarettes, alcohol, pirated movies, guns etc.

No demands — Certain products face the challenge of no demand. The best example for the same can be education courses where there

is very low demand or no demand at all. Such cases are very hard to counter.

Latent demand — Latent demand is, as the name suggests, a demand which the customer realizes later. Thus, while buying the product, he might not desire some features. But later on, he might think about those features and buy the product. The best example of latent demand is normal phones vs smart phones. People nowadays want more and more features in the smartphone. They might settle for a normal phone, but then later on they get the itch⁶ to buy a smart phone. A marketing manager's job is to find out the features which people might be looking for later and market them to the customer in such a manner that he immediately wants them.

Declining demand — Declining demand is when demand for a product is declining. For example, when CD players were introduced and IPOD came in the market, the demand for Walkman went down. Although there was still a demand for the product, the demand was a declining demand. A marketer's job, in such a case, is to think ways to revive the product so that the demand is not declining.

Irregular demand — Irregular demand can be demand which is not consistent. The best example of irregular demand is seasonal products like umbrellas, air conditioners or resorts. These products sell irregularly and sell more during peak season whereas their demand is very low during non-seasons. The best way to counter irregular demand is to introduce incentives for the customer to buy the product.

Full demand — In an ideal environment, a company should always have full demand. Full demand means that the demand is meeting the supply potential of the company. It also means that the markets are happy with the products of the company and that people want to buy from the same company. The marketing challenge in this type of demand is to maintain the same level of interest in the product and the company.

Overfull demands — Overfull demands happen when the companies manufacturing capacity is limited but the demand is more than the supply. This can be observed in the cement industry occasionally. Generally, most cement industries have limited manufacturing capacity. And hence, brand switching in cement industry is high. Many companies use demarketing techniques to counter act overfull demands. This is because if the company keeps marketing, but it is not

⁶ *unwholesome demand — ірраціональний попит

**itch — сильне бажання

able to supply the material, then the company might suffer badly in brand equity.

Above are the 8 types of demand which a marketing manager has to forecast and manage at all times. Each type of demand has its own challenges and the marketing manager needs to be quick on his feet to manage all the different type of demands.

SPEAKING STRATEGIES

Activity 1.

Ask questions to which the following sentences may be answers.

1. When the price of a product changes while all other factors remain the same, we have a change in the quantity demanded. Sometimes other factors change while the price remains the same — when this happens, we see a change in demand.
2. When the price goes down, the quantity demanded increases.
3. The entire demand curve shifts — to the right to show an increase in demand, or to the left to show a decrease in demand.
4. This response is known as demand elasticity — the extent to which a change in price causes a change in the quantity demanded.
5. To estimate elasticity, it is useful to look at the impact of a price change on total expenditures, or the amount that consumers spend on a product at a particular price.
6. If the changes in price and expenditures move in opposite directions, demand is elastic.

Activity 2.

Say what you have learnt about:

- demand
- determinants of demand
- demand schedule
- demand curve
- the law of demand
- changes in quantity demanded
- substitutes and complements
- demand elasticity

Activity 3.

Role-play.

A market economy is one that relies upon buyers and producers to determine production, consumption, investment and savings. Working in groups of three or four, complete the tasks below and share your ideas with other students.

A. Think of three examples of new products that have come on the market in your country because of consumer demand. As these products have been on the market, have they become more expensive or less expensive? Define what affects the demand for goods and services in a market economy.

B. Think of three products or services that have gone off the market or become difficult to obtain in your country because of declining demand. Define what affects the demand for goods and services in a market economy.

KEY TERMS

I. Before reading text B study the key terms and their definitions. While reading the text, you should pay attention to the economic and business terms. They will become the basics of your professional vocabulary.

1. **Supply** — *пропозиція* — amount of a product offered for sale at all possible prices.

2. **Law of Supply** — *закон пропозиції* — states that more will be offered for sale at higher prices than at lower prices.

3. **Supply schedule** — *шкала пропозиції* — a table showing how much a producer will supply at all possible prices.

4. **Supply curve** — *крива пропозиції* — a graph that shows the different amounts of a product supplied over a range of possible prices.

5. **Quantity supplied** — *величина пропозиції* — amount offered for sale at a given price.

6. **Change in quantity supplied** — *зміна величини пропозиції* — change in amount offered for sale when the price changes.

7. **Change in supply** — *зміна пропозиції* — situation where different amounts are offered for sale at all possible prices in the market; shift of the supply curve.

8. **Supply elasticity** — *еластичність пропозиції* — a measure of how the quantity supplied responds to a change in price.

II. Answer the following questions.

A. What does supply mean?

B. What does the law of supply state?

C. What is quantity supplied?

D. What is a supply schedule?

E. What is a supply curve?

F. What is supply elasticity?

PRONUNCIATION GUIDE

Examine [ɪg'zæmɪn]

Precisely [pri'saɪslɪ]

Innumerable [ɪ'nju:m(ə)rəbl]

Circumstance ['sɜ:kəmstæns]

Maximize ['mæksɪmaɪz]

I. Read text B and be ready to complete the table with the information from the text.

Non-price Determinants of supply	Action	Effect on Supply of Good	Examples
Input prices	Price rises		
	Price falls		
	Improves		
	Becomes out of date		
	Increases		
	Price falls		
Government policies and regulations (taxes, electrical and natural gas rates)	Increase		

Text B

What Is Supply?

The terms supply and demand refer to the behavior of people as they interact with one another in markets. A market is a group of buyers and sellers of a particular good or service. The buyers as a group determine the demand for the product, and the sellers as a group determine the supply of the product. Now we turn to other side of the market and examine the behavior of sellers.

Economists describe supply as the relationship between the quantity of a good or service producers will offer for sale and the price charged for that good. More precisely and formally supply can be thought of as "the total quantity of a good or service that is available for purchase at a given price."

Supply is not simply the number of an item a shopkeeper has on the shelf, such as ‘55 oranges’ or ‘17 pairs of boots’, because supply represents the entire relationship

between the quantity available for sale and all possible prices charged for that good. The specific quantity desired to sell a good at a given price in a particular period of time is known as the quantity

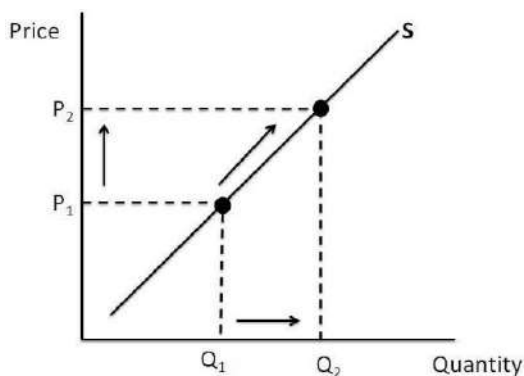
supplied. The relationship between the price and its quantity supplied is represented in the table called a supply schedule. A supply schedule is a table which lists the possible prices for a good and service and the associated quantity supplied. The supply schedule for oranges could look as follows:



Price of oranges	Quantity supplied a week
75 cents	470
70 cents	400
65 cents	320
60 cents	200

As the price rises, a seller supplies a greater and greater quantity supplied.

A supply curve is simply a supply schedule presented in a graphical form. The standard presentation of a supply curve has price given on the Y-axis and quantity supplied on the X-axis. The curve relates the price and quantity supplied.



The supply curve slopes upward because, *ceteris paribus*, a higher price means a greater quantity supplied.

The law of supply states that, all other factors being equal (*ceteris paribus*), as the price of a good or service increases, the quantity of goods or services that suppliers offer will increase, and vice versa. The law of supply says that as the price of an item goes up, suppliers will attempt to maximize their profits by increasing the quantity offered for sale.

The price elasticity of supply (PES) means how sensitive the supply of a good is to a price change. The higher the price elasticity, the more sensitive producers and sellers are to price changes. The supply of some commodities is more sensitive to price changes than the supply of others. If a change in price causes a larger percentage change in supply, the supply is said to be elastic. If a change in price produces a smaller percentage change in supply, the supply is said to be inelastic.

The most important determinant of the quantity supplied is price. However, innumerable factors and circumstances could affect a seller's willingness or ability to produce and sell a good. These factors are called the non-price determinants of supply:

Input prices

Inputs include land, labour, energy and raw materials. If the price of inputs increases the supply curve will shift to the left as sellers are less willing or able to sell goods at any given price.

Technology

Technological improvements help reduce production cost and increase profit, thus stimulate higher supply.

Number of sellers

More sellers in the market increase the market supply.

Expectation for future prices

If producers expect future price to be higher, they will try to withhold their inventories in stock and offer the products to the buyers in the future, thus they can capture the higher price. As a result, the current supply of a particular product will decrease.

Government policies and regulations

Government intervention can take many forms including environmental and health regulations, hour and wage laws, taxes, electrical and natural gas rates. These regulations can affect the supply of a good.

Supply and demand are really two separate things, but they are almost always talked about together. Economists use the model of supply and demand and their interaction to analyze competitive markets and determine prices in them.

WORDS AND PHRASES TO BE REMEMBERED

to interact— взаємодіяти **precisely** — точно, ясно

vice versa — навпаки

innumerable — незліченний

input — вкладення, витрати, інвестиції

input prices — ціни на ресурси (для виробництва)

raw material — сировина

withhold their inventories in stock — утримувати свої запаси на складі

to capture — схопити, ввіймати

I. Complete the table using the definitions given in Text B and learn them.

1. Supply curve	
2. Market	
3. Supply	
4. Law of Supply	
5. Supply elasticity	
6. Quantity supplied	
7. Supply schedule	

VOCABULARY PRACTICE

I. Find in the text the English equivalents for the following word combinations.

Взаємодія, дослідити поведінку продавців, взаємозв'язок між кількістю та ціною, наявний, містити можливі ціни, відображений у графічній формі, крива з нахилом спрямованим вгору, закон стверджує, кількість запропонована на продаж, найважливіший чинник, за будь-яку запропоновану ціну, зменшити виробничі витрати, збільшити ринкову пропозицію, очікувати зростання майбутньої ціни, втручання уряду, закони про заробітну плату та тривалість робочого дня, впливати на пропозицію.

II. Give the Ukrainian equivalents for the following word combinations.

Electrical and natural gas rates, to determine the price, the current supply, technological improvement, the non-price determinants, innumerable factors and circumstances, to maximize one's profit, all other factors being equal, the standard presentation, the specific quantity, input prices, to represent the entire relationship, more precisely and formally, to turn to other side, to refer to the behavior.

III. The italicized words in the sentences below are found in this unit. Study the sentences. Then identify the part of the speech and write your own definition for the words on the line provided.

1. All normal supply curves have a positive *slope* that goes up from the lower left-hand corner of the graph to the upper right-hand corner.

slope (____)_____

2. Productivity goes up whenever more output is produced using the same amount of *input*.

input (____)_____

3. Your economic product is your *labor*, and you would probably be willing to supply more labor for a high wage than for a low one.

labor (____)_____

4. Price is the key to competition in *commodity* markets.

commodity(____)_____

5. *Technology* is what producers know about the ways to combine inputs into the production of outputs.

technology(____)_____

6. An increase in the *wages* causes a decrease (leftward shift) of the short-run aggregate supply curve.

wage(____)_____

7. *Regulation* is essentially an extension of government's authority to protect one member of society from another.

regulation(____)_____

8. At *current* prices, the company is worth around €23 billion.

current(____)_____

IV. Fill in the missing word and words combinations in the text below. Choose from the box. Translate the text into Ukrainian.

Relationship (2); a change in quantity supplied; unchanged; amount; a change in supply; at each price

As with demand, economists separate changes in the _____ that sellers will sell into two categories. _____ refers to a change in behavior of sellers caused because a factor held constant has changed. As a result of a change in supply, there is a new _____ quantity and at each quantity there will be a new price. _____ refers to a change in behavior of sellers caused because price has changed. In this case, the _____ between price and quantity remains _____, but a new pair in the list of all possible pairs of price and quantity has been realized.

V. Mind the difference.

Verbs	Nouns
<p>To rise (rose, risen) — вживається без прямого додатку — <i>збільшуватися, рости, зростати</i> (у кількості, ступені, ціні тощо). E.g. Prices continue to rise.</p>	<p>Rise — <i>підвищення, збільшення, зростання</i>. E.g. A rise in input prices resulted in a rise in product prices. В американському варіанті англійської мови (American English) в цьому значенні вживається також іменник raise.</p>
<p>To raise (raised, raised) — вживається з прямим додатком — <i>збільшувати, підвищувати щось</i> (у кількості, мірі, розмірі тощо). E.g. The Finance Minister raised spending on medicine and education in the last year's budget.</p>	
<p>To increase (increased, increased) — вживається як з прямим доповненням, так і без нього — <i>збільшуватися</i> (у розмірі, ступені, кількості тощо). E.g. The Finance Minister increased spending on medicine and education in the last year's budget. The population will increase to 12-13 billion in 2020-2025.</p>	<p>Increase — <i>збільшення, підвищення</i>. E.g. There was a great increase in population.</p>
<p>Дієслово та іменник increase можуть вживатися замість rise і raise у всіх наведених вище прикладах, що може допомогти уникнути помилок у вживанні двох останніх слів.</p>	

Verbs	Nouns
To give rise to smth — <i>призводити до чого-небудь, викликати що-небудь</i> (syn. to result in smth, to cause smth, to lead to smth). E.g. Industrial revolution gave rise to the development of banking.	
To arise (arose, arisen) — <i>виникати, відбуватися</i> . E.g. The manager is to solve all the problems that may arise.	
To decrease (decreased, decreased) — може вживатися як з прямим додатком, так і без нього — <i>зменшуватися</i> (в розмірі, обсязі, числі).	Іменники decrease і reduction означають <i>зменшення, зниження, скорочення</i> . E.g. A small decrease/reduction in production did not affect greatly the supply of the product.
To reduce (reduced, reduced) — вживається з прямим додатком — <i>зменшувати</i> (у розмірі, вазі, кількості, вартості, ціні тощо).	
To fall (fell, fallen) — вживається без прямого додатка — <i>падати, знижуватися</i> (у кількості, ціні тощо). E.g. The demand for ice cream usually falls in winter.	

VI. Translate Ukrainian words in the following sentences into English.

1. Ukraine's natural gas exports (*збільшився*) from 181.6 billion cubic metres in 1998 to 182.5 billion cubic metres in 1999.

2. There was a dramatic (*збільшення*) in oil prices after 1973 all over the world.

3. Inflation can (*виникнути*) under a number of conditions.

4. Comparing 1999 and 1998, real investment in Ukraine (*збільшилися*) by 1.0 percent.

5. Inflation becomes stagflation while economic growth (*знижується*), but inflation continues to (*рости*).

6. In 1999, Ukrainian's exports of oil products (*знизився*) by 2.4 million and exports of fuel oil (*збільшився*) by 1.0 percent.

7. Income per capita (*знизився*) in Italy in January 1999 compared with December 1997.

8. An inflation is characterized by the (*підвищенням*) in price within a certain period of time.

9. It is important to (збільшити) capital investment in the production if we want to (знижити) the production cost.

10. In the 1980s the gross national product (GNP) per person continued to (збільшуватися) in all groups of countries.

11. The production figures (знижувалися) every three months.

12. The high inflation (викликала зниження) in consumption.

13. A lot of problems (виникло) when engineers started the construction of the plant.

14. The government (підвищив) teacher's salaries twice last year and there was a total (підвищення) by 30 percent by the end of the year.

15. The (скорочення) in the usage of energy intensive (енергомістких) operations in the production line may greatly (збільшити) the quantity of goods produced.

VII. Write one word in each gap to complete the sentences. Translate the sentences into Ukrainian.

1. If the price of the inputs _____, producers are willing to produce more of a product, thereby shifting the supply curve to the right.

2. Productivity should also _____. if workers decide to work harder or more _____.

3. When production costs go down, the _____ is usually able to produce more goods and services at all possible prices in the market.

4. If resource prices increase, then production cost is higher and the sellers are inclined to offer _____ of the good for sale.

5. The decision to sell a good today depends on _____ of future prices.

6. When the government establishes new regulations, the cost of production can change, causing a _____ in supply.

7. However, if some suppliers leave the _____, fewer products are offered for sale at all possible prices.

8. In the real world, _____ are entering and leaving individual markets all the time.

9. Changes in technology can also _____ the number of sellers.

10. A decline in _____ means producers can sell less of a good.

COMPREHENSION CHECK

Now read the text again and answer the following questions. Compare your answers with another student and discuss any differences. Make sure you can refer to a particular phrase or sentence from the text for each answer.

1. Why does the supply curve slope from the lower left-hand corner of the graph to the upper right-hand corner?
2. What causes a supply curve to shift?
3. Why is the law of supply the opposite to the law of demand?
4. Why is almost every economic event or phenomenon the product of the interaction of these two laws?
5. What is the price elasticity of supply?
6. What is the difference between elastic and inelastic supply?
7. What is a change in supply?
8. What is a change in quantity supplied?
9. What determinants can cause changes in supply?
10. What are the non-price determinants of supply?
11. Why do producers supply more goods at a higher price than at a lower price?

TRANSLATION PRACTICE

Translate into English.

1. Пропозиція — це кількість продукції, яка є в наявності для задоволення попиту.
2. Закон пропозиції стверджує, що чим нижча ціна, тим менша величина пропозиції і, чим вища ціна, тим більша величина пропозиції.
3. Крива пропозиції — це графічне представлення закону пропозиції.
4. В економіці взаємовідношення між пропозицією та ціною виражається законом пропозиції.
5. Цінова еластичність пропозиції стосується того, як величина пропозиції певного товару реагує на зміну ціни цього товару.
6. Вдосконалення технологічного процесу знижує витрати на виробництво та збільшує пропозицію.
7. Ціни на ресурси (для виробництва) включають землю, працю, енергетичні ресурси та сировину.
8. Рішення продати товар сьогодні залежить від очікувань майбутніх цін.

9. Кількість продавців, які бажають та здатні продати товар впливає на сукупний попит.

10. Чим більша кількість продавців на ринку, тим більшою є пропозиція.

READING STRATEGIES

I. Read the following text about Elasticity of Supply. Choose the best word, A, B, C or D to fill each gap.

Elasticity of Supply

Like demand, supply is 1. _____ to elasticity. The supply of some commodities is more 2. _____ to price changes than the supply of others. If a change in price 3. _____ a larger percentage change in supply, the supply is said to be elastic. If a change in price produces a smaller percentage change in supply, the supply is said to be inelastic.

4. _____ are generally subject to greater supply elasticity than goods provided by nature. *In-line skate* manufacturers might be able to increase their 5. _____ by asking their employees to work overtime. Dairy farmers, however, could not expect such cooperation from their *herds*. Therefore, an increase in milk production would take longer 6. _____ than an increase in in-line skate production. The amount of 7. _____ available is usually limited. While some _____ resources, such as trees and wildlife, can eventually be replaced (through reforestation, conservation, and repopulation), these 8. _____ Take many years. Some _____ additional land can be made fit for farming by draining *swamps* or through irrigation. For the most part, though, we have *to make do with* the 9. _____ we have. Minerals such as petroleum, iron, and copper are also subject to relatively 10. _____ supply. The output of these minerals is limited by the expense of the equipment needed to extract them, the size of the known deposits, and the uncertainty of discovering new sources.

**in-line skates* — однорядні роликові ковзан

***herd* — стадо, череда

****swamp* — заболочена місцевість

*****make do with smth* — обійтися, задовольнитися чим-небудь

1	A. theme	B. subject	C. topic	D. thing
2	A. sensitive	B. impressionable	C. indifferent	D. sensorial
3	A. happens	B. causes	C. forces	D. makes
4	A. Complementary goods	B. Public goods	C. Manufactured goods	D. Free goods
5	A. amount	B. yield	C. offtake	D. output
6	A. to manage	B. to win	C. to achieve	D. to gain
7	A. renewable resources	B. natural resources	C. human resources	D. information resources
8	A. measures	B. steps	C. moves	D. expedients
9	A. soil	B. land	C. ground	D. surface
10	A. inflexible	B. stiff	C. inelastic	D. rigid

II. Scan the text and entitle it.

Because businesses want to produce efficiently, they must keep an eye on their costs. For purposes of analysis, they use several measures of cost. Businesses analyze fixed, variable, total, and marginal costs to make production decisions.

Fixed Costs. The first measure is **fixed costs** — the costs that an organization incurs even if there is little or no activity. When it comes to this measure of costs, it makes no difference whether the business produces nothing, very little, or a large amount. Total fixed costs, sometimes called **overhead**, remain the same. Fixed costs include salaries paid to executives, interest charges on bonds, rent payments on leased properties, and state and local property taxes. Fixed costs also include depreciation — the gradual wear and tear on capital goods through use overtime. A machine, for example, will not last forever, because its parts will wear out slowly and eventually break.

Variable Costs. Other costs are **variable costs**, or costs that change when the business's rate of operation or output changes. While fixed costs are generally associated with machines and other capital goods, variable costs are usually associated with labour and raw materials. For example, wage-earning workers may be laid off or work overtime as output changes. Other examples of variable costs include electric power to run machines and freight charges to ship the final product. For most businesses, the largest variable cost is labour. If a business wants to hire one worker to produce seven units of output per

day, and if the worker costs \$90 per day, the total variable cost is \$90. If the business wants to hire a second worker to produce additional units of output, then its total variable costs are \$180, and so on.

Total Cost. Total cost of production is the sum of the fixed and variable costs. Total cost takes into account all of the costs a business faces in the course of its operations. If the business decides to use six workers costing \$90 each to produce 110 units of total output, then its total cost will be \$590 — the sum of \$50 in fixed costs plus \$540 of variable costs.

Marginal Cost. The most useful measure of cost is **marginal cost** — the *extra* cost incurred when producing one more unit of output. In fact, marginal cost is more useful than total cost because it shows the change in total variable costs when output increases.

III. Read the text once again and answer the following questions.

1. Businesses need to consider both fixed costs, such as rent and taxes, and variable costs, such as labour. Why can electricity be considered a variable cost?

2. If a firm's total output increases, will the fixed costs increase? Explain.

IV. Prepare a brief summary of the text.

V. You are going to read the text about benefits and costs of supply. Be ready to define the key sentence of each paragraph. Explain your choice.

Supply: Benefits and Costs

1. What determines the amount of a good or service that people are willing and ready to sell during some period of time? A discussion of exchange suggested that people sell things because it is a way, indirect but effective, of obtaining other things that they prefer. Sellers intend to make a profit from their sales, and economists assume that they want their profits to be as large as possible. Because profit is the difference between benefits in the form of revenues and costs, anything that influences revenues or costs can influence the amounts sellers want to sell.

2. Revenue, the benefit that sellers get from producing and selling, is found by multiplying the price of the product by the amount sold. A change in price changes revenues and hence profits, so it is a major determinant of the amount sellers will want to sell. Because a higher

price leads to higher profit, and a higher profit leads to a larger amount that sellers will want to sell, one expects that a greater quantity should be supplied when the price is higher. Thus, the relationship between quantity that sellers will sell and price should be direct or positive. Although the positive relationship is almost always the case, there are a few exceptions. An example is labor; as wages go up, people may decide to enjoy their higher wages and work less. As a result, there is no law of supply that matches the law of demand.

3. The cost of something is what must be given up in order to get it. When costs are only monetary, they are easy to see. If the price of an input increases, the cost of the output will increase, and, other things held constant, profits will decrease. The seller will then have to decide if shifting part of his resources and effort to other products will improve his well-being.

4. Production costs are determined not only by the prices of inputs, but also by technology. Technology represents the knowledge of how inputs (such as labor, raw materials, energy, and machinery) can be combined to produce the product. If this knowledge increases so that people find cheaper ways to make the same output, then, other things held constant, profit increases and we expect sellers to respond by producing more.

5. Costs may be nonmonetary as well as monetary. For example, a farmer takes the expected price of soybeans into account in deciding how much corn to plant. If soybeans are expected to sell for a high price, then the farmer may find that shifting some of his land from corn production to soybean production will increase profit. The decision to plant corn means that the farmer gives up the opportunity to plant soybeans (as well as giving up the money for seed, fuel, equipment, and labor). Because we have defined cost as what must be given up to get something, the prices of other goods that sellers could otherwise produce and sell must be part of the calculation of the cost of production.

6. There are other factors that can influence the amount of a product that sellers will sell, such as the number of sellers, expectations about the future, and whether or not there are by-products in production that are valuable. (An example of a valuable by-product is cottonseed in the production of cotton. A farmer who produces cotton also gets cottonseed, which yields cottonseed oil, a widely used vegetable oil.) But as in the discussion of demand, the emphasis in the discussion of supply is on the relationship between quantity and price. To focus on this relationship, all other factors must be assumed to be constant

SPEAKING STRATEGIES

Useful English section given below can be helpful to you.

Activity 1.

Say what you have learnt about

- supply
- the law of supply
- supply schedule
- supply curve
- changes in quantity supplied and change in supply
- supply elasticity
- supply determinants

Activity 2.

Role-play.

You are a student of economics. You have a younger sister. She is 10 years old. Once she heard somebody say the word “supply” but she failed to understand it. She asks you to explain the meaning to her. Don’t forget that children have a representational thought (образное мышление) that’s why you should not only explain the meaning but also illustrate it. Make up and act out the dialogue using the following words and word combinations: price charged for available goods, to furnish, a deal, to switch over production, a supplier, to set a price, to offer for sale, to anticipate.

USEFUL ENGLISH

Giving examples for example; for instance; as follows; that is; in this case namely; in other words

Generalising in general; generally; on the whole; as a rule; for the most part; in most cases; usually

Highlighting in particular; particularly; especially; mainly.



SECTION III

Market Price

LEAD-IN

1. Discuss these questions with your partner.

- *What role do prices play in global economy?*
- *What do you know about price system?*

2. Comment on the following quotations about prices. What do the authors mean? Do you agree or disagree with them? Discuss it with your partner

- **‘Price is what you pay. Value is what you get.’**

Warren Buffett (1930) – an investor, a business magnate, a philanthropist and a pricing guru

- **‘For every promise, there is price to pay.’**

Jim Rohn (1930) – an entrepreneur, an author, a motivational speaker

- **‘Pricing is actually pretty simple...Customers will not pay literally a penny more than the true value of the product.’**

Ron Johnson (1955) – the United States Senator, a member of the Republican Party

- **‘The moment you make a mistake in pricing, you’re eating into your reputation or your profits.’**

Katharine Paine (1950) – the founder of the Delahaye Group

KEY TERMS

I. Before reading text C study the key terms and their definitions. While reading the text, you should pay attention to the economic and business terms. They will become the basics of your professional vocabulary.

1. **Price** — *ціна* — the amount of money for which something (a good or a service) is sold or purchased.

2. **Market price** — *ринкова ціна* — the price that a product or service will be currently sold for.

3. **Price mechanism** — *механізм ціноутворення* — refers to the system where the forces of demand and supply determine the prices of commodities.

4. **Equilibrium** — *рівновага* — the state in which market supply and demand balance each other and, as a result, prices become stable.

5. **Equilibrium price** — *рівноважна ціна* — price at which the quantity of a product supplied matches the quantity demanded.

6. **Shortage (excess demand)** — *нестача (надмірний попит)* — situation where quantity supplied is less than quantity demanded at a given price.

7. **Surplus (excess supply)** — *надлишок (надмірна пропозиція)* — situation where quantity supplied is greater than quantity demanded at a given price.

8. **Price system** — *цінова система* — an economic system in which prices are determined by market forces.

9. **Pricing** — *цінова політика (калькуляція цін)* — the process whereby a business sets the price at which it will sell its products and services.

II. Answer the following questions.

- a. What is a price?
- b. What is a market price?
- c. What is an equilibrium price?
- d. What is a price system?
- e. What is an excess supply?
- f. What is an excess demand?

PRONUNCIATION GUIDE

inadequate [ɪn'ædɪkwət]
conversely [kən'vɜːsli] ['kɒnvɜːsli]
distribute [dɪ'strɪbjʊ:t]

signaling ['sɪgn(ə)lɪŋ]
revenue ['revənjuː]
weigh [weɪ]

I. Read text C. Be ready to complete the table given after the text.

Text C

Market Price

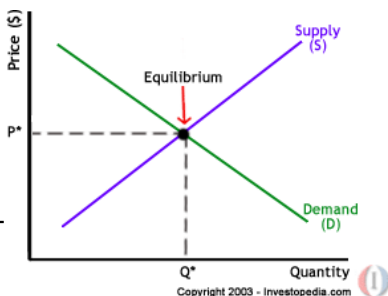
Price plays a very important role in a free market economy. Prices are determined through the interactions of supply and demand in the marketplace, where demand is the quantity of a product that buyers are willing to purchase according to a given price and supply is the amount of a product that sellers can vend to customers at a given price. In various market economy theories, price plays an essential role how sellers determine their prices and buyers act on those prices.

Price is the amount of money that has to be paid to acquire a given product. Insofar as the amount people are prepared to pay for a product represents its value, price is also a measure of value. It follows from the definition that prices perform an economic function of major significance. So long as they are not artificially controlled, prices provide an economic mechanism by which goods and services are distributed among the large number of people desiring them.

Prices also act as indicators of demand for different products and enable producers to respond accordingly. This system is known as the price mechanism, and it is based on the principle that only by allowing prices to move freely will the supply of any given commodity match demand. If supply is excessive, prices will be low and production will be reduced. This will cause prices to rise until there is a balance of demand and supply. In the same way, if supply is inadequate, prices will be high, leading to an increase in production that in turn will lead to a reduction in prices until both supply and demand are in equilibrium.

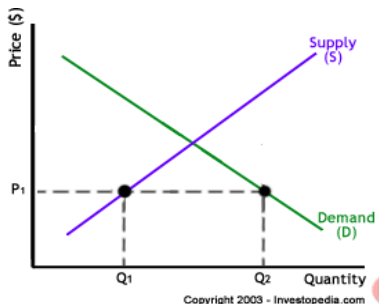
The result of this feedback loop is the determination of an equilibrium price at which the buyers are willing to buy a particular quantity of the product and sellers are willing to sell the same quantity of the product.

As you can see on the chart, equilibrium occurs at the intersection of the demand and supply curve, which indicates no allocative inefficiency. At this point, the price of the goods will be P^* and the quantity will be Q^* . These figures are referred to as equilibrium price and quantity.

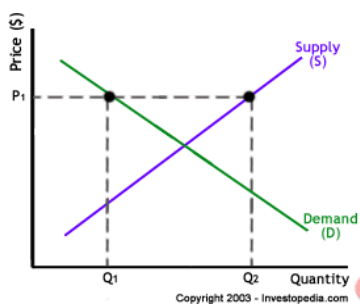


Sometimes the market is not in equilibrium—that is the quantity supplied doesn't equal the quantity demanded. When this occurs, there is either excess supply or excess demand. A shortage or excess demand (Chart A) is a situation in which demand for a good or service exceeds the available supply. A surplus or excess supply (Chart B) is a situation in which the quantity of a good or service supplied is more than the quantity demanded.

A)



B)



The price mechanism plays three important functions in any market-based economy.

The rationing function

The Rationing function relates to the buyers of the goods. Price is used to ration the limited quantity of a good among the various buyers who would like to purchase it. Rationing by price will guarantee that the goods will be purchased by the buyers who value it most.

The signalling function

Price changes send contrasting messages to consumers and producers about whether to enter or leave a market. Rising prices give a signal to consumers to reduce demand or withdraw from a market completely, and they give a signal to potential producers to enter a market. Conversely, falling prices give a positive message to consumers to enter a market while sending a negative signal to producers to leave a market.

The incentive (motivation) function

An incentive is something that motivates a producer or consumer to follow a course of actions or to change behaviour. Higher prices provide an incentive to existing producers to supply more because they provide the possibility of more revenue and profit increase.

Every economic system provides solutions to four questions: what goods and services will be produced; how they will be produced; for whom they will be produced; and how they will be allocated between consumption (for present use) and investment (for future use). The goods so produced and distributed may be consumer items, services, labour, or other salable commodities. In each case, an increase in demand will lead to the price being bid up, which will induce producers to supply more; a decrease in demand will have the reverse effect. The price system provides a simple scale by which competing demands may be weighed by every consumer or producer. Price system is a means of organizing economic activity.

Of course, a totally free and unfettered price mechanism does not exist in practice. Even in the relatively free market economies of the developed Western world there are all kinds of distortions—arising out of monopolies, government interference, and other conditions—the effect of which reduces the efficiency of price as a determinant of supply and demand.

WORDS AND PHRASES TO BE REMEMBERED

to vend — продавати, торгувати

insofar— настільки, такою мірою

to acquire — придбати

artificially — штучно

feedback loop — зворотній зв'язок

allocative inefficiency — неефективність, спричинена невідповідністю розподілених ресурсів інтересам споживачів

to outstrip — випереджати, перевершувати

to bid up — роздувати, набавляти ціну

to ration — розподіляти, нормувати

conversely — навпаки

salable — той, що користується попитом і є в наявності для продажу

to induce — спонукати, стимулювати

unfettered— вільний, без обмежень

distortion — спотворення, викривлення

interference — втручання

I. Complete the table using the definitions given in Text C and learn them.

1. Price	
2. Price mechanism	
3. Equilibrium price	
4. Shortage	
5. Surplus	
6. Rationing function	
7. Signalling function	
8. Incentive (motivation) function	
9. Price system	

VOCABULARY PRACTICE

I. Find in the text the English equivalents for the following word combinations.

Відігравати значну роль, сума грошей, придбати певний продукт, виконувати економічну функцію, спричинити ріст цін, таким самим чином, рівноважна ціна, нормувати обмежену кількість товару, вийти з ринку, мотивувати виробника чи споживача, змінити поведінку, дохід, знайти вирішення проблеми, товари що користуються попитом і є в наявності для продажу, економічна діяльність, повністю вільний та необмежений механізм ціноутворення, втручання уряду.

II. Give the Ukrainian equivalents for the following word combinations.

According to a given price, a measure of value, major significance, prices are not artificially controlled, to act as indicators, to be based on the principle, excessive supply, a balance of demand and supply, to lead to a reduction in prices, feedback loop, to exceed the available supply, a market-based economy, the rationing function, the signalling function, the incentive function, profit, to be allocated between consumption and investment, a simple scale, all kinds of distortions, to reduce the efficiency.

III. Express in one or two words.

- 1) the money value of a unit of a good, service, financial security which a buyer is required to pay a seller to purchase the item — p _____;
- 2) the price at which the quantity of a product offered is equal to the quantity of the product in demand — e _____ p _____;
- 3) an amount that is more than acceptable, expected, or reasonable — e _____;
- 4) a condition of a market in which buyers and sellers plans exactly coincide — e _____;
- 5) a state where things are of equal weight or force — b _____;
- 6) to provide (someone) with a reason for doing something — to m _____;
- 7) to limit the amount of a particular thing that someone is allowed to have — to r _____.

IV. Fill in the missing words or word combinations in the sentences below. Choose from the box. Translate the sentences into Ukrainian.

amount of money, surpluses, distributing, ration; scarce resources, signalling function, consumption, price system, shortages, prices, incentive, production, outstrips, price mechanism (2), equilibrium price.

1. Millions of economic agents who have no direct communication with each other are led by the _____ to supply each other's wants.
2. _____ are an expression of the consensus on the values of different things.
3. Attempts to operate an economy without a _____ usually result in _____ of unwanted goods, _____ of desired products, black markets, and slow, erratic, or no economic growth.
4. The _____ is where the supply of goods matches demand.
5. The _____ is the only allocative mechanism solving the economic problem in a free market economy.

6. Prices perform a _____ — they adjust to demonstrate where resources are required, and where they are not.

7. Prices serve to ration scarce resources when demand in a market _____ supply.

8. Prices serve to _____ when demand in a market outstrips supply.

9. Prices incentivise and influence the decisions of consumers and producers e.g. higher prices encourage _____ but discourage _____.

10. Higher prices provide an _____ to existing producers to supply more because they provide the possibility of more revenue and increased profits.

11. Prices provide a mechanism for automatically _____ limited resources to places of need.

12. In a free-market economy, prices are so much more than the _____ we pay when we buy something.

V. Write one word in each gap to complete the sentences. Translate the sentences into Ukrainian.

1. _____ help us to make every day economic _____ about our needs and desires. Prices are an indication of the popularity of a product, therefore the more popular the product, the higher the price that can be charged.

2. Price _____ if resources are being properly allocated. If the price is too low, there will be a _____ of products. _____ will be greater than supply.

This will indicate that more resources should be _____ to the manufacturing of the product. If the price is too high, there will be a _____ of products. _____ will be greater than demand. This will suggest that too many _____ are being allocated toward the manufacturing of the product.

3. Market-clearing prices* have important roles in a free _____. First, they _____ existing supplies among customers who want more than an economy's scarce _____ can produce. When doing so, market prices enable people to choose who gets the goods and services produced. Market-clearing prices also provide _____ to produce goods and services.

***market-clearing price** — ціна, що забезпечує рівновагу між попитом та пропозицією

COMPREHENSION CHECK

I. Read text C again and answer the following questions. Compare your answers with another student and discuss any differences. Words and word combinations given below may be helpful to you.

1. What does the term 'price' denote in economics?
2. How is an economic equilibrium represented graphically?
3. Why is it important to find equilibrium prices in markets?
4. What is a surplus and when does it occur?
5. What is a shortage and when does it occur?
6. When do prices tend to go down?
7. What are the main functions of prices?
8. How do prices ration scarce resources?
9. How do prices perform a signalling function? 10. How do prices perform a motivation function?
10. How do prices perform a motivation function?
11. How do prices perform a motivation function?
12. What is the correlation between prices and production?
13. Why does the law of demand put limits on suppliers while consumers are limited by the law of supply?
14. Why are prices the key ingredients in a market economy?
15. What role do prices play in all economic markets?

II. Memorize the following words and word combinations.

- ☐ acceptable price — прийнятна ціна
- ☐ actual price — фактична, поточна, реальна ціна
- ☐ to adjust price — коригувати ціну
- ☐ to affect price — впливати на ціну
- ☐ at a price/ at a good price — за високою ціною
- ☐ price level — рівень цін
- ☐ put a price on sth. — оцінювати, призначати ціну.
- ☐ pricey — надто дорогий
- ☐ priceless — безцінний
- ☐ fixed price — такса, фіксована, незмінна ціна
- ☐ to set/fix/charge a price — призначати ціну
- ☐ price index — індекс цін

III. Fill in the gaps with the correct words and word-combinations using Part 2. Translate the sentences into Ukrainian.

1. You can't _____ _____ _____ loyalty.

2. To see the _____ of gold you have to look at what dealers are charging.

3. I bought this turkey _____ at Tesco's.

4. What is the _____ to pay for education?

5. Customer loyalty is a _____ asset.

6. How does the law of supply and demand _____?

7. A _____ is the measurement of current prices of goods and services produced in the economy in a specific region or country at a specific time.

8. You can't _____ the value of the work done by our nurses.

9. While the big hotels in the town centre are _____, the hundreds of small pensions offer bed and breakfast at reasonable prices.

10. If you have a first edition of Milton, you can almost _____ your own _____. They are in great demand by collectors.

11. Flight passes allow travellers to book several flights at once for a _____.

12. The food here is a little _____, but you get a lot of it.

13. The government is to start publishing a new monthly house _____.

14. Democracy is a _____ bequest.

15. The owners have not yet _____ the house.

TRANSLATION PRACTICE

Translate into English.

1. Ціна — це сума грошей, необхідна для купівлі товару або послуги.

2. Цінова система — це економічна система, у якій ціни визначаються через взаємодію попиту та пропозиції.

3. Надлишок — це ситуація на ринку, за якою величина пропозиції перевищує величину попиту за встановленою ціною.

4. Нестача — це переважання величини попиту над величиною пропозиції.

5. Рівноважна ціна виникає при перетині кривих пропозиції та попиту.

6. Високі ціни стимулюють виробників збільшити випуск продукції для отримання більшого прибутку.

7. Ціна використовується для розподілу обмеженої кількості товару серед різних покупців, які бажають його придбати.

8. Зростаючі ціни є сигналом споживачам зменшити попит або повністю вийти з ринку, а потенційним виробникам увійти на ринок.

9. Механізм ціноутворення — це система взаємозалежності між пропозицією товару або послуги та її ціною.

10. Ринкові ціни надають важливу інформацію та стимули для вільного підприємництва.

11. При рівновазі ціни не змінюються допоки щось не вплине на пропозицію, попит або інший аспект вартості товару чи послуги.

12. Стимулом є те, що мотивує виробника або споживача дотримуватися наряду дій або змінити поведінку.

READING STRATEGIES

I. Scan the article for the answers to the following questions.

1. What are the basic components of any marketing mix?
2. How does a competitive pricing strategy work?
3. What role do the laws of supply and demand play in setting your pricing?
4. Why is the price a part of your brand image?
5. Why do you have to charge a higher price if you want to make a profit?

Factors Influencing Pricing Strategy

by Hannah Wickford



Marketing's four Ps — product, price, promotion and placement — are the basic components of any marketing mix. The decisions you make with regard to all of these elements can mean the difference between success and failure. There are many factors that will have an influence on

how you set the price for your product or service, with some of them internal and some external, and most of them will fluctuate over time.

Competition

A competitive pricing strategy, where prices for a product or service are set based primarily on the prices of the competition, is best suited for a price-sensitive and highly competitive market. Whether you use this type of strategy or not, you should always take your competition's pricing into account when setting your own pricing, unless you hold a monopoly. If consumers perceive your product and your competition's as having equal value, you could lose out in a big way if your competitor's price is lower than yours is.

Market Demand

The laws of supply and demand should always come into play when setting your pricing. If a product is in high demand, particularly if demand exceeds supply, then the market can bear a higher price. Conversely, if demand **dwindles**, consumers will not be willing to pay higher prices. Your pricing should remain relatively stable over time, but you can put promotions in place to discount the price when needed.

Brand Strategy

Setting your prices without a thorough grasp of your brand objectives can destroy any brand-building efforts. Your price is a part of your brand image. Think about Walmart, which has built its entire brand around low pricing, or Tiffany & Co., whose consumers expect **high-end pricing**. If your products' prices are not in line with your brand image, you will most likely confuse consumers instead of convert them.

Cost of Goods Sold

If you want to make a profit on the sale of your products, you must charge a higher price than what it cost you to actually produce and transport them. The cost of goods sold almost always plays an integral role in any pricing strategy. The exception to this is if you are promoting your product as a loss leader. A **loss leader** is a product that is sold below cost as an incentive for consumers to purchase other products at normal prices. Many mobile carriers, for example, sell cell phones at hugely discounted rates so that consumers will sign on for one of their cell phone service packages.

II. Look through the text again. Some words/phrases are highlighted. What do you think they mean? Don't just look at the words; look at the context and sentences surrounding them.

III. Read the information again and prepare a brief summary of the text.

LET'S READ AND TALK

Activity 1.

A. Read the text about the price system and be ready to do the assignments given after the text. After reading this article you will learn about:

1. Meaning of Price System.
2. Working of the Price Mechanism.

Price System of an Economy: Meaning and Working

Meaning of Price System

Market is the essential ingredient of a capitalist economy required for its efficient functioning. That is why a capitalist economy is also called a market economy. Further, since the government does not **intervene**, such economy is called a free enterprise economy.

In this market economy, all the decision-makers are free to make their own choices; no one will **interfere**. In this pursuit of **self-interest** and **general good** of all, every economic agent or unit (i.e., households and firms) is guided by a hidden hand or 'invisible hand'. The 'invisible hand' mechanism, as was called by Adam Smith, operates due to the free play of competition.

The price system is one in which all economic decisions are made through the medium of prices which are, by nature, self-adjusting and self-correcting—though every decision-taker acts selfishly. As there is no central regulating authority, decisions are taken by an 'invisible hand' or a price system.

Though millions of people (both households and firms) act selfishly, they are led as if by an 'invisible hand' to achieve the best results of the economy. The decisions of WHAT, HOW, and FOR WHOM TO PRODUCE are determined by the demand and supply conditions of commodities and **input services**.

The price mechanism serves as a connecting or communicating mechanism between two economic agents—households and firms of a capitalist society.

Prices that are determined by the interaction of households and firms in goods market and in **factor market** are called freely market-determined prices as governmental control is **conspicuously** absent in a market economy. Changes in prices are caused by changes in demand and supply conditions.

Working of the Price Mechanism

An economy consisting of households and firms is connected by markets (i.e., both goods market and factor market) in which they exchange goods and input services. For this exchange relationship, both parties charge a price that reflects the desires of the households and the capacities of producers.

Thus, prices act as communicating or interacting devices. Now the price system can be the result of the behaviour of firms and the behaviour of markets (i.e., goods market and input market). We know that there are millions of people who make independent decisions relating to consumption and production through the medium of the price system.

Firms in a market economy operate in product markets to sell their products and in factor markets to buy or hire input services. “The price system embraces both types of market and broadly operates so as to ensure that resources are allocated in accordance with consumer demand.”

Prices serve as messages to demand and production. Suppose, because of flood, the state of West Bengal experiences a fall in the output of onion. This will induce people to reduce their consumption of onion since supplies are inadequate. People may learn from the media that this year fewer onions would be available in the market.

If the information supplied by the media does not reach all onion-buyers of the country, how will they know it? The answer is the price system.

Onion-buyers will find a rise in the price of onion in the markets. The price, rather than the media, gives an effective message to buyers and producers. Buyers are supposed to buy less of it since it is now scarcer. Higher price of onion is an incentive to the farmers to grow more onions next year.

This will cause profits of producers to rise. New profit acts as an incentive to other firms to join and produce the commodity that gives larger profits. “In this way the price system acts, as it were, like a marvellous computer, registering people’s preferences for different goods, transmitting these preferences to firms, moving resources to produce the goods, and deciding who shall obtain the final products.” (Jack Harvey: **Modern Economics**)

B. Work in groups. Students are divided into two groups.

Group 1: Ask students of Group 2 these questions about meaning of the price system.

1. What can you tell about the essential ingredient of a capitalist economy?

2. Who determines the kinds of goods and services produced and the prices of the products?

3. How does the 'invisible hand' mechanism work? Give your own example.

4. What does the term 'factor market' or 'input market' mean?

5. What causes the changes in prices?

Group 2: Ask students of Group 1 these questions about working of the price mechanism.

1. How do prices act?

2. What does the term 'input services' mean?

3. What do consumption and production depend on?

4. How do consumers get information about a market situation?

5. How does the price mechanism work? Give your own example.

Words and expressions given below can be helpful to you.

to intervene — втручатися, виступати посередником

to interfere — втручатися

self-interest — користь, зиск

general good — загальне благо **input services** — виробничі послуги

factor market/input market — ринок факторів виробництва

market situation — ринкова кон'юнктура

Activity 2.

Role-play.

It's September now. A friend of yours and you have come to the market place to buy some vegetables. To your surprise the prices have considerably grown. Make up and act out the dialogue in which you discuss the possible causes of such changes in the price.

Consider the following factors: import/export, transportation costs, good/ bad harvest, weather, inflation, new government policy, storage expenses, price increases/ decreases.

WRITING STRATEGIES

I. Write a brief summary of text A.

II. Write an essay (100 — 150 words) about:

1. What is supply? How does it illustrate the price effect?

2. How do supply and demand balance the amount buyers want to purchase with the amount sellers want to sell?



UNIT TWO

MARKET STRUCTURES

Section I	Text A. Market Structures
Section II	Text B. Types of Monopolies
Useful English	Phrases for discussion in English

LEARNING OBJECTIVES

In this unit you will practise the following skills and strategies:

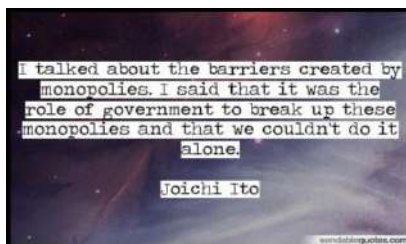
- applying reading skills to comprehend, analyze, summarize and interpret texts related to different types of market structures;
- identifying the main idea; reading for detail, a specific fact or piece of information; dealing with unknown vocabulary;
- tracking cause and effect; sequence of events;
- expressing general and personal opinion; agreement and disagreement;
- evaluating information; drawing conclusions; formulating questions;
- talking about market structures, types of monopolies: giving spontaneous and prepared monologues, dialogues, and group interaction using topical vocabulary;
- summarizing, rendering and translating texts related to the issues covered in the unit.

LEAD-IN

1. Discuss these questions with your partner.

- What types of market structures do you know?
- Can you define market structure?
- Can you describe particular features of different market structures?

2. Comment on the following quotations about market structures. What do the authors mean? Do you agree or disagree with them? Discuss it with your partner.



➤ “Our role is to maintain and monitor a framework in which fair competition can flourish.”

*Arthur Levitt –
25th Chairman of the Securities and Exchange Commission*

➤ “Those who believe that liberal democracy and the free market can be defended by the force of law and regulation alone, without an internalised sense of duty and morality, are tragically mistaken.”

*Jonathan Sacks —
a British rabbi, philosopher and scholar of Judaism*

➤ “Underlying most arguments against the free market is a lack of belief in freedom itself.”

*Milton Friedman –
an American economist*

➤ “Saying that you are moral because you believe in a god is like saying you are an economist because you play monopoly.”

*Robert W. Cox –
a Canadian scholar of political science*

SECTION I

KEY TERMS

I. Before reading texts A and B study the key terms and their definitions. While reading the texts, you should pay attention to the economic and business terms. They will become the basics of your professional vocabulary.

1. **Market** — *ринок* — an arrangement that allows people to make exchanges with one another; whenever and wherever people voluntarily make exchanges with one another.

2. **Competition** — *конкуренція* — the rivalry among buyers and among sellers in the purchase and sale of resources and products.

3. **Perfect competition** — *досконала конкуренція* — a market for uniform products with many buyers and sellers, none of whom is able to affect the price.

4. **Market structure** — *ринкова структура* — the way in which market is organized, including the concentration of suppliers or consumers, the ease of entry or barriers to entry, and the competitiveness of players in the market.

5. **Monopolistic competition** — *монополістична конкуренція* — a market in which many firms are selling similar but not identical products.

6. **Product differentiation** — *диференціація (індивідуалізація) продукції* — process of creating uniqueness in a product.

7. **Oligopoly** — *олігополія* — market dominated by a few large firms.

8. **Monopoly** — *монополія* — market in which there is only one seller.

9. **Natural monopoly** — *природна монополія* — market structure in which average costs of production are lowest when all output is produced by a single firm.

10. **Geographic monopoly** — *географічна монополія* — market situation where a firm has a monopoly because of its location or the small size of the market.

11. **Technological monopoly** — *технологічна монополія* — market situation when a firm has a monopoly because it owns or controls a manufacturing method, process, or other scientific advance.

12. **Government monopoly** — *урядова монополія* — monopoly created and/or owned by the government.

13. **Economies of scale** — *економія за рахунок зростання масштабів виробництва* — reductions in cost resulting from large scale production.

14. **Patent** — *патент* — a monopoly to use a new product or invention exclusively for a period of time.

15. **Copyright** — *авторське право* — exclusive right of authors of original writing and artistic work to sell or reproduce their works for their lifetime plus 50 years.

16. **Franchise** — *франшиза, ліцензія* — a license to operate an individually owned business in a specific geographic area as if it were a part of a large chain.

II. Match the terms with their definitions.

1. Geographical monopoly	a. a monopoly that is based on ownership or control of a manufacturing method, process, or other scientific advance
2. Copyright	b. factors which cause the average cost of producing something to fall as output increases.
3. Monopolistic competition	c. one in which a market leader can indicate its preferred price to smaller competitors.
4. Barriers to entry	d. a monopoly that exists because of a specific location.
5. Market	e. exists when products are homogeneous, and there are a great many firms too small to have any influence on the market price, and firms can easily enter and exit the industry
6. Government monopoly	f. meeting place or mechanism allowing buyers and sellers of an economic product to come together, may be local, national, regional, or global.
7. Technological monopoly	g. a concentrated market dominated by a few large suppliers. This is very frequent in manufacturing because of economies of scale and the cost barriers of entering an industry.
8. Competition	h. an official document showing that a person has the exclusive right to make and sell an invention.
9. Oligopoly	i. a market in a particular product in which a single producer can fix an artificial price.
10. Natural monopoly	j. an author's legal right to publish his or her own work and not to have it copied.
11. Patent	k. an industry in which the efficient existence of more than one producer is impossible; examples include public utilities such as water, gas and electricity, where it would be inefficient to have several competing companies laying their own networks of pipes or cables.

12. Economies of scale	l. economic or technical factors that make it difficult or impossible for firms to enter a market or compete with existing suppliers.
13. Market structure	m. an element of market that denotes the ways in which suppliers attempt to distinguish their own products from those of competitors.
14. Product differentiation	n. exists when many producers of slightly differentiated products are able to sell them at well above their marginal cost.
15. Monopoly	o. a license to trade using a brand name and paying a royalty for it
16. Perfect Competition	p. the way in which a market is organized.
17. Dominant-firm monopoly	q. the action of companies or individuals who are trying to do better than others, to win a large share of the market, to control the use of resources, etc.
18. Franchise	r. a monopoly owned and operated by government.

SECTION I

PRONUNCIATION GUIDE

affect [ə'fɛkt]
 evaluate [ɪ'væljuert]
 rare [re:]
 perceive [pə'si:v]
 behavior [bi'heɪvjə]
 consequently ['kɒnsɪkw(ə)ntli]
 oligopoly [ˌɒlɪ'gɒp(ə)li]
 monopoly [mə'nɒp(ə)li]
 geographical [dʒi:ə'græfɪk(ə)l]
 barrier ['bæriə]
 copyright ['kɒprɪraɪt]
 enhance [ɪn'hɑ:ns]
 franchise ['fræn(t)ʃaɪz]
 company ['kʌmp(ə)ni]
 minor ['maɪnə]
 unique [ju:'ni:k]

technological [tɛknə'lɒdʒɪk(ə)l]
 compete [kəm'pi:t]
 ideal [aɪ'diəl]
 enough [ɪ'nʌf]
 advertise ['advətʌɪz]
 oligopolist [ˌɒlɪ'gɒpəlɪst]
 identical [aɪ'dentɪk(ə)l]
 differentiation [ˌdɪfərənʃi'eɪʃn]
 although [ɔ:l'ðəʊ]
 require [rɪ'kwʌɪə]
 feature ['fi:tʃə]
 outlaw ['aʊtlɔ:]
 scale [skeɪl]
 characterize ['kærəktəraɪz]
 convince [kən'vɪns]
 pure [pjʊə]

Read text A and be ready to complete the table with the information from the text.

Characteristics of Market Structures

	Number of firms in industry	Influence over price	Product differentiation	Advertising	Entry into market	Examples
Perfect competition	Many					Perfect: None Near: Truck Farming
Monopolistic competition		Limited				
Oligopoly			Fair amount			
Monopoly				None		

Text A

Market Structures

When economists talk about market structure they mean the way companies compete with each other in a particular market. Let’s take the market for pizzas, for example. There may be many thousands of small companies all trying to win a share of the pizza market, or there may be only one huge company that supplies all the pizzas. Market structure, or the nature and degree of competition among firms doing business in the same industry, is important because it affects price. In some market structures, companies have more control over price. In other market structures, consumers have more control over price. Economists group firms into four different market structures that reflect the competitive conditions in those markets.

Perfect competition is a market structure characterized by a large number of well-informed independent buyers and sellers who exchange identical products. It represents a theoretically ideal situation that is used to evaluate other market structures. In order for a market to have perfect competition, it needs to meet five necessary conditions that other market structures lack.

The first condition is that there must be a large number of buyers and sellers. The second condition is that buyers and sellers deal in identical products. The third condition is that each buyer and seller acts independently. The fourth condition is that buyers and sellers are

reasonably well-informed about products and prices. And the last, fifth condition is that buyers and sellers are free to enter into, conduct, or get out of business. Few perfectly competitive markets exist because it is difficult to satisfy all five necessary conditions. Local vegetable farming, sometimes called “truck” farming, comes close.

Although perfect competition is rare, it is important because economists use it to evaluate other, less competitive, market structures. Imperfect competition is the name given to any of three market structures — monopolistic competition, oligopoly, and monopoly — that lacks one or more of the conditions required for perfect competition.

Monopolistic competition is the market structure that has all the conditions of perfect competition except for identical products. Under monopolistic competition, products are generally similar and include things such as designer clothing, cosmetics, and shoes. The monopolistic aspect is the seller’s ability to raise the price within the narrow range. The competitive aspect is that if sellers raise or lower the price enough, customers will ignore minor differences and change brands.

Monopolistic competition is characterized by product differentiation — real or perceived differences between competing products in the same industry. Most items produced today — from the many brands of athletic footwear to personal computers — are differentiated.

To make their products stand out, monopolistic competitors try to make consumers aware of product differences. They do this with nonprice competition — the use of advertising, giveaways, or other promotions designed to convince buyers that the product is somehow unique or fundamentally better than a competitor’s.

In a monopolistic competitive industry, advertising is important. This explains why producers of designer clothes spend so much on advertising and promotion. If a seller can differentiate a product in the mind of the buyer, the firm may be able to raise the price above its competitors’ price. Because advertising is expensive, it raises the cost of doing business for the monopolistic competitor, and hence the price the consumer pays.



Oligopoly is a market structure in which a few very large sellers dominate the industry. The product of an oligopolist may have distinct features, as do the many models of cars in the auto industry; or it may be standardized, as in the steel industry. As a result, oligopoly is further from perfect competition than monopolistic competition.

Because oligopolists are so large, whenever one firm acts, the other firms in the industry usually follow — or they run the risk of losing customers. The tendency of

oligopolists to act together often shows up in their pricing behavior, such as copying a competitor's price reduction in order to attract new customers. Because oligopolists usually act together when it comes to changing prices, many firms prefer to compete on a nonprice basis by enhancing their products with new or different features. If an oligopolist finds a way to enhance a product, its competitors are at a disadvantage for a period of time. After all, it takes longer to develop a new physical attribute for a product than it does to match a price cut.

At the opposite end of the spectrum from perfect competition is monopoly. A monopoly is a market structure with only one seller of a particular product. This situation — like that of perfect competition — is an extreme case. In fact, any modern economy has very few, if any, cases of pure monopoly — although the local cable TV operator or telephone company may come close. Consequently, when people talk about monopolies, they usually mean near-monopolies.

We have few monopolies today because people traditionally have disliked them and have tried to outlaw them. Another reason is that new technologies often introduce products that compete with existing monopolies.

WORDS AND PHRASES TO BE REMEMBERED

a share — частина, частка

to share — ділитися, розподіляти

huge — величезний

to supply — постачати

nature and degree of competition — природа та ступінь конкуренції

to do business — вести справи

to affect — впливати

to reflect — відображати

identical product — однаковий, ідентичний товар

to evaluate — оцінювати

in order to — для того, щоб

condition — умова

to lack — відчувати нестачу, бракувати

to deal in smth — торгувати чимось

to deal with smth — займатися чимось

to enter into business — входити у бізнес

to conduct business — вести справи

to get out of business — виходити з бізнесу

although — хоча

rare — рідкісний

to require — вимагати

except for — за винятком

to raise — піднімати, підвищувати

product differentiation — індивідуалізація (диференціація) продукту

to perceive — усвідомлювати, відчувати

advertising — рекламування

promotion — просування

hence — отже

distinct features — відмінна риса

to run the risk — ризикувати

behavior — поведінка

price reduction — зниження ціни

to attract — приваблювати

to enhance — збільшувати, посилювати, покращувати

attribute — властивість, ознака

to match — протиставляти, підходити, відповідати, співставляти

consequently — в результаті

to outlaw — оголошувати поза законом

VOCABULARY PRACTICE

I. Find in the text English equivalents for the following word combinations. Write your own sentences using them.

Ринкова структура; постачати; природа та ступінь конкуренції; вести справи (2); досконала конкуренція; добре інформовані покупці та продавці; обмінюватися однаковими товарами; задовольняти п'ять необхідних умов; торгувати чимось; діяти незалежно; хоча; вимагати; здатність продавця підняти ціну в межах неширокого асортименту; конкурентна сторона; індивідуалізація продукції; дорога реклама та просування продукції; відмінні риси; отже; монополістична конкуренція; ризикувати; втрачати

конкурентів; цінова поведінка; зниження ціни; приваблювати нових клієнтів; розробляти нову фізичну властивість товару; сучасна економіка; олігополія; чиста монополія; в результаті; означати; оголошувати поза законом; вводити нові товари.

II. Give Ukrainian equivalents for the following word combinations.

The way companies compete; particular market; to try to win the share of the market; to affect the price; to have more control over price; to reflect the competitive conditions; to represent a theoretically ideal situation; to evaluate market structure; in order to; to lack; a large number of buyers and sellers; reasonably well-informed; to be free to enter into; to conduct or get out of business; to satisfy all five necessary conditions; rare; less competitive market structure; except for; products are generally similar; to raise or lower the price enough; to ignore minor differences; to change brands; real or perceived differences; monopolistic competitive industry; the cost of doing business; to spend so much on advertising and promotion; to differentiate a product in the mind of the buyer; to dominate the industry; to be further from perfect competition than monopolistic competition; the other firms in the industry usually follow; tendency; to act together; when it comes to; a nonprice basis; to enhance a product with new or different features; to be at a disadvantage for a period of time; to take longer; to match a price cut; an extreme case; to come close; near monopolies.

III. The italicized words in the sentences below are found in this unit. Study the sentences. Then identify the part of speech and write your own definition for the word on the line provided.

EXAMPLE. Small traders cannot *compete* in the face of cheap foreign imports. *compete* (V) — to try to be more successful or better than somebody else.

1. Next year we hope to have a bigger *share* of the market.
share () _____

2. Your room is *huge* compared to mine.
huge () _____

3. We *supply* Internet-based services to big businesses in Europe.
supply () _____

4. Trading has been adversely *affected* by the downturn in consumer spending.

affect () _____

5. How much you are paid *reflects* how important you are to the company.

reflect () _____

6. A good training programme is one of the *conditions* for successful industry.

condition () _____

7. The ingredients are *identical* with those of competing products.

identical () _____

8. We use written tests and interviews to *evaluate* job candidates.

evaluate () _____

9. The design *meets* all safety standards.

meet () _____

10. It was the first time that I had *conducted* business in Brazil.

conduct () _____

11. I only saw Helen on the *rare* occasions when I went into her shop.

rare () _____

12. We decided to take rooms in Longwood House, *although* we knew we could not really afford the rent.

although () _____

13. Many traders *require* payment by credit card.

require () _____

14. Even as young woman she had been *perceived* as a future chief executive.

perceive () _____

15. They were well *aware* that the company was losing money.

aware () _____

16. This is an opportunity to *enhance* the reputation of the company.
enhance () _____

17. The learning needs of the two groups are quite *distinct* from each other.
distinct () _____

IV. Complete the table with word families.

Verb	Noun	Person
share		shareholder
compete	competition	
	advertising advertisement	advertiser
promote		promoter
	supply	

V. In each set of words, cross out the word that does not have a similar meaning to the first. Compare your answers with another student.

- | | | | |
|--------------------|----------|----------|-------------|
| 1. Share | part | portion | dividend |
| 2. Huge | gigantic | smart | large |
| 3. meet | enter | satisfy | fulfill |
| 4. conduct | carry on | do | run |
| 5. enhance | improve | increase | deteriorate |
| 6. raise | decrease | lift | increase |
| 7. lack | shortage | quantity | scarcity |
| 8. rare | usual | scarce | infrequent |
| 9. compete | rival | contest | accord |
| 10. require | satisfy | demand | call for |
| 11. include | omit | contain | involve |
| 12. match | agree | meet | resemble. |

VI. You can talk about the people or organizations who buy particular goods or services as the *market* for them, as in the “car market”, “the market for financial services”, etc. Buyers and sellers of particular goods and services in a place, or those that might buy them, form a *market*.

If a company:

enters	penetrates		it starts selling there for the first time.
abandons	gets out of		it stops selling there.
leaves			
dominates		a market	it is the most important company selling there.
corners	monopolizes		it is the only company selling there.
drives another			it makes the other company leave the market,
company out of			perhaps because it can no longer compete.

VII. Choose the best word to fill each gap.

1. We are well known in America, but now we want to ____ the European market.

A compete B entrance C penetrate

2. The world’s soft drinks market is ____ by Pepsi and Coca-Cola.

A dominated B segmented C shared

3. We were ____ out of business by the large supermarket chain.

A left B driven C abandoned

4. We bought out our only competitor so we could ____ the market in coffee.

A corner B front C edge

5. European films do not export well: European movies barely ____ the US market.

A abandon B corner C penetrate

6. In the 1970s, Kodak ____ the instant photography market, until then ____ by Polaroid.

A cornered B entered C left
D abandoned E dominated F penetrated

7. The Hunt brothers tried to fix silver prices and to ____ the silver market, ____ all competitors.

A corner

B enter

C leave

D entering

E driving out

F monopolizing

8. In the 1940s, MGM ____ the market on film musicals. But by the late 1950s, Warner Bros had also started buying film rights to musicals.

A abandoned

B got out of

C monopolized.

VIII. Study more word combinations with “market”.

MARKET	growth	In the late 1990s, Internet use was doubling every 100 days. Market growth was incredible.
	segment	Women are a particularly interesting target for the Volvo V70. They are the important market segment for Volvo.
	segmentation	The Softco software company divides the software market into large companies, small companies, home office users, and leisure users. This is its market segmentation .
	share	Among UK supermarkets, Tesco sells more than any of the other chains. It has the highest market share .
	leader	Tesco is the market leader among UK supermarkets as it sells more than any of the other chains.

IX. Fill in the missing words in the sentences below. Choose from the box.

Translate the sentences into Ukrainian.

Market segmentation; market share; market leader; market segments; market growth

I'm Caroline and I'm marketing manager for Crazy Cola in a country called New market. In this market, we are the (1) _____. In fact, we have 55 per cent (2) _____. (3) _____ is increasing at seven to eight per cent per year. There are two main (4) _____. Those who drink it in cafes, bars and restaurants, and those who buy it to drink at home. Of course, many users belong to both groups, but this is our (5) _____.

X. Find the most appropriate word to complete the sentences.

1. ____ ____ is connected with competition. It ____ the price.
2. A market of ____ ____ has a number of features. There must be many ____ companies, supplying one and the same good or providing one and the same service; all customers and companies must have complete ____ on the market; there must not be any ____ to new companies entering the market.
3. If we speak about a ____ of perfect competition, it is important that all ____ should have access to technology and resources.
4. In a market of perfect competition there are many companies, but ____ of them are able to control ____.
5. In a ____ the market ____ of one of the companies is so great that the rest are not able to ____.
6. As a rule, monopolies are not good for ____ as they are price-makers.
7. The products sold in a market of ____ ____ are not exactly the same, so each firm can ____ or lower its price to change its sales.
8. Emphasizing distinct features of goods and ____ is referred to as ____.
9. There are many ways businesses try to ____ customers by differentiating their products.
10. Because there are only a few companies in ____, each is dependent on what the others do.
11. In a market of ____ potential rivals are unable to ____ a market.
12. ____ price competition may occur with iron ore, copper, and even stocks and bonds traded on organized exchanges like the New York Stock Exchange.

COMPREHENSION CHECK

Answer the following questions

1. What is a market structure?
2. Why is market structure so important?
3. How do economists group firms?
4. What is perfect competition?
5. What conditions does the market need to meet in order to have perfect competition?

6. Why is perfect competition important?
7. What is imperfect competition?
8. What differs monopolistic competition from perfect competition?
9. What is the monopolistic aspect?
10. What are product differentiation and nonprice competition?
11. What is the role of advertising in monopolistic competition?
12. What is oligopoly?
13. How do oligopolists compete?
14. What is monopoly?

READING STRATEGIES

I. Read the following text. For each gap choose the best word A, B, or C. Make up a plan of the text. Before reading study the following economic terms:

monopsony — a buyers' monopoly, a situation in which there is only one seller. *oligopsony* — the situation in a market where there are only a limited number of buyers.

cartel — a group of producers or sellers who combine to avoid competition and increase profits by fixing prices and quantities.

conglomerate — a large corporation, or a group of companies, marketing a large number of different goods or services.

The rare situation in which all producers are too small to affect the price is called

(1) _____. Where even one producer can affect the price of a good by increasing or withholding output there is (2) _____. A market with only one producer who can fix an artificial price is called a (3) _____. The opposite situation, where there is only one buyer — e.g. for defence systems — is described as (4) _____.

The situation where there are only a few sellers is called (5) _____. This frequently arises in manufacturing industry because of economies of scale — continuously declining unit costs as production increases — and the costs barriers of entering an industry. A (6) _____ is where companies in the same industry collaborate by coordinating prices, sharing out markets, etc. In many countries, including the USA, this is illegal, under (7) _____. The situation in which there are only a small number of relatively large buyers in a market is (8) _____.

Some monopolies are legal. For example, inventors are granted (9) _____ that give them monopolistic privileges for a certain length of time. There are also natural monopolies, such as water, gas, electricity and telephones where it may not be economic to have a large number

of competing companies laying cables or pipes to the same consumers. Consequently, (10) ____ companies such as these are frequently granted monopolies, but with prices regulated by the government.

- | | | |
|----------------------------|-----------------|-------------------------|
| 1. A communism | B oligopoly | C perfect competition |
| 2. A capitalism | B monopoly | C imperfect competition |
| 3. A competitive advantage | B monopoly | C monopsony |
| 4. A nationalization | B monopoly | C monopsony |
| 5. A an oligopoly | B an oligopsony | C a recession |
| 6. A cartel | B conglomerate | C conspiracy |
| 7. A anti-trust laws | B honesty laws | C trust laws |
| 8. A a concentration | B an oligopoly | C an oligopsony |
| 9. A licenses | B patents | C trademarks |
| 10. A useful | B utility | C utilitarian |

II. You are going to read the text about the market.

a) Brainstorm words connected with “market”.

b) Consider the questions and be ready to answer them as soon as you read the text.

- What is a market?
- What do markets embrace?
- How can a market be defined in terms of product?
- How can a market be defined depending on transport costs, product characteristics and buyer tastes?
- How can different transaction be conducted?

Markets

A market is an exchange mechanism that brings together sellers and buyers of a product, factor of production or financial security. Markets embrace a number of product, spatial and physical measurements. In terms of product, a market can be defined as consisting of a group of goods or services that are viewed as substitute products by buyers. Thus, from a buyer's point of view, women's shoes and men's shoes would be represented as separate markets, that is, markets satisfying the needs of different buyers.

Spatially, a market may be local, regional, national or international in scope, depending on such considerations as transport costs, product characteristics and buyer tastes. For example, because of a high ratio of transport costs to value added, cement and plasterboard markets

tend to be localized. Likewise, Bavarian beer meets a specialized regional taste, while Coca Cola, by contrast, is sold worldwide as a global brand.

Physically, seller and buyer exchanges may be transacted in a well-defined market place (for example, a local fish market or wool exchange) or in a much more amorphous way (for example, the buying and selling of stocks and shares by telephone through international dealing offices or the sale of goods on the Internet). Finally, in some markets, sellers deal directly with final buyers, as in case with telephone insurance and catalogue selling while in others transactions are conducted through a chain of intermediaries such as wholesalers and retailers, brokers and banks.

III. Mark these statements T (true) or F (false) according to the information in the text. Find the part of the text that gives the correct information.

- a. A market is a place that brings together buyers and sellers to exchange goods and services.
- b. Markets cover a number of products, spatial and physical dimensions.
- c. Sportswear for children and sportswear for adults represent one market because it meets the same need in sportswear.
- d. Spatially, a market may be local, regional, national or international in scope because of physical location.
- e. Transactions can be conducted in different ways.

IV. a) Read the following text and write short headings for each paragraph.

1. _____

In most markets there is a definite market leader: the firm with the largest market share. This is often the first company to have entered the field, or at least the first to have succeeded in it. The market leader is frequently able to lead other firms in the introduction of new products, in price changes, in the level or intensity of promotions, and so on.

2. _____

Market leaders usually want to increase their market share even further, or at least to protect their current market share. One way to

do this is to find ways to increase the size of the entire market. Contrary to a common belief, wholly dominating a market, or having a monopoly, is seldom an advantage: competitors expand markets and find new uses and users for products, which enriches everyone in the field, but the market leader more than its competitors. A market can also be expanded by stimulating more usage: for example, many households no longer have only one radio or DVD player, but perhaps one in each room, one in the car, plus a minidisk or a Walkman or two.

3. _____

In many markets, there is often a distinct market challenger, with the second-largest market share. In the car hire business, the challenger actually advertises this fact: for many years Avis used the slogan “We’re number two. We try harder”. Market challengers can either attempt to attack the leader, or to increase their market share by attacking various market followers.

4. _____

The majority of companies in any industry are merely market followers which present no threat to the leader. Many market followers concentrate on market segmentation: finding a profitable niche in the market that is not satisfied by other goods or services, and that offers growth potential or gives the company a differential advantage because of its specific competencies.

5. _____

A market follower which does not establish its own niche is in a vulnerable position: if its product does not have a “unique selling position” there is no reason for anyone to buy it. In fact, in most established industries, there is only room for two or three major companies: think of soft drinks, soap and washing powders, jeans, sports shoes, and so on. Although small companies are generally flexible, and can quickly respond to market conditions, their narrow range of customers causes problematic fluctuations in turnover and profit. Furthermore, they are vulnerable in a recession when, largely for psychological reasons, distributors, retailers and customers all prefer to buy from big, well-known suppliers.

V. Which of the following three paragraphs most accurately summarize the text, and what is wrong with others?

First summary:

In most markets there is a definite market leader, with the largest market share, which frequently helps other firms to introduce new products. In many cases, there is also a market challenger, which wants to replace the leader, and various market followers, which seek out particular niches that do not interest the leader. Other followers merely imitate the products of larger companies, but this is a dangerous strategy during recessions.

Second summary:

In most markets there is a leader that strongly influences other firms in the introduction of new products, price changes, promotions, and so on. There is frequently also a market challenger, with the second-largest market share, which can attempt to increase its market share by attacking either the leader or some market followers. Market followers often concentrate on profitable niche products that are in some way differentiated from the products of larger companies.

Third summary:

The first company in a particular market nearly always becomes the market leader, a position it will try to keep by regularly attacking distinct market challengers and followers. Most followers can either concentrate on small market segments or niches, or follow the safer strategy of imitating the leader's products.

c) Find words in the text which mean the following.

1. a company's sales expressed as a percentage of the total market
2. short-term tactics designed to stimulate stronger sales of a product
3. the situation in which there is only one seller of a product
4. companies offering similar goods or services to the same set of customers
5. a short and easily memorized phrase used in advertising
6. the division of a market into submarkets according to the needs or buying habits of different groups of potential customers
7. a small and specific market segment
8. a factor which makes you superior to competitors in a certain respect
9. a business's total sales revenue
10. a period during which an economy is working below its potential.

VI. Scan the text. Entitle it and prepare a brief summary of the text.

Bill Gates (1955 —) co-founder and chairman of Microsoft Corporation ranked the richest man in the world for 12 years in a row.

Bill Gates was not the first computer geek, but he was probably the most passionate. In high school, he designed a class-scheduling program so that he could take courses with the prettiest girls in his school. He also started Traf-O-Data, a computer traffic analysis company. At Harvard University, he and his friend Paul Allen wrote an operating system language that they licensed to a computer manufacturer. With this early success, at age 19 Gates dropped out of Harvard and, with Allen, established Microsoft Corporation in 1975.

Five years later, computer industry giant IBM asked Gates to develop an operating system for its new personal computer. Gates modified a system he had bought from a small company and called it MS-DOS, for Microsoft Disk Operating System. Gates decided to license rather than sell it to IBM. This allowed him to market MS-DOS to other companies. By 1993 Microsoft's Windows operating system ran nearly 90 percent of the world's PC's.

Much of Gates' success came from understanding the needs of average computer users. His software encompasses a range of programs integrated to work together seamlessly for everyday users and businesses. Gates made sure that all programs were written to be user-friendly to make computing fun. As a result, computers became accessible to non-techies worldwide.

Gates is also known for his business stance. "He expects energy and commitment from his employees", said one Microsoft employee. "He insists on a thoughtful, thorough, complete analysis". Even Gates admits his tenacity. "In the early days, I liked to review every line of code, to interview every job applicant," he said. "I've had to lighten up in both of those areas". **Analyzing.** What characteristics made Gates a successful entrepreneur?

VII. Predicting Consequences. How might the Microsoft story have been different if Gates had sold MS-DOS to IBM rather than licensing it?

TRANSLATION PRACTICE

Translate into English.

1. Ринкова структура — це природа та ступінь конкуренції серед фірм, які працюють в одній галузі.
2. Різні компанії займають різне місце на ринку, тим самим по-різному впливаючи на ціну.
3. Досконала конкуренція — це ринкова структура, яка дуже рідко зустрічається, але є дуже важливою, оскільки економісти використовують її для оцінювання інших ринкових структур.
4. Досконала конкуренція характеризується великою кількістю незалежних покупців та продавців, які добре інформовані про ринкову ситуація та мають справу з однаковою продукцією.
5. Монополістична конкуренція характеризується індивідуалізацією продукції, тобто урізноманітнюючи свій товар продавці намагаються залучити більше покупців.
6. Споживачі сплачують більше коштів за товар, оскільки вартість реклами включається до ціни продукції.
7. Олігополія — це ринкова структура, в якій невелика кількість виробників переважають на ринку та встановлюють ціну виробленої продукції.
8. Однак багато олігополістів намагаються конкурувати не на ціновій основі, а змінюючи характеристики свого товару, тим самим випереджуючи конкурентів.
9. Монополія — це ринкова ситуація лише з одним продавцем певного товару.

SECTION II

I. Read text B and be ready to describe different types of monopolies.

Text B

Types of Monopolies

Sometimes the nature of a product or service dictates that society would be served best by a monopoly. A natural monopoly — a market situation where the costs of production are minimized by having a single firm produce the product — is one such case.

Natural monopolies often can provide services more cheaply than several competing firms could. For example, two or more competing telephone companies serving the same area would be inefficient if each company needed its own telephone poles and lines. Public utility companies fall into this category because it would be wasteful to duplicate the network of pipes and wires that distribute water, gas, and electricity throughout a city. To avoid these problems, the government often gives a public utility company a franchise — the exclusive right to do business in a certain area without competition. By accepting such franchises, the companies also accept a certain amount of government regulation.

The justification for the natural monopoly is that a larger firm can often use its personnel, equipment, and plant more efficiently. This results in economies of scale, a situation in which the average cost of production falls as the firm gets larger. When this happens, it makes sense for the firm to be as large as is necessary to lower its production costs.

Sometimes a monopoly exists because of a specific location. A drugstore operating in a town too small to support two or more such businesses becomes a geographical monopoly. This a monopoly based on the absence of other sellers in a certain geographic area. Similarly, the owner of the only gas station on a lonely highway also has a type of geographic monopoly.

A technological monopoly is a monopoly that is based on ownership or control of a manufacturing method, process, or other scientific advance. The government may grant a patent — an exclusive right to manufacture, use, or sell any new and useful invention for a specific period — to the inventor. Inventions are covered for 20 years; however, a product's design can be patented for shorter periods, after which it becomes public property available for the benefit of all. Art and literary works are protected through a copyright — the exclusive right of authors or artists to publish, sell, reproduce their work for their lifetime plus 50 years.

Still another kind of monopoly is the government monopoly — a monopoly owned and operated by the government. Government monopolies are found at two levels of government — national and local. In most cases they involve products or services that private industry cannot adequately supply.

Many towns and cities have monopolies that oversee water use. Some states in the USA control alcoholic beverages by requiring that they be sold only through state stores. The government controls the processing of weapons-grade uranium for military and national security purposes.

WORDS AND PHRASES TO BE REMEMBERED

costs of production — витрати виробництва

to provide smb with smth — забезпечувати когось чимось

inefficient — неефективний, непродуктивний

public utility — комунальне підприємство

to fall into a category — підпадати під категорію

wasteful — марнотратний

to duplicate — дублювати, подвоювати

network of pipes and wires — мережа трубопроводів та проводів

to distribute — розподіляти

to avoid — запобігати

franchise — франшиза, ліцензія

to accept — приймати

justification — обґрунтування, правомірність

to exist — існувати

drugstore — аптека

to support — підтримувати

to grant — надавати, дозволяти

invention — винахід

however — однак

benefit — користь, вигода, перевага

to involve — включати, залучати

to oversee — наглядати, контролювати

security — безпека

purpose — мета

VOCABULARY PRACTICE

I. Find in the text English equivalents for the following word combinations. Write your own sentences using them.

Природна монополія; витрати виробництва; єдина фірма; забезпечувати послугами дешевше ніж, конкуруючі фірми; непродуктивний; комунальні підприємства; розподіляти воду, газ та електрику; ексклюзивне право; економія за рахунок масштабів виробництва; особливе розміщення; аптека; географічна монополія; відсутність інших продавців; так само; технологічна монополія; надавати патент; корисний винахід; наявний; користь; авторське право; урядова монополія; з метою національної безпеки.

II. Give Ukrainian equivalents for the following word combinations.

To fall into the category; wasteful; to duplicate the network of pipes and wires; to avoid problems; to give a franchise; to accept a certain amount of government regulation; justification; the average cost of production; to lower production costs; to support business; ownership or control of a manufacturing method; scientific advance; however; public property; national and local government; to involve products or services; adequately; to oversee water use.

III. Fill in the missing words in the sentences below. Choose from the box. Translate the sentences into Ukrainian.

property right; competition; trademarks; natural; copyright; government license; patents

1. Traditionally, economists have thought of telephone, electric, and water companies as ___ monopolies.

2. Without ___ driving costs and prices down, output under monopolies tends to be less and prices are higher than they are under pure price competition.

3. Another type of legal monopoly is a ___ that grants a particular business the right to operate without direct competition.

4. The federal government grants ___ to cover new products and processes.

5. A patent gives the inventor the private ___ to a new product or idea for 17 years.

6. The government gives the authors of original writing and artistic work a ___ — the exclusive right to sell, reproduce, or distribute their works.

7. ___ are special designs, names, or symbols that identify a product, service, or company.

COMPREHENSION CHECK

Now read the text again and answer the following questions. Compare your answers with another student and discuss any differences. Make sure you can refer to a particular phrase or sentence from the text for each answer.

1. What is a natural monopoly?

2. Why can natural monopolies provide services cheaply than several competing firms could?
3. What is a franchise?
4. What results in economies of scale and what situation is called economies of scale?
5. What are the examples of geographic monopoly?
6. What is a technological monopoly?
7. What is the difference between a patent and a copyright?
8. What is government monopoly? Give examples where government monopolies can be found.

READING STRATEGIES

I. Read the text “Types of Market Failures” and be ready to do the assignments after the text.

Types of Market Failures

Unfortunately markets sometimes fail. A market failure occurs whenever one of the conditions necessary for competitive markets does not exist. As you will learn, five main causes of market failures exist.

Inadequate Competition

Over time, mergers and acquisitions result in larger and fewer firms dominating various industries. The decrease in competition tends to reduce the efficient use of scarce resources — resources that could be put to other, more productive uses if they are available. Inadequate competition can occur on both the demand and supply sides of the market. If we consider the supply side of the market, there is no competition when a monopolist dominates. In an oligopolistic market, the temptation to collude is strong. If we look at the demand side of the market, there is little or no competition if the government is the only buyer for space shuttles, hydroelectric dams, super computers, M-1 tanks, or high-technology fighter jets.

A firm that does not face adequate competition could easily spend its profits on huge salaries and bonuses, executive jets, country club memberships, and generous retirement plans. This is one of the reasons that public utilities such as electricity are regulated by the government — to make sure that the firms do not use their monopoly status to waste or abuse resources. Inadequate competition also may enable a business to influence politicians in order to get special treatment that enriches its managers and owners.

Inadequate information

If resources are to be allocated efficiently, everyone — consumers, businesspeople, and government officials — must have adequate information about market conditions. A secretary or an accountant may receive a competitive wage in the automobile industry, but wages for the same skills might be higher in the insurance or banking industry. The consequences of inadequate information may not always be immediately visible, but in the long run it will put a slow drain on the economy, lowering the rate of growth and the overall standard of living.

Resource Immobility

A difficult problem in any economy is that of resource immobility. This means that land, capital, labour, and entrepreneurs do not move to markets where returns are the highest. Instead they tend to stay, put and sometimes remain unemployed. What happens, for example, when a large auto assembly plant closes, leaving hundreds of workers without employment? Certainly some workers can find jobs in other industries, but not all can. Some of the newly unemployed may not be able to sell their homes. Others may not want to move away from friends and relatives to find new jobs in other cities.

Public Goods

Another form of market failure shows up in the form of public goods. Public goods are products that are collectively consumed by everyone. Their use by one individual does not diminish the satisfaction or value available to others. Examples of public goods are uncrowded highways, flood-control measures, national defence, and police and fire protection. When left to itself, the market either does not supply these items at all, or it supplies them inadequately. This is because a market economy produces only those items that can be withheld if people refuse to pay for them. It would be difficult, for example, to deny one person the benefits of national defences while supplying it to others. Because it is so difficult to have all individuals pay for their fair share of a public good, private markets produce too few of them.

Externalities

Many activities generate some kind of externality, or unintended side effect that either benefits or harms a third party not involved in the activity that caused it. A negative externality is the harm, cost, or inconvenience suffered by a third party because of actions by others. The classic case of a negative externality is the noise and inconven-

ience some people suffer when an airport expands. A positive externality is a benefit someone receives who was not involved in the activity that generated the benefit. For example, people living on the other side of town may benefit from the additional jobs generated by the airport expansion, or a nearby restaurant may sell more meals and hire more workers. Externalities are market failures because their costs and benefits are not reflected in the market prices that buyers and sellers pay. For example, airlines do not compensate homeowners for the diminished value of properties located near a new runway extension. Nor does a restaurant owner share any additional profits with the airport. As a result, the prices that travellers pay for air travel will not reflect the external costs and benefits that an airport expansion generates.

Understanding main points of the text.

A. Mark these statements T (true) or F (false) according to the information in the text. Find the part of the text that gives the correct information.

1. Traditionally, there are six main causes of market failures.
2. The increase in competition tends to reduce the efficient use of scarce resources.
3. There is no competition when a monopolist dominates.
4. Adequate competition also may enable a business to influence politicians in order to get special treatment that enriches its managers and owners.
5. Availability of adequate information about market conditions leads to the efficient allocation of resources.
6. Everyone can see the effects of inadequate information immediately.
7. Resource immobility deals with factors of production.
8. Public goods are produced by private firms.
9. Public goods can be used by any consumer.
10. There are three types of externalities.
11. Externalities are market failures because their costs and benefits are reflected in the market prices that buyers and sellers pay.

B. Understanding details of the text.

- a. What exactly do the authors mean speaking about a concept of “inadequate competition”?
- b. Explain the meaning of “public goods” and “externalities”.

II. You are going to read the text “Dealing with externalities”. Be ready to do the following assignments.

Pre-reading tasks

A. Use a graphic organizer like the one below to identify and describe both types of externalities.

EXTERNALITIES

Positive:	Negative:
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Identify a situation in your community that resulted in a negative externality.

How would you advise the government to reduce these negative effects?

B. Now read the text “Dealing with externalities” and answer the following questions:

1. How can the government correct negative externalities?
2. If externalities are positive, why should they be corrected?
3. The problem with externalities is that they distort the decisions made by consumers and producers. Overall this makes the economy less efficient.

Correcting negative externalities

A classic example of pollution sheds some light on the distortions caused by negative externalities. Firms historically located near rivers because transportation was convenient. However, the firms also used the rivers as a giant waste disposal system, which helped keep their production cost low. This led to lower market prices for the final product, and consumers were able to buy more. The negative externality of pollution generated several problems. Firms had the incentive to pollute because it was the most profitable way to produce. The low prices also encouraged more sales, and hence more pollution. Finally, people living downstream from the polluting firms were, in effect, paying for some of the production costs even if they did not necessarily buy the products. Suppose the government decided to force the firms to clean up their pollution by putting a \$1 “pollution tax” on every unit of output sold. The tax would help alleviate pollution problems. First, all firms would have less incentive to pollute because the tax drives up the price of their products. Second, higher prices would reduce the quantity demanded, so firms would produce less and there-

fore generate less pollution. Third, the people living downstream of the effected rivers would face less pollution.

Correcting Positive Externalities

Externalities can be positive as well as negative. Yet even when externalities are positive, so that uninvolved third parties experience beneficial side effects, distortions can occur. A classic example is education. We know that people generally earn more when they have more education. In addition, a community with well-educated workforce will attract more industry, have more economic development, and enjoy higher standard of living. For these and other reasons, it makes sense for the government to subsidize the cost of public education. This exactly what happens when local governments pay for the cost of primary and secondary public education. When it comes to the higher education offered by state universities, however, state governments only pay for part of the cost, leaving students to pick up the rest in the form of tuition payments. Given education's value to the community, many experts feel that the government subsidies should be larger than they are. This is expensive, however, so government tends to underfund higher education even though more subsidies are warranted.

III. Read the following information and prepare a brief summary of the text.

When Business Merge

Business firms expand in one of two ways — internally or externally. Firms that grow internally expand their activities by adding facilities, equipment, and personnel based on current or predicted demand. Those that grow externally acquire other companies through “mergers”.

A merger results when one business buys another. Following the merger, the acquired firm is either dissolved or becomes a division of the new firm.

Mergers take place for various reasons. Some companies buy others to add new products, to gain access to established markets, and/or to diversify their business, thereby “spreading the risk”. Some want the benefits of increased size. Some merge to eliminate a competitor. Others think they can manage the absorbed company more efficiently, and still others wish to reduce costs by acquiring assets like marketing or transportation facilities. In 1995, for example, Walt Disney Company bought Capital Cities/ABC, a television network, because it

wanted to own a broadcasting system to distribute its films and other forms of entertainment. In January 2000, America Online (AOL) bought Time Warner to increase its multimedia market share.

Mergers fall into three categories: vertical, horizontal, or conglomerate.

Vertical Mergers

Disney's merger with Capital Cities/ABC illustrates a vertical merger. This is a combination of two or more companies involved in different steps of a production process. Disney was a producer of entertainment content, while Capital Cities/ABC was a distributor.

Horizontal Mergers

The combination of two or more companies engaged in the same business is a horizontal merger. In 1999, for example, Wells Fargo and Norwest Banks announced a merger. Horizontal mergers can increase an industry's concentration ratio by eliminating a competitor.

Conglomerate Mergers

A conglomerate merger combines two or more unrelated businesses under single management. Examples of conglomerate mergers include Liggett & Meyers, a cigarette manufacture, merging with Alpo, the dog food company. General Mills, which markets breakfast cereals and other food products, also owns Izod Lacoste clothing, Lark Luggage, and Parker Brothers.

Some companies also establish joint ventures with other companies. In a joint venture two companies keep their independence while cooperating on a particular project. Toyota and General Motors, for example, teamed up to produce the Geo. Joint ventures allow companies to combine resources without experiencing many of the problems of mergers.

IV. Scan the article for the answers to the following questions.

1. Why is the government involved in economic affairs?
2. What are two ways to maintain competitive markets?
3. Why do governments regulate monopolistic cable companies and not prohibit them?
4. What two economic failures that interfere with competitive markets does the government correct?
5. Why is the USA considered to have a modified free enterprise economy?

The Role of Government

We know that resources are scarce, and because of scarce resources we have to make careful choices if we are to satisfy our many wants and needs. We also know that competitive markets are one of the best ways to make this happen. At the same time, markets can fail. When they do, the government can step in and fix the problem.

MAINTAIN COMPETITION

There are two ways that government can maintain competitive markets. One is by prohibiting market structures that are not competitive. The other is by regulating markets where full competition is not possible.

Antitrust Legislation. In the late 1800s, the United States passed laws to restrict monopolies and trusts — combinations of firms designed to restrict competition or control prices in a particular industry. Since then, several laws have been passed that allow the government to either prevent or break up monopolies and trusts, thus preventing market failures due to inadequate competition.

Government Regulation. Not all monopolies are bad, and for that reason not all should be broken up. In the case of a natural monopoly, it makes sense to let the firm expand to take advantage of lower production costs, and then regulate its activities so that it cannot take advantage of the consumer. Local and state governments regulate many monopolies, such as cable television companies, and water and electric utilities.

IMPROVE ECONOMIC EFFICIENCY

The government has the ability to correct two market failures that interfere with competitive markets: inadequate information and public goods.

Promote Transparency. Efficient and competitive markets need adequate information. Transparency is a term used to indicate that information and actions are not hidden and instead are easily available for review.

Public disclosure, the requirement that businesses reveal certain information to the public, is an important way to do this. Most government documents, studies, and reports are now available on the Internet.

Provide Public Goods. A free enterprise economy does not provide public goods in sufficient quantity because such efforts usually do not result in direct financial gain. This means that many of the

things society values — good roads and highways, museums and libraries, and education — must be provided by government.

Public goods are important because they make the economy more productive. For example, businesses need reliable transportation so that they can move their raw materials and final products. In addition, their employees need to be able to easily commute to and from work.

So because the government is involved in certain aspects of our economy, it is a modified version of free enterprise.

V. Read the article carefully and complete the exercise that follows.

Use a graphic organizer similar to the one bellow to identify how the federal government can maintain competition and improve economic efficiency.

Action	Purpose
Antitrust legislation	

SPEAKING STRATEGIES

USEFUL ENGLISH
Phrases for discussion in English

1. Introduction

Let's begin/start with ...

2. What you think about somebody/something

As far as I'm concerned ...	I think ...
In my opinion ...	As far as I know ...
In my view ...	I don't think ...
I don't believe that ...	Well, if you ask me ...
If you want my honest opinion ...	I've never come across the idea that ...

3. How to agree/disagree

I must admit that ...	I totally/fully/partly agree.
I agree/don't agree with you	...I believe/don't believe ...
I'm convinced that ...	The way I see it ...

It seems to me that ...	I wouldn't say that ...
I don't think so...	You're right up to a point.
You could be right...	That can't be right.
I don't agree at all...	As a matter of fact, ...
That's right/wrong.	Exactly.
I can understand ...	It's hard to say.
It's a fact that ...	However, ...
That's why ..John likes computers. – So do	I. Ann doesn't like

mobiles. – Neither do I.

4. Asking for clarification

What do you think?	What's your opinion?
Would you like to say something?	What do you mean?
What are your ideas?	What are you trying to say?

5. How to interrupt politely

I'm sorry, but ... Can/May I add something? Sorry to interrupt, but ...

6. Other opinions

On the one hand ... on the other hand	They claim that ...
They also say ...	Opinion among teachers is that ...
That's a matter of opinion.	

7. Phrases to keep a discussion going

Let's get back to ... As we just heard ... Where were we?

Activity 1

Review the main ideas.

Useful English section given above can be helpful to you.

1. Explain why perfect competition is a theoretical situation.
2. Describe the four types of monopolies by using a graphic organizer similar to the one below.

Type of Monopoly	Description

1. Explain what happens when markets do not have enough competition.
2. Describe what is meant by externality.
3. Explain why public sector is reluctant to produce public goods.
4. Identify the purpose of antitrust legislation.
5. Explain why markets need both adequate competition and adequate information.
6. List and explain reasons why markets fail.
7. Explain why the government is involved in economic affairs.

Activity 2

Assignments for discussion.

1. Describe some of the positive and negative externalities that could result from the closing of a military base.
2. Under what circumstances would a private firm be willing to build private toll roads?
3. If Americans traditionally dislike monopolies, why do some monopolies exist today? What type of monopolies are they, and what are their characteristics?
4. Identify at least two instances where you have personally benefited from government regulations. Explain the benefits.
5. Search your local newspaper for local clothing store ads. You should find at least two different ads. Describe how the advertisements succeed or fail to differentiate the products.

WRITING STRATEGIES

I. Write a brief summary of text A.

II. Write an essay (100 — 150 words) about:

1. Which characteristics of firms selling designer clothing are monopolistic? Which are competitive? Write an essay explaining your answer.
2. Identify a situation in your community that resulted in a negative externality. How would you advise the government to reduce these negative effects? Write an essay outlining your suggestions.
3. To what extent do you think the government should be involved in the free enterprise economy? Defend your answer.

SELF-ASSESSMENT QUESTIONS

I. Complete the words below to match the following meaning.

1.	A special right given to an inventor to be the only person to make and sell a machine or process.	p....t
2.	The situation in the market in which there is only one seller of a commodity. Laws which make it illegal to form large combinations of	m.....y
3.	existing commercial and industrial organizations or any new concerns having the effect of setting up monopolies which kill healthy competition. A legal right, possessed by no one else, of publishing or	a.....t l..s
4.	reproducing a literary, artistic or musical work, and of preventing anyone else from doing so.	c.....t
5.	Rivalry between business concerns in the same market.	c.....n
6.	The amount of money for which an article or commodity can be bought or sold.	p...e
7.	A person whose wants are satisfied by producers.	c.....r
8.	A state of competition in which the price of a good is the same throughout the market.	p....t c.....n
9.	A person who purchase, as opposite to one who sells.	b...r
10.	A state of competition in a market in which there is neither pure competition nor pure monopoly.	i.....t c.....n
11.	Making one's product as different as possible from its competitors.	p....t d.....n
12.	Production of useful goods by the organized use of capital and labour.	i.....y
13.	Making a product or service known to the public in order to sell it.	a.....g
14.	Rival in business.	c.....r
15.	A market in which there are only a few sellers. A monopoly that exists because the entire demand for a	o.....y
16.	product can be supplied by one producer producing on the smallest scale that is commercially possible.	n.....l m.....y
17.	A special mark that is placed on a particular brand of article to distinguish it from similar goods sold by other producers.	t.....k
18.	A state of competition in a market in which there are only a few producers who can force buyers to accept their price.	m.....c c.....n

II. Choose the correct variant.

1. Economists generally agree that there are ... major degrees of competition resulting in different market structures.

- A. three** **B. five**
- C. four** **D. six**

2. Monopoly is a market in which there is ... seller.

- A. a lot of** **B. only one**
- C. great many** **D. a few**

3. The laws of supply and demand operate only under conditions of

- A. monopoly** **B. oligopoly**
- C. perfect competition** **D. monopolistic competition**

4. There are no barriers to enter or exit the market in the

- A. monopoly** **B. oligopoly**
- C. perfect competition** **D. monopolistic competition**

5. In a ... a large number of firms produce similar but not identical products.

- A. monopoly** **B. oligopoly**
- C. perfect competition** **D. monopolistic competition**

6. The process of creating ... in products is known as product differentiation.

- A. similarity** **B. uniqueness**
- C. difference** **D. loyalty**

7. A limited number of leading firms produce a particular brand product in the

- A. monopoly** **B. oligopoly**
- C. perfect competition** **D. monopolistic competition**

8...is defined as a single firm producing a product, for which there are no close substitutes.

- A. monopoly** **B. oligopoly**
- C. perfect competition** **D. monopolistic competition**

9. ...is a market dominated by a few large suppliers.

- A. monopoly** **B. oligopoly**
- C. perfect competition** **D. monopolistic competition**

10. Competing firms are unable to enter the market where a ... exists.

- | | |
|-------------------------------|------------------------------------|
| A. monopoly | B. oligopoly |
| C. perfect competition | D. monopolistic competition |

11. Market is an actual or nominal place where forces of demand and supply operate, and where buyers and sellers

- | | |
|--------------------|------------------|
| A. buy | B. sell |
| C. interact | D. supply |

12. In most economic systems consumers and producers exchange their goods and services in many ... markets.

- | | |
|-------------------|-----------------------|
| A. various | B. different |
| C. open | D. competitive |

13. The laws of supply and ... operate only under conditions of perfect competition.

- | | |
|-----------------------------|-----------------------------|
| A. demand | B. price |
| C. quantity demanded | D. quantity supplied |

14. Perfect competition and perfect competitive markets exist in ... businesses and industries.

- | | |
|---------------------|-------------------|
| A. many | B. a few |
| C. different | D. various |

15. The market structure called by many economists as ... competition consists of industries and markets that fall in between two extremes of perfect competition and pure monopoly.

- | | |
|-------------------|------------------------|
| A. perfect | B. imperfect |
| C. pure | D. monopolistic |



UNIT THREE

MONEY AND FINANCIAL INSTITUTIONS

Section I Text A. The Evolution of Money

Section II Text B The Functions and Characteristics of Money

Section III Text C. Cryptocurrency

Section IV Text D. Types of Financial Institutions and Their Roles

Useful English Expressing General/Personal Opinion

Expressing Agreement/Disagreement

LEARNING OBJECTIVES

In this unit you will practise the following skills and strategies:

- applying reading skills to comprehend, analyze, summarize and interpret texts related to money and financial institutions;
- identifying the main idea; reading for details, specific facts or pieces of information; dealing with unknown vocabulary;
- expressing general and personal opinion; agreement and disagreement;
- evaluating information; drawing conclusions; formulating questions;
- talking about money and financial institutions: giving spontaneous and prepared monologues, dialogues, and group interaction using topical vocabulary;
- summarizing, rendering and translating texts related to the issues covered in the unit.

LEAD-IN

1. Discuss these questions with your partner.

- What is money?
- Can anything be used as money?
- Could stones and leaves be used instead of coins and notes?

2. Comment on the following quotations about money. What do the authors mean? Do you agree or disagree with them? Discuss it with your partner.



➤ **“A wise person should have money in their head, but not in their heart”.**

Jonathan Swift (1667–1745) – Anglo-Irish writer, the author of the classic Gulliver’s Travels

➤ **“An investment in knowledge pays the best interest.”**

Benjamin Franklin (1706–1790) – inventor, politician, one of the Founding Fathers of the United States

➤ **“I’d like to live as a poor man with lots of money.”**

Pablo Picasso (1881–1973), Spanish painter, co-founding the Cubist movement

➤ **“Never spend your money before you have it.”**

Thomas Jefferson (1743–1826) – the third President of the USA, one of the Founding Fathers of the USA, principal author of the Declaration of Independence

➤ **“We make a living by what we get, but we make a life by what we give.”**

Winston Churchill (1874–1965), the Prime Minister of the United Kingdom

➤ “No wealth can ever make a bad man at peace with himself.”

Plato /'pleitov/ (IV century BC) – Greek philosopher, the student of Socrates and the teacher of Aristotle

➤ “When it is a question of money, everybody is of the same religion.”

Voltaire /vool'tɛər/ (1694–1778), French philosopher and writer

➤ “Money is like an arm or leg – use it or lose it.”

Henry Ford (1863–1947), the founder of the Ford Motor Company

KEY TERMS

I. Before reading text A and B study the key terms and their definitions. While reading the texts, you should pay attention to the economic and business terms – they will become the basics of your professional vocabulary.

1. **Barter** – *бартер* – a direct exchange of goods and services without the use of money.

2. **Currency** – *валюта, гроші* – paper money (such as dollar bills) and coins.

3. **Fiat money** – *нерозмінні паперові гроші* – paper money made legal tender by a government decree, but not convertible into coins or precious metal.

4. **Commodity money** – *товарні гроші* – money that has an alternative use as an economic good. Commodity money is made up of precious metals or another valuable commodity.

5. **Representative money** – *представницькі гроші* – something that is not in the physical forms of currency, but represents the intent to pay money. A paper check from a banking institution is an example of representative money. The check is not a physical piece of money, but it implies the intent to pay.

6. **Token money** – *символічні гроші, грошові знаки* – a system of notes and coins where the value stated on them is much greater than the value of the material they are made from.

7. **Electronic money** (or e-money) – *електронні гроші* – money that exists only in electronic form and substitutes for cash as well.

Syn: cybercash, digital cash, e-cash, online bucks.

8. **Gold standard** – *золотий стандарт* – an economic system in which the value of money is based on the value of gold.

9. **Intrinsic value** – *внутрішня собівартість; власна собівартість* – the real value that a company, an asset, etc. has, rather than the current value as shown, for example, by share prices or its market value.

10. **Monetary unit** – *грошова одиниця* – standard unit of currency in a country's money supply.

11. **Monetary system** – *грошова система* – the system used by a country to provide the economy with money for internal use and to control the exchange of its own currency with those of foreign countries.

12. **Legal (lawful) tender** – *законний платіжний засіб* – currency accepted in payment of debt.

13. **Medium of exchange** – *засіб обміну* – money or other substance generally accepted as payment for goods and services.

14. **Store of value** – *засіб збереження вартості* – a function of money that allows people to preserve value for future use.

15. **Measure of value** – *міра вартості* – a function of money that allows it to serve as a common way to express value.

16. **Money supply** – *грошова маса в обігу* – the total amount of money issued by a country's monetary authorities and held by all persons and organizations in a country at a particular time.

17. **Inflation** – *інфляція, знецінення грошей* – a rise in the general prices of goods and services in a particular country over a period of time resulting in a fall in the value of money.

II. Give the right terms for the following definitions.

1.	The real value that a company, an asset, etc. has, rather than the current value as shown	
2.	Money or other substance generally accepted as payment for goods and services	
3.	The total amount of money issued by a country's monetary authorities and held by all persons and organizations in a country at a particular time	
4.	Currency accepted in payment of debt	
5.	A rise in the general prices of goods and services in a particular country over a period of time, resulting in a fall in the value of money	
6.	The system used by a country to provide the economy with money for internal use and to control the exchange of its own currency with those of foreign countries	

7.	A direct exchange of goods and services without the use of money	
8.	A function of money that allows it to serve as a common way to express value	
9.	A standard unit of currency in a country's money supply	
10.	A function of money that allows people to preserve value for future use	
11.	A system of notes and coins where the value stated on them is much greater than the value of the material they are made from	
12.	A currency established as money by government regulation or law. ⁴	
13.	An economic system in which the value of money is based on the value of gold	
14.	Money that has an alternative use as an economic good	
15.	Something that is not in the physical form of currency, but represents the intent to pay money.	
16.	Paper money (such as dollar bills) and coins	
17.	Money that exists only in electronic form and substitutes for cash as well	

PRONUNCIATION GUIDE

receipt [rɪ'si:t]
 medium ['mi:diəm]
 legal tender ['li:g(ə)l 'tendə]
 redemption[rɪ'dempj(ə)n]
 euro ['juərəu]
 effect [ɪ'fekt]
 deferred payment [dɪ'fɜ:d]
 intrinsic value [ɪn'trɪnsɪk 'vælju:]
 weight [weɪt]
 percent (BE) [pə'sent]
 record (n) ['rekɔ:d]
 record (v) [rɪ'kɔ:d]

fiat money ['faɪæt]
 plastic money ['plæstɪk]
 withdrawing [wɪð'drɔ:]
 debt [det]
 swap [swɒp]
 coincidence [kəu'ɪnsɪd(ə)ns]
 pound sterling [paund'stɜ:lɪŋ]
 lure [luə]
 vie [vaɪ]
 disruptive [dɪs'rʌptɪv]
 issue ['ɪʃ(j)u:, 'ɪsju:]
 precious ['preʃəs] 1.

SECTION I

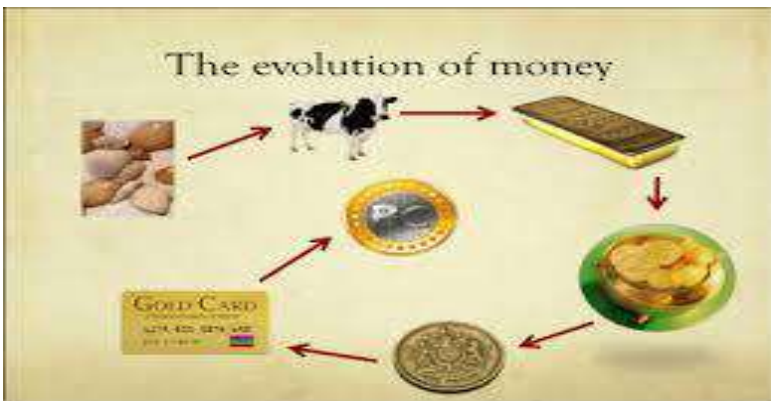
I. Read text A and be ready to complete the table with the information from the text.

Forms of money	Examples	Advantages	Disadvantages
Barter			
Commodity money			
Representative money			
Fiat money			

Text A

The Evolution of Money

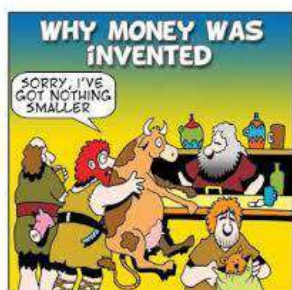
Money has been different things at different times; however, it has always been important to people and to the economy. To understand the effects of money on the economy, we must understand exactly what money is.



Economists define money as anything commonly accepted by people for the exchange of goods and services or in the repayment of debts. Money, in some form, has been part of human history for at least the last 3,000 years.

The cash we use every day is something we take for granted, but for thousands of years people traded without it. Before money was invented, people used a system called **bartering**. Bartering is simply swapping one good for another. Imagine that you have milk, for example, and you want eggs. You simply find someone who has eggs and wants milk – and you swap! However, you can see that this isn't a very convenient way to trade. Barter requires each person to want what the other is offering. These situations led to the development of **commodity money**.

Commodities are basic items used by almost everyone. In the past, popular commodities included salt, cacao beans, tea and tobacco leaves, animal hides, cattle, and seeds. Using these items of money alleviated some of the problems of bartering. What matters is not the commodity used, but the social convention that it is accepted without question as a means of payment. Today, this money would be classified as **commodity money**—money that has an alternative use as an economic good, or commodity. For example, the compressed tea leaves could be used to make tea when not needed for trade. However, using commodities raised other problems. Commodities weren't always easy to transport and often they were perishable or difficult to store.



1. COMMODITY MONEY

- Commodity money had different problem like:
 1. Storing Problem
 2. Durability problem
 3. Transportation problem
 4. Divisibility problem



These issues with commodities led people to create coins out of precious metals to use as money. No one knows for sure who first invented such money, but historians believe metal objects were first used as money as early as 5,000 B.C.

Many countries and civilizations soon began to mint their own coins with specific values. Using coins with set values made it easier to compare values and trade money for goods and services.

Eventually, societies moved away from using precious metals to make money. The system of commodity money eventually evolved into a system of **representative money**. This occurred because gold and silver merchants or banks would issue receipts to their depositors – redeemable for the commodity money deposited. In **the course of time**, these receipts became generally accepted as a means of payment and were used as money. Paper money or banknotes were first used in China. However, they did not displace commodity money, and were used alongside coins. In the 13th century, paper money became known in Europe. Banknotes were first issued in Europe by Stockholm’s Banco in 1661, and were again also used alongside coins.

Representative money refers to paper currency backed by a government or bank’s promise to redeem it for a given weight of precious metal (gold or silver). During the late 19th and early 20th century, most currencies were examples of representative money. Money of this type was based on the gold standard, and, in theory, could be exchanged for a fixed amount of gold. For example, the US dollar was convertible to gold until 1934. The **gold standard**, a **monetary system** where the medium of exchange is paper notes that are convertible into pre-set, fixed quantities of gold, replaced the use of gold coins as currency in the 17th-19th centuries in Europe. These gold standard notes were made **legal tender**, and redemption into gold coins was discouraged. By the beginning of the 20th century, almost all countries had adopted the gold standard, backing their legal tender notes with fixed amounts of gold.



Gold coins are an example of legal tender that are traded for their intrinsic value, rather than their face value.

Today, most modern currency is not backed by silver or gold. Instead, today's money is known as **fiat money**. Fiat is a Latin word that means "let it be done." Money has a certain value today because it was given that value by government fiat or decree. Fiat money is physical money (paper money and coins), while representative money is something that represents intent to pay the money such as a cheque.

Fiat money is backed by the government, and representative money can be backed by different things. For example, a personal check is backed by the money in a bank account. Without backing, both fiat money and representative money are completely worthless. Most modern money is fiat money because most governments have printed too much money to compete with inflation. The U.S. dollar shifted from representative money to fiat money when President Nixon decided to abandon the gold standard in 1971.



The money used in a country – euros, dollars, yens, hryvnas, etc. - is its **currency**. Money in the form of coins or notes/bills is called **cash**. Most money, however, consists of bank **deposits**: money that people and organizations have in bank accounts. Most of this is on paper – existing in theory only – and only about ten percent of it exists in the form of cash in the bank.

In recent years we have seen a dramatic transformation in the way in which people in this country use money. For hundreds of years people thought of money as coins, and then notes and coins with the development of bank notes. During the twentieth century cheques became widely used as a means of payment and later plastic money in the form of credit and debit cards.

DIFFERENT STAGES OF EVOLUTION OF MONEY

1. COMMODITY MONEY
2. METALIC MONEY
3. PAPER MONEY
4. CREDIT MONEY
5. ELECTRONIC MONEY



Today, most of the people use credit cards, debit cards, cheques, etc. The use of online banking services has also become common. Today cash machines, or ATMs, are the most popular method of withdrawing cash for most personal customers.

Therefore over time money has been available to us in different forms and each form is more convenient than others. And with time we will find more new forms of money, which will open up new possibilities of experiences dealing with money.

WORDS AND PHRASES TO BE REMEMBERED

to alleviate — пом'якшувати; полегшувати (біль, страждання)

to swap — міняти, обмінювати

perishable — що швидко псується

to store — запасати, накопичувати, зберігати на складі

precious metal — дорогоцінний, коштовний метал

to invent — винаходити, створювати; вигадувати

to mint — карбувати (монети)

mint — монетний двір

percent (BE) [pə'sent] = per cent (AE) – відсоток (процент)

paper bills — банкноти, векселі; паперові гроші (paper currency, paper money) банкнота; a five dollar bill — п'ятидоларова асигнація

coin — монета

to coin — карбувати монети

convention — договір, угода, конвенція

deferred payment — відстрочений платіж

to evolve — розвивати(ся); еволюціонувати

receipt — одержання, отримання; розписка про одержання; квитанція

to issue — *випускати*, пускати в обіг (гроші тощо)

Syn. to put in circulation.

Redemption — викуп боргових зобов'язань; погашення

to redeem — викупати (вт. ч. заставлене майно); повертати (гроші тощо); погашати (облігацію); вилучати (зобігу); звільняти (майно) від заставного обтяження

redeemable — який може бути викуплений; який підлягає викупу (сплаті, погашенню);

to displace — витіснити, заміщати

to discourage — знеохочувати, відбивати охоту, розхолоджувати

to abandon — відмовлятися

to issue — *випускати*, пускати в обіг (гроші тощо)

Syn. to put in circulation.

weight — вага; маса

disruptive — що спричинює руйнування

Note

nickel — монета в 5 центів (AE)

dime — монета в 10 центів (AE)

not to care a dime — ні в грош не ставити

quarter — монета в 25 центів (AE)

VOCABULARY PRACTICE

I. Find in the text the English equivalents for the following word combinations.

Нерозмінні паперові гроші; представницькі гроші; законний платіжний засіб; банкноти і монети; золотий стандарт; товарні гроші; пускати в обіг; розписка про одержання; паперові гроші; монетний двір; дорогоцінний, коштовний метал; монета в 10 центів; суперничати, змагатися; який підлягає викупу (сплаті, погашенню); розвивати(ся); карбувати монети; знеохочувати; відмовлятися; загальна згода; банківський рахунок; вага; відстрочений платіж; витіснити, заміщати; договір, угода.

II. Give the Ukrainian equivalents for the following word combinations.

Commonly accepted; repayment of debts; to take for granted; to be completely worthless; commodity money; to abandon; to raise a problem; to be perishable; to mint their own coins; set values;

redeemable for smth; generally accepted receipts; to displace; to be used alongside; representative money; currency backed by a government; bank's promise to redeem; legal tender; fiat money; intent to pay; nickel; dime; to compete with inflation; ATM; to deal with money; to discourage; to withdraw cash.

III. In each set of words, cross out the word that does not have the similar meaning to the first. Consult the dictionary. Translate the words into Ukrainian.

1.	commodity	product	goods	stock
2.	to aggravate	to relieve	to ease	to alleviate
3.	tomint	to coin	to counterfeit	to issue
4.	swap	exchange	return	barter
5.	convenient	suitable	accessible	awkward
6.	means	method	manner	device
7.	to back	to support	to hinder	to assist
8.	to store	to keep	to to preserve	to protect
9.	convention	agreement	arrangement	contract
10.	to displace	to move	to touch	to shift
11.	to withdraw	to remove	to draw	to deposit
12.	to evolve	to develop	to progress	to decrease
13.	to redeem	to refund	to discharge	to abandon
14.	legal	valid	lawful	illegitimate
15.	wealth	debt	salary	wage
16.	perishable	easily-spoiled	short-lived	qualitative
17.	receipt	sales slip	proof of purchase	certificate
18.	fiat	decree	denial	edict
19.	hesitation	purpose	intent	aim

IV. Fill in the missing words or word combinations in the sentences below. Choose from the box. Translate the sentences into Ukrainian.

Representative money; inflation; gold standard; physical form; banknotes; legal tender; commodity money; to redeem (2); fiat money (2); value; withdrawing; intrinsic value (2); dime.

1. Coins and _____ are the two most common physical forms of money.
2. _____ is money that has value only because a government says it has value.
3. The system of _____ eventually evolved into a system of representative money.
4. _____ refers to paper currency backed by a government or bank's promise _____ it for a given weight of precious metal (gold or silver).
5. Representative money was based on the _____, and, in theory, could be exchanged for a fixed amount of gold.
6. Government has declared fiat money to be a _____, but is not backed by a physical commodity.
7. Money, like almost everything else, loses its _____ whenever there is too much of it.
8. Most modern money is _____ because most governments have printed too much money to compete with inflation.
9. Today cash machines, or ATMs, are the most popular method of _____ cash for most personal customers.
10. The brand has _____ because of its public recognition.
11. Electronic money is money which exists only in banking computer systems and is not held in any _____.
12. An economic process in which prices increase so that money becomes less valuable is called _____.
13. The company's _____ is well above \$25 per share.
14. A _____ is a coin worth ten cents in the US and Canada.
15. She couldn't afford _____ her wedding ring from the pawnbroker.

COMPREHENSION CHECK

Read the text again and answer the following questions. Compare your answers with another student and discuss any differences. Make sure you can refer to a particular phrase or sentence from the text for each answer.

1. How do economists define money?
2. What is barter?
3. What is the main drawback of barter?
4. What is commodity money?
5. What led to the development of commodity money?
6. What is representative money?
7. What is the difference between the fiat money and representative money?
8. What is the difference between commodity money and fiat money?
9. What is the gold standard?
10. What is a bank deposit?
11. What is legal tender?
12. What is currency?
13. What is cash?
14. What is the most popular method of withdrawing cash for personal customers?
15. What types of money do economists differentiate nowadays?

READING STRATEGIES

I. Read the text and entitle it. Choose one word to complete the sentences. Define the main idea of each paragraph.

1. A credit card is a card which allows people to buy items without _____ (cash/currency). When they buy something, a sales clerk uses it to charge the money needed for their bank account, so the person will pay later. They are buying it on credit, which is the trust that they _____ (will pay it back/ will redeem it) later. If a person does not pay within a limit (usually a month) they will have to pay _____ (extra/additional) money, called _____ (interest/principal). A credit card is used widely nowadays instead of cash and it saves time and trouble of users, since they don't have look up for an ATM to use it. Credit cards are quick and convenient, putting cash in your hand when you need it.

2. A debit card (also known as a bank card or check card) is a plastic payment card that provides the cardholder electronic _____ (access/admission) to his or her bank account(s) at a financial institution. The card, where accepted, can be used instead of cash when making purchases. Debit cards let you buy things without carrying _____ (cash/currency). You can use your debit card

in most stores to pay for something. You just swipe the card and enter your PIN number on a key pad. Debit cards take money out of your checking account immediately. Debit cards let you get cash quickly. You can use your debit card at an automated teller machine, or ATM, to get money from your checking account.

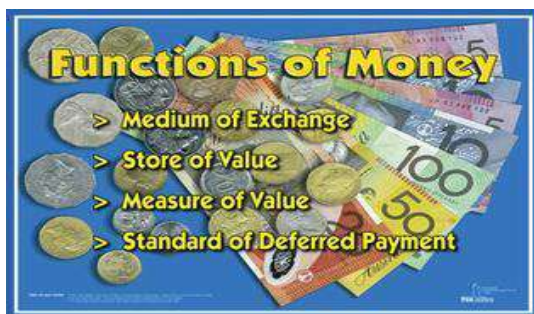
3. Online banking is an electronic payment system that enables customers of a financial institution to conduct financial transactions on a website operated by the institution, such as a retail bank, virtual bank, credit union or building society. Online banking is also referred as Internet banking, e-banking, virtual banking and by other terms. Online money transfer through online banking is now a convenient, affordable and faster way of _____ (delivering/transferring money). Different banks across the world offer online transfer services. Now a user can send money within seconds through this online money transfer.

Note: to swipe the card – проводит пластикову картку (через зчитувальний устрій). You need to swipe your card to get in the building

TRANSLATION PRACTICE

Translate into English.

1. Бартер – обмін одного товару чи послуги на інший.
2. Монета – це грошовий знак, виготовлений з металу (золота, срібла, міді) встановлених законом ваги і форми, що використовується як засіб грошового обігу та платежу.
3. Паперові гроші випускаються державою для покриття бюджетних витрат і визнаються законним платіжним засобом на всій території.
4. Товарні гроші — це різновид грошей, які є товаром (наприклад худоба, зерно, мушлі, хутра).
5. Товарні гроші можна безпосередньо використовувати, проте одночасно, вони виступають і як еквівалент вартості інших товарів.
6. Паперові гроші або банкноти були вперше використані в Китаї. Вони не витісняли традиційних грошей, і були у використанні поряд з монетами.
7. В Європі банкноти були вперше випущені Банком Стокгольма в 1661 році.
8. Найдавнішими монетами відкарбованими на українських землях були емісії грецьких колоній заснованих на північному узбережжі Чорного моря.
9. Законом Української Народної Республіки від 1.03.1918 р. грошовою одиницею стала гривня, яка дорівнювала 1/2 карбованця.
10. У вересні 1996 року власна грошова одиниця України гривня була запровадженна в обіг.



SECTION II

PRONUNCIATION GUIDE

fluctuate ['flʌktʃueɪt]

medium ['mi:diəm]

life expectancy

[laɪf ɪk'spekt(ə)n(t)sɪ]

subsequently ['sʌbsɪkwəntli]

counterfeit ['kauntəfɪt]

retrieve [rɪ'tri:v]

jurisdiction [ˌdʒʊərɪs'dɪkʃ(ə)n]

via ['vaɪə], [vi:ə]

debt [det]

denomination [ˌdɪnəmi'neɪʃ(ə)n]

I. Read the text B. Summarize the different functions and characteristics of money.

Text C

The Functions and Characteristics of Money

Money's a matter of functions four, a Medium, a Measure, a Standard, a Store

Whether money is shells or rocks or gold or paper, it has four basic functions: it is a medium of exchange, a unit of account, a store of value, and a standard of deferred payment. We discuss each of the four functions of money in turn.

Medium of exchange

Money is a *medium of exchange*: it is accepted by all parties as payment for goods and services. Money's most important usage is a method for comparing the values of dissimilar objects. The use of

money as a medium of exchange promotes economic efficiency by minimizing the time spent in exchanging goods and services. The time spent trying to exchange goods or a service is called a transaction cost. In a barter economy, transaction costs are high because people have to satisfy a “double coincidence of wants”—they have to find someone who has a good or service they want and who also wants the good or service they have to offer.

Money, the medium of exchange, is used in one-half of almost all exchanges. Workers exchange labour services for money. People buy and sell goods in exchange for money. We accept money not to consume it directly, but because it can subsequently be used to buy things we do wish to consume.

Measure of value or a unit of account

The second function of money is to serve as a measure of value. Money enables us to state the price of something — in terms that everyone can most understand. This is what we observe whenever we see a price tag on something — a value that we can use to make comparisons with other products.

Money acts as a standard measure and common denomination of trade. It is thus a basis for quoting and bargaining of prices. It is necessary for developing efficient accounting systems.

Store of value

Third, money serves as a store of value — the quality that allows purchasing power to be saved for the future. For example, goods or services can be converted into money, which is easily stored until needed. This feature of money allows a period of time to pass between earning and spending an income.

To act as a store of value, money must be able to be reliably saved, stored, and retrieved – and be predictably usable as a medium of exchange when it is retrieved. The value of the money must also remain stable over time. Some have argued that inflation, by reducing the value of money, diminishes the ability of the money to function as a store of value.

Standard of deferred payment

A “standard of deferred payment” is an accepted way to settle a debt – a unit in which debts are denominated, and the status of money as legal tender, in those jurisdictions which have this concept, states that it may function for the discharge of debts. When debts are denominated in money, the real value of debts may change due to inflation and deflation, and for sovereign and international debts via debasement and devaluation.

Characteristics of Money

Properties of Money

- Generally acceptable
- Limited in supply
- Durable
- Portable
- Divisible
- Homogeneous



In order for something to function well as money, it must possess the following characteristics:

Stability. The value of money should be more or less the same today as tomorrow. In societies where it fluctuates (goes up and down) people will store money in the hope its value will increase, or spend it immediately thinking it will be worth less tomorrow. Either action could be harmful for the economy.

Portability or transportability. Modern money has to be small enough and light enough for people to carry. Money must be portable, or easily transferred from one person to another (or moved from one location to another) to make the exchange of money for products easier. Paper money has proved to be the lightest and the easiest to carry around.

Durability. Money must be reasonably durable, so an item should retain the same shape, form, and substance over an extended period of time. It must be able to withstand the wear and tear of many people using it. The material chosen has to have a reasonable life expectancy. For that reason modern money is made of a very high quality material that makes it possible to be in circulation over a long period of time.

Divisibility. One of the principal advantages of money is its ability to be divided into parts. Money should be easily divided into smaller units so that people can use only as much as they need for a transaction and can purchase goods and services at any price.

Uniformity. Equal denominations of money should have the same value.

Recognisability and acceptability. Money must be widely accepted as a medium of exchange. Money should be easily recognized for what it is and hard to copy.

Relative scarcity. Finally, if something is to serve as money, it must be available, but only **in limited supply**. Money must be relatively scarce and hard for people to obtain.

WORDS AND PHRASES TO BE REMEMBERED

medium(*pl. media or mediums*) – засіб

medium of exchange – засіб обміну

measure of value – міра вартості

store of value – засіб накопичення (збереження) вартості

unit of account – рахункова одиниця

standard of deferred payment – засіб відстроченого платежу

portability – портативність

durability – довговічність, міцність

uniformity – однорідність, однаковість

divisibility – подільність

to counterfeit ['kauntəfɪt] – підробляти

discharge of debts – погашення, сплата (боргу)

coincidence of wants – співпадіння потреб

dissimilar object – несхожий ; відмінний, різnorідний предмет, річ

to promote economic efficiency – сприяти економічній ефективності

transaction cost – операційні витрати; вартість операції; вартість угоди

a price tag– ярлик ; етикетка

to quote price – пропонувати ціну; встановлювати ціну

retrieve – відновлювати; повертати у попередній стан

bargaining – (торговельна) угода; договір

bargain – вигідна покупка; задешево куплена річ

to settle a debt – сплачувати борг

life expectancy – тривалість життя

to have reasonable life expectancy – мати значну тривалість життя

to fluctuate – коливатися, змінюватися. syn. to vary

denomination – вартість, номінал; купюра

to be in circulation – знаходитися в обігу

to be enable – надавати право або можливість (що-небудь робити)

subsequently – згодом, пізніше, потім

via – через

VOCABULARY PRACTICE

I. Find in the text English equivalents for the following word combinations. Write your own sentences using them.

Довговічність; виконувати функції засіб обміну; міра вартості; засіб накопичення (засіб збереження вартості); рахункова одиниця; еталон вимірювання; портативність; ліквідний засіб; єдина валюта; подільність; переказ (грошей); випускати, пускати в обіг; однорідність; коливатися/змінюватися; засіб відстроченого платежу; знаходитися в обігу тривалий період часу; підробляти; надавати право або можливість.

II. Give Ukrainian equivalents for the following word combinations.

A medium of exchange; a unit of account; a store of value; a standard of deferred payment; inefficiencies of a barter system; dissimilar objects; market transactions; to retrieve; to promote economic efficiency; transaction cost; a price tag; common denomination of trade; quoting and bargaining of prices; to settle a debt; uniformity; to diminish; discharge of debts.

III. Fill in the missing words in the sentences below. Choose from the box. Translate the sentences into Ukrainian.

Form; inflation; a medium of exchange; counterfeit; inefficiencies; unit of account; name; a store of value; transporting money; life expectancy; readily accepted; discharge of debt; constant; easily recognized.

1. When money is used to intermediate the exchange of goods and services, it is performing a function as a _____.

2. A _____ is a standard numerical unit of measurement of the market value of goods, services, and other transactions.

3. To act as a _____, money must be able to be reliably saved, stored, and retrieved. In this case, the value of the money must also remain stable over time.

4. Money can also function as a "standard of deferred payment", which means that its status as legal tender allows it to function for the _____.

5. Money's value must remain relatively _____ over long periods of time.

6. Money avoids the _____ of a barter system, such as the "coincidence of wants" problem.

7. Money serves its basic functions regardless of its _____ or _____ – U.S. dollar, Japanese yen, or Ukrainian Hryvna.

8. And finally, the monetary item must be difficult to _____.

9. The material chosen has to have a reasonable _____.

10. The most essential attribute of money is its quality of being _____ and _____ as a medium of exchange.

11. The introduction of paper currency lowered the cost of _____.

12. Money also functions as a store of value, but performs this role poorly if it is rapidly losing value due to _____.

COMPREHENSION CHECK

Read the text again and answer the following questions. Compare your answers with another student and discuss any differences. Make sure you can refer to a particular phrase or sentence from the text to prove your answer.

1. How does money function?
2. What is the basic function of money?
3. What is money as a medium of exchange?
4. How important is the function of money as a medium of exchange?
5. Why do people accept money as a medium of exchange?
6. What does money state as a measure of value?
7. What does money mean as a store of value?
8. When is money used as a standard of deferred payment?
9. What characteristics does money have?
10. What is stability of money?
11. What is portability of money?
12. Why is it necessary to make money of a very high quality material?
13. What does divisibility of money mean? Why is it considered to be one of its principal advantages?
14. What does durability mean as a characteristic of money?
15. What does uniformity denote?
16. What is recognisability as a quality of money?
17. How does modern money reflect the functions and characteristics of money?

18. Can you explain in your own words how money is used as a unit of account, a store of value, a standard of deferred payments?

19. Which of the four functions distinguishes money from other assets?

20. How do bank deposits serve as a medium of exchange?

21. What is plastic money?

22. Why is it accepted as a medium of exchange?

TRANSLATION PRACTICE

Translate into English.

1. Гроші (грошовий обіг) – паперові гроші та монети, що випускаються федеральним урядом.

2. Незважаючи на те, що засіб обміну є основною функцією грошей, вони мають виконувати і такі функції, як міра вартості, засіб збереження вартості та засіб відстроченого платежу.

3. Щоб слугувати грошима, предмет повинен мати такі характеристики як стабільність, довговічність, портативність, подільність, упізнаванність, однаковість.

4. Засіб накопичення (збереження) вартості це функція грошей, яка дає можливість багатству (матеріальним цінностям) або вартості зберігатися до майбутніх часів.

5. Міра вартості – функція, яку виконують гроші, як загально прийнята міра встановлення цін товарів та послуг.

6. Законний платіжний засіб – гроші, які приймаються при сплаті боргів.

7. Більшість країн використовують високоякісний папір для виготовлення грошей..

8. Засіб обміну – це функція, в якій гроші є посередником в обміні товарів і забезпечують їх обіг.

9. Валюта – це паперові гроші та монети, якими ми користуємося майже щодня.

READING STRATEGIES

I. You are going to read the text about cryptocurrency

a) Brainstorm words connected with cryptocurrency. When you have finished, check for more words by looking at the text “What is cryptocurrency”

b) Consider the questions and be ready to answer them as soon as you read the text.

- What is cryptography in simple words?
- What is Bitcoin ?
- What is blockchain technology?

What is cryptocurrency?

Cryptocurrency, sometimes called crypto-currency or crypto, is any form of currency that exists digitally or virtually and uses cryptography to secure transactions. Cryptocurrency received its name because it uses encryption to verify transactions. This means advanced coding is involved in storing and transmitting cryptocurrency data between wallets and to public ledgers. The aim of encryption is to provide security and safety.

Cryptocurrencies don't have a central issuing or regulating authority, instead using a decentralized system to record transactions and issue new units. A cryptocurrency is a digital currency designed to work as a medium of exchange through a computer network. It is a digital payment system that doesn't rely on banks to verify transactions. Unlike the U.S. Dollar or the Euro, there is no central authority that manages and maintains the value of a cryptocurrency. It's a peer-to-peer system that can enable anyone anywhere to send and receive payments. Instead of being physical money carried around and exchanged in the real world, cryptocurrency payments exist purely as digital entries to an online database describing specific transactions. When you transfer cryptocurrency funds, the transactions are recorded in a public ledger. Cryptocurrency is stored in digital wallets.

The first cryptocurrency Bitcoin was introduced to the public in 2009 by an anonymous developer or group of developers using the name Satoshi Nakamoto. It has since become the most well-known cryptocurrency in the world. Its popularity has inspired the development of many other cryptocurrencies. There are thousands of alternative cryptocurrencies in the marketplace. Some of the best known include such as Ethereum, Tether, BNB, Solana, Litecoin, Ripple. It is worth noting that non-bitcoin cryptocurrencies are collectively known as “altcoins” to distinguish them from the original.

To use your Bitcoin, you need to have a cryptocurrency wallet. Wallets hold the private keys to the bitcoin you own, which need to be entered when you're conducting a transaction. Bitcoin is accepted as a means of payment for goods and services at many merchants, retailers, and stores. Brick-and-mortar stores that accept cryptocurrencies will generally display a sign that says “Bitcoin Accepted Here”; the transactions can be handled with the requisite hardware terminal or wallet address through QR codes and touchscreen apps. An online business can easily accept Bitcoin by adding this payment option to its other online payment options: credit cards, PayPal, etc.

Central to the appeal and functionality of Bitcoin and other cryptocurrencies is blockchain technology. As its name indicates, a block-

chain is essentially a set of connected blocks of information on an online ledger. Each block contains a set of transactions that have been independently verified by each validator on a network. It's a complex, technical process, but the result is a digital ledger of cryptocurrency transactions that's hard for hackers to tamper with.

If you own cryptocurrency, you don't own anything tangible. What you own is a key that allows you to move a record or a unit of measure from one person to another without a trusted third party.

WORDS AND PHRASES TO BE REMEMBERED

digital currency — цифрова валюта

cryptography — криптографія,

encryption — кодування

ledger [lɛdʒə(r)] — бухгалтерська книга

digital wallet — цифровий гаманець

tamper — незаконно втручатися; робити самовільні зміни

peer-to-peer payment /transactions — одноранговий платіж

authorities [ɔ:'θɔ:ritɪz] (the authorities) — органи влади

Understanding main points of the text

A. Read the text again and be ready to do the following assignments.

1. Which of these statements gives the best summary of the ideas in the text?

a) A blockchain is a secured distributed ledger, a database disseminated between multiple users who can make changes.

b) In the field of finance the emergence of cryptocurrency has become a transformative and challenging phenomenon.

c) Cryptocurrency is any form of currency that exists digitally or virtually and uses cryptography to secure transactions.

2. Mark the following statements as true (T) or false (F) according to the information in the text. Find the part of the text that gives the correct information.

a) Cryptocurrencies have a central issuing or regulating authority,

b) You cannot access your bitcoin using a wallet, a public key, and private keys.

c) Cryptocurrencies use a decentralized system to record transactions and issue new units.

d) A cryptocurrency is a digital currency, which is an alternative form of payment created using encryption algorithms.

e) Cryptocurrency received its name because it uses encryption to verify transactions.

B. Understanding details of the text

1. What exactly does the author mean speaking about “ a cryptocurrency wallet”?
2. How do you understand the terms “‘altcoins’ and ‘online ledger’”?

II. You are going to read the text about the International Monetary Fund (IMF)

a) **Brainstorm words connected with the IMF. When you have finished, check for more words by looking at the text “The International Monetary Fund”**

b) **Consider the questions and be ready to answer them as soon as you read the text.**

1. What is the IMF mission?
2. What is the purpose of creating IMF?
3. What are the objectives of the IMF?

The International Monetary Fund

The International Monetary Fund (IMF) is an international organization that promotes global economic growth and financial stability, encourages international trade, and reduces poverty around the world.

The International Monetary Fund (IMF) was originally created in 1945 as part of the Bretton Woods agreement, which attempted to encourage international financial cooperation by introducing a system of convertible currencies at fixed exchange rates.

Fixed exchange rates, also known as the Bretton Woods system , refer to the value of a currency being tied to the value of another currency, or to gold. This system was abolished in 1971, and ever since, the IMF has promoted the system of floating exchange rates, which means that the value of a currency can change in relation to the value of another. This is the familiar system today.

The International Monetary Fund (IMF) is an international organization, now headquartered (based) in Washington, DC. Currently, there are 190 member countries in the IMF. Each country or region is represented by a member on the Fund's Executive Board and numerous staff members. The most powerful countries in the global economy have the heaviest representation. The United States has the highest voting power, followed by Asian countries such as Japan and China and Western European countries such as Britain, Germany, France, and Italy.

The IMF plays three major roles in the global monetary system:

- collects massive amounts of data on national economies, international trade, and the global economy in aggregate and provides economic forecasts;

- makes loans to countries that are experiencing economic distress to prevent or mitigate financial crises;
- provides technical assistance and training for countries requesting it.

Note:

floating ['fləʊtɪŋ] **exchange rate** —плаваючий валютний курс; ринковий обмінний курс

in the aggregate ['ægrɪɡɪt] — в сукупності

encourage [ɪn'kʌrɪdʒ] — заохочувати

voting ['vəʊtɪŋ] — голосування

mitigate ['mɪtɪɡeɪt] — пом'якшувати; послабляти

Understanding main points of the text

A. Read the text again and be ready to do the following assignments.

1. Which of these statements gives the best summary of the ideas in the text?

a) The IMF is an international organization designed to promote international economic cooperation.

b) The International Monetary Fund (IMF) was created for the purpose of standardizing global financial relations and exchange rates.

c) The IMF generally monitors the global economy, and its core goal is to economically strengthen its member countries.

2. Mark the following statements as true (T) or false (F) according to the information in the text. Find the part of the text that gives the correct information.

a) The International Monetary Fund was created in 1954 at the Bretton Woods conference.

b) There are 29 member countries in the IMF nowadays.

c) Western European countries such as Britain, Germany, France, and Italy have the highest voting power, followed by Asian countries.

d) The system of fixed exchange rates was established by the IMF as a way to bolster the global economy after the Great Depression and World War

B. Understanding details of the text

1. What exactly does the author mean speaking about “heaviest representation”?

2. How do you understand the terms ‘fixed exchange rate’ and ‘floating exchange rate’?

II. Read the following text. For each gap, choose the best word A, B, C, or D.

The World Bank

The **World Bank** is an international development organisation owned by 187 countries that provides (1) _____ to developing countries for capital programs. It comprises two institutions: the International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA). The World Bank is a (2) _____ of the **World Bank Group**.

The World Bank's official goal is the reduction of poverty. According to its Articles of Agreement, all its decisions must be guided by a commitment to the promotion of foreign investment and international trade and to the (3) _____ of Capital investment.

The World Bank is not to be confused with the World Bank Group, an extended family of five international organizations:

- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
- International Centre for Settlement of Investment Disputes (ICSID)

The World Bank was created at the 1944 Bretton Woods Conference, along with three other institutions, including the International Monetary Fund (IMF). It opened for business in June 1946 and helped in the reconstruction of nations devastated by World War II. Since 1960s the World Bank has shifted its focus from the (4) _____ industrialized nations to developing third-world countries.

The president of the World Bank is, traditionally, an American. The World Bank and the IMF are both based in Washington, D.C., and work closely with each other.

Although many countries were (5) _____ at the Bretton Woods Conference, the United States and United Kingdom were the most powerful in attendance and dominated the (6) _____ negotiations.

The President of the Bank is the president of the entire World Bank Group. The president, currently Ajay Banga, is the 14th President of the World Bank Group began his five-year term on June 2, 2023. He is responsible for (7) _____ the meetings of the Boards of Directors and for overall management of the Bank. Traditionally, the President of the Bank has always been a US citizen nominated by the United States, the largest shareholder in the bank (the Managing Director of the International Monetary Fund having always been a

European). The nominee is subject to (8) _____ by the Board of Executive Directors, to serve for a five-year, renewable term.

World Bank is playing main role of providing loans for development works to (9)_____ countries, especially to underdeveloped countries. The World Bank provides (10) _____ loans for various development projects of 5 to 20 years duration.

1	A loans	B grants	C help	D assistance
2	A ingredient	B component	C part	D element
3	A facilitation	B help	C support	D cooperation
4	A advanced	B developed	C underdeveloped	D various
5	A presented	B demonstrated	C represented	D depicted
6	A talks	B negotiations	C bargaining	D discussions
7	A heading	B attending	C leading	D chairing
8	A confirmation	B ratification	C validation	D proof
9	A associate	B member	C representative	D division
10	A long-term	B short-term	C revolving:	D unsecured

SPEAKING STRATEGIES

Useful English section given below can be helpful to you.

Activity 1

Discuss these questions in pairs. Then join up with another pair. Compare your conclusions.

1. How does modern money reflect the functions and characteristics of money?
2. How does money advance the exchange of goods and services?
3. Why would some people be more willing to accept commodity money rather than fiat money?
4. Why did the use of money replace the barter system?
6. What is the distinction between money, income, and wealth?

Activity 2

Consider some interesting facts about various types of money. Put them into the most likely chronological order. With a partner, discuss the significance of these events.

- Gold Coins were treated as money in 600 B.C in Anatolia (Asian Turkey)
- Copper coins were used as money by Romans 600B.C.
- Silver coins were treated as money by Ancient Persians between 600-300 B.C.
- No one knows for sure who first invented such money, but historians believe metal objects were first used as money as early as 5,000 B.C.
- In ancient Rome, salt was so valuable that each soldier received an annual salt payment called a “salarium.” The modern term for an annual income—salary—is based on this Latin term.
- The Byzantine Empire had a perfect monetary system: the best in history.

From about 300 AD to 1100 AD, the Byzantine Empire used a coin called the Solidus. One could not file or chip the coins or issue a false coin under the penalty of chopping off the hand. As a result, the Byzantines never bankrupted, never went into debt and never devalued the currency over a span of 800 years.

- Paper Money first appeared in China about 800 AD.
- In Europe, Sweden is the first country to issue Paper Money in 1661.
- In January 2002, most European Union (EU) nations replaced their own money with the euro. The euro has created a new monetary reality for 300 million Europeans. The euro bills depict stylized buildings from different architectural periods. The coins, however, are unique for each country. While one side of the coins is the same, the other side reflects the country from which it originate.
- As at 2009 official sources (including The Royal Mint) state that 2.5% – that’s one in every forty – of pound coins in circulation in the UK are counterfeit. This explains why so many pound coins fail to work in parking machines and other coin-slot machines.

Activity 3

Working in small groups, make mini-presentations on one of the following topics:

- money in primitive societies
- forms of money

- functions of money
- characteristics of money
- understanding Bitcoin

USEFUL ENGLISH

Expressing a personal point of view /opinion

What I mean is	As for me / As to me, ...	From my point of view, ...
I would say that ...	It seems to me that ...	I am of the opinion that ...
I think / consider that ...	I have no doubt that...	I am sure / certain that ...
I guess/believe that ...	I bet that	It goes without saying that
In my experience...	Personally, I think...	I'd like to point out that
In my opinion, ...	To my mind, ...	As far as I am concerned,...

Expressing a general point of view /opinion

It is thought that...	Some people say that...
It is considered...	It is generally accepted that...

Expressing agreement

Yes, of course!	I share your view...	I (really) think so...
I have no objection ...	That's true / right	I agree with you entirely
That's just it!	Fair enough!	Quite so !
Exactly	Just so!	I have come to the same conclusion
You're absolutely right	That's a good point	That's just what I was thinking
I think so too		I couldn't agree more.

Expressing disagreement

I don't agree with you	I'm sorry to disagree with you, but...	I don't think so
That's different	On the contrary	You are wrong
I'm not so sure about that	However... Rubbish !	I don't share your view
Not at all!	Nonsense!	Yes, but don't you think...

	Banks
	Credit Unions
	Trust Companies
	Savings and Loan Associations

SECTION III

Types of Financial Institutions and Their Roles

We are starting our work with the text about financial institutions, while reading the text pay attention to the economic and business terms. They will add to the basics of your professional vocabulary.

PRONUNCIATION GUIDE

facilitate [fə'sɪlɪteɪt]	asset ['æset]
deposit [dɪ'pɒzɪt]	contractual [kən'træktʃu(ə)l]
mutual ['mju:tʃuəl], ['mju:tjuəl]	safekeeping [ˌseɪf'ki:pɪŋ]
issue ['ɪʃu:], ['ɪsju:] 1.	theft [θeft]
chartered ['tʃɑ:təd]	trustee [trʌs'ti:]
employee [ˌɪm'plɔɪ'i:]	employer [ɪm'plɔɪə]
estate [ɪs'teɪt]	premium ['pri:mɪəm]
lawsuit ['lɔ:sju:t]	brokerage ['brəʊkərɪdʒ]
transfer (n). ['trænsfɜ:]	transfer(v)[træns'fɜ:]

I. Read text C and be ready to complete the table with the information from the text.

Types of Financial Institutions		
_____ institutions	_____institutions	
	_____institutions	_____institutions

Text C

Types of Financial Institutions and Their Roles

Money goes round and round: as individuals receive money in salaries and wages, they spend it for goods and services. This process of moving money from person to person and business to business is facilitated by a network of financial institutions.

A **financial institution** is an institution that provides financial services for its clients or members. One of the most important financial services provided by a financial institution is acting as a financial intermediary. Most financial institutions are regulated by the government. A financial institution is an establishment that conducts financial transactions such as investments, loans and deposits. Almost everyone deals with financial institutions on a regular basis. Everything from depositing money to taking out loans and exchanging currencies must be done through financial institutions.

Any institution that collects money and puts it into assets such as stocks, bonds, bank deposits, or loans is considered a financial institution.

Broadly speaking, there are two types of financial institutions: depository institutions and non-depository institutions. **Depository institutions** (deposit-taking institutions), which are usually just called banks, accept and manage deposits, pay you interest on your deposits and use the deposits to make loans. You're probably most familiar with these types of financial institutions if you have a checking or savings account.

As you may have already guessed, **non-depository institutions** do not allow customers to deposit money. However, they're considered financial institutions because they sell financial products and transfer funds from savers to borrowers by investing the funds they receive. There are two types of non-depository institutions **contractual institutions** (insurance companies and pension funds) and **investment institutions** (investment banks, underwriters, brokerage firms, mutual fund companies). Contractual savings institutions obtain their funds through long-term contractual arrangements and invest these funds on the capital markets. **Investment institution** is a corporation or trust engaged in the business of investing the pooled capital of investors in financial securities.

Many financial institutions provide both depository and non-depository services.

Depository institutions provide four important services to the economy: safekeeping services and liquidity; a payment system con-

sisting of checks and electronic funds transfers; they pool the money of many savers and lend it out to people and businesses; and they invest in securities.

Examples of depository institutions include commercial banks, credit unions, building societies, trust companies, and mortgage loan companies. Let's have closer look at the most important and widely used depository institutions.

Commercial banks are the largest type of depository institution. They're for-profit corporations that are usually owned by private investors and provide a number of services to their account holders: accept deposits, make loans and provide security and convenience to their customers.

Part of the original purpose of banks was to offer customers safekeeping for their money. By keeping physical cash at home or in a wallet, there are risks of loss due to theft and accidents, not to mention the loss of possible income from interest. With banks, consumers no longer need to keep large amounts of currency on hand; transactions can be handled with checks, debit cards or credit cards, instead. Banks do not only issue debit cards that allow accountholders to pay for goods with the swipe of a card, they can also arrange wire transfers with other institutions.

Credit unions are another alternative to regular commercial banks. Credit unions are almost always organized as non-profit entities owned by account holders, also called members. You must be affiliated with a certain organization or live within a certain proximity to the credit union to be a member. Fees are usually lower at credit unions. They're typically found at the local level. Like banks and savings and loan company (S&L), credit unions can be chartered at the federal or state level. Like S&Ls, credit unions typically offer higher rates on deposits and charge lower rates on loans in comparison to commercial banks.

A **building society** is a type of financial institution that provides banking and other financial services to its members. Building societies are found in the United Kingdom (UK) and several other countries. These institutions actively compete with banks for most consumer banking services, especially mortgage lending and savings accounts.

Building societies resemble credit unions in the USA - they are owned entirely by their members as a mutual organisation. These societies offer mortgages and demand-deposit accounts and are often backed by insurance companies.

Trust company is an institution that performs the responsibilities of an agent or trustee. These companies provide their services to the

business entities as well as to the individuals. On behalf of the clients, the trust companies are involved in providing services like managing of funds, estates and many more.

Now let's consider the most important non-depository institutions. As you may have already guessed, non-depository institutions do not allow customers to deposit money. However, they're considered financial institutions because they transfer funds from savers to borrowers by investing the funds they receive.

Insurance companies pool risk by collecting are non-deposit institutions that collect premiums from a large group of people who want to protect themselves and/or their loved ones against a particular loss, such as a fire, car accident, illness, lawsuit, disability or death. Insurance helps individuals and companies manage risk and preserve wealth. By insuring a large number of people, insurance companies can operate profitably and at the same time pay for claims that may arise. Insurance companies use statistical analysis to project what their actual losses will be within a given class. They know that not all insured individuals will suffer losses at the same time or at all.

Pension fund is a financial institution that controls assets and disburses income to people after they have retired. It specializes in management and administration of personal and corporate pension schemes. Pension funds collect regular contributions from individuals, employees and employers make payments to retired beneficiaries.

While **investment banks** may be called "banks," their operations are far different from deposit-gathering commercial banks. An investment bank is a financial intermediary that assists individuals, corporations, and governments in raising financial capital by underwriting or acting as the client's agent in the issuance of securities (or both). An investment bank may also assist companies involved in mergers and acquisitions (M&A), etc. Unlike commercial banks and retail banks, investment banks do not take deposits.

A **brokerage firm**, or simply **brokerage**, is a financial institution that acts as an intermediary between buyers and sellers to facilitate securities transactions. Brokerage companies are compensated via commission after the transaction has been successfully completed. For example, when a trade order for a stock is carried out, an individual often pays a transaction fee for the brokerage company's efforts to execute the trade.

A **mutual fund** (AmE) or **unit trust** (BrE) is a financial institution that invests in securities, using money pooled from investors (who become part owners of the fund). invests money from a pool of investors in stocks, bonds, and other securities.

WORDS AND PHRASES TO BE REMEMBERED

financial intermediary – фінансовий посередник

financial institution – фінансова організація; фінансова установа

to facilitate – полегшувати; допомагати; просувати; сприяти

to conduct financial transaction – проводити фінансову операцію

depository institution – депозитна установа

contractual institution – договірна ощадна установа

credit union – кредитна спілка

mutual fund – взаємний інвестиційний фонд

to disburse – розплачуватися, оплачувати, сплачувати; робити

видатки

to make payments to smb – здійснювати оплату, винагороду

retired person – пенсіонер

beneficiary – бенефіціар; вигодонабувач

safekeeping – відповідальне зберігання

electronic funds transfers – електронний переказ коштів

building societies – житлобудівна кооперація

trust company – трастова компанія

mortgage loan companies – іпотечна компанія

trust and mortgage loan company – довірчо-іпотечна компанія

savings and loan company – ощадно-кредитна компанія

brokerage – брокерська діяльність; брокерська справа;

account holder – власник рахунку

swipe – зчитувальний пристрій для магнітних карток

wire transfers – телеграфний переказ коштів

retail bank – роздрібний банк

retail banking – банківські послуги для фізичних осіб

securities – цінні папери

underwriting – гарантовані купівля і розміщення цінних паперів; андеррайтинг

chartered – ліцензований; який має (державну) ліцензію на заняття певним видом діяльності

employee – службовець, працівник, робітник

employer – наймач, роботодавець

fees – комісійна винагорода; збір; гонорари; оплата праці спеціалістів

affiliated company (syn. subsidiary) – афілійована, дочірня компанія

estate – маєток; земельне володіння

lawsuit – судова справа; судовий процес; позов

theft – крадіжка, злочинство

premium – премія; страхувальна премія

REFINE YOUR VOCABULARY

Charge *n* – a price asked for services or goods – *плата, ціна, нарахування, тариф*. **Interest charges** – *витрати на оплату відсотка*. *Syn. costs*.

Ex. They are going to introduce charges for special deliveries.

There is no charge for the services. You can download the software free of charge.

Charge *v* – to ask someone to pay a particular amount of money for something, especially for an activity or a service – *призначати (ціну, плату); стягувати; записувати в борг*.

Ex. Does the bank charge a fee for setting up the account?

Do you charge on an hourly basis?

To charge an interest – *нараховувати відсоток*, **to charge a penalty** – *накладати стягнення, стягувати пеню/штраф*, **to charge purchases to an account** – *відносити/віднести (записати) покупки на рахунок*.

Ex. We charge a 1% commission for changing traveller's cheques.

Mind the difference

The terms salary, wages and fees are often confused by people and are used interchangeably. But the truth is that these terms differ from each other and hold different meanings.

Salary (salaries) – *заробітна плата (службовця)* – is a fixed amount paid to the employees at regular intervals for their performance and productivity, especially professionals or white-collar workers.

Wage – *заробітна плата (робітника)* – a fixed payment earned for work or services typically paid on an hourly, daily or weekly basis.

Fee – *комійсійна винагорода; збір; гонорари; оплата праці спеціалістів* – a payment made to a professional person or to a professional or public body in exchange for advice or services.

II. Complete these sentences with the suitable word – salary, wage or fees.

1. _____ is the fixed amount of compensation which is paid for the performance of an employee.

2. _____ is the variable amount of compensation which is paid on the basis of hours spent in finishing a certain amount of work.

3. _____ paid to a consultant or similar to do a specific job in a specific time and the person is not employed permanently.

4. _____ is given to the skilled persons who apply their proficiencies in respective fields and generate the revenues for the firm.

5. _____ are paid to the semi-skilled or unskilled worker such as carpenter, welder, electrician, etc. who work on hourly basis.

6. _____ once decided, in the beginning, remains fixed throughout.

7. A _____ rate keeps on changing and an individual is paid on the basis of prevailing _____ rate.

8. _____ is given to those who are engaged in administrative or office work job.

9. _____ are paid to those who are engaged in manufacturing processes that require unskilled or semi-skilled workers.

10. We couldn't afford to pay the lawyer's _____.

VOCABULARY PRACTICE

I. Find in the text English equivalents for the following word combinations.

Банківські послуги для фізичних осіб; чековий/поточний рахунок; фінансовий посередник; дочірнє підприємство; взаємні фонди; власник рахунку; ліцензована установа; гарантовані купівля і розміщення цінних паперів; житлобудівна кооперація; договір на ощадна установа ; суспільство взаємного іпотечного кредитування; судова справа; наймач, роботодавець дочірня компанія; відповідальне зберігання; страхована премія; брокерська справа; телеграфний переказ коштів; крадіжка, злочинство.

II. Give Ukrainian equivalents for the following word combinations.

Debit cards; to swipe of a card; to arrange wire transfers; to collect regular contributions; to make payments to retired beneficiaries; mutual fund companies; to accept deposits; mortgage loan companies; contractual institutions; trust companies; electronic funds transfers; employer; employee; building societies; alternative to regular commercial banks; non-profit entities; to live within a certain proximity; to offer higher rates on deposits; charge lower rates on loans; to suffer losses; deposit-gathering commercial banks; raising financial capital; underwriting; to disburse income; issuance of securities; mergers and acquisitions; estate; retail banks.

III. In each set of words, cross out the word that does not have the similar meaning to the first. Consult the dictionary. Translate the words into Ukrainian. Compare your answers with another student.

1.	to simplify	to facilitate	to hamper	to enable
2.	holder	supervisor	owner	bearer
3.	to transfer	to move	to remit	to hold
4.	charge	price	penalty	cost
5.	underwriting	guaranteeing	backing	rejecting
6.	grant	demand	application	claim
7.	reimburse	pay off	compensate	deprive
8.	business dealing	transaction	to failure	undertaking
9.	to own	to possess	to retain	to abandon
10.	employee	employer	member of staff	hand

IV. Fill in the missing words or word combinations in the sentences below. Choose from the box. Translate the sentences into Ukrainian.

Depository institutions; retail bank; bank account; charter; membership fee; bank charges; pension fund; wire transfer; an affiliated company; mutual fund; building society (2); lawsuit.

1. _____ pay interest on deposits from the interest earned on the loans.
2. _____ is an organization that manages a fund that is invested in a wide range of shares, bonds, etc.
3. An amount of money that you pay to join an organization is called a _____.
4. A quick way of moving money from one bank to another anywhere in the world by telephone, computer, etc. is _____.
5. An arrangement that sb has with a bank or building society to keep money there and take some out is a _____.
6. The amount of money that you pay regularly for a bank service is called _____.

7. There will be an investigation into the way the bank managed its _____.

8. All the financial institutions have a _____ allowing them to operate.

9. Bank of America is the nation largest _____.

10. He filed a _____ against the company for breach of contract.

11. A company that is closely connected to or controlled by another larger company or organization is _____.

12. An organization like a bank that lends money to people who want to buy a home is called _____. People also save money with a _____.

COMPREHENSION CHECK

Now read the text again and answer the following questions. Compare your answers with another student and discuss any differences. Make sure you can refer to a particular phrase or sentence from the text for each answer.

1. What are the financial institutions?

2. What is a financial intermediary?

3. What is the difference between depository and non-depository financial institutions?

4. What are the most important depository financial institutions?

5. What are the most important non-depository financial institutions?

6. What important services do depository institutions provide to the economy?

7. Who owns a commercial bank?

8. What services does a commercial bank offer to its customers?

9. What types of accounts do commercial banks offer to their customers?

10. Who owns a credit union?

11. What financial institutions resemble building societies?

READING STRATEGIES

I. Read the text and entitle it. Choose one word to complete the sentences. Summarise the text.

Commercial banks (2); hedge funds; investment banks; loans; Islamic banks; non-bank financial intermediaries; private banks; stockbrokers; deposits.

Retail banks or (1) _____ (often called High Street banks in Britain) receive (2) _____ from, and make (3) _____ to, individuals and small companies. (4) _____ work with big companies, giving financial advice, raising capital by issuing stocks or shares and bonds, arranging mergers and takeover bids, and so on. They also generally offer stockbroking and portfolio management services to rich corporate and individual clients. Wealthy individuals can also use (5) _____, which provide them with banking and investment services, and (6) _____ which are private investment funds for wealthy investors (both individuals and institutions) that use a wider variety of (risks) investing strategies than traditional investment funds, in order to achieve higher returns.

In the USA, where many banks went bankrupt following the Wall Street Crash in 1929, a law was passed in 1934 (the Glass-Steagall Act) that separated (7) _____ and investment banks or stockbroking firms. For the rest of the 20th century, there were regulations in the US, Britain and Japan that prevented commercial banks from doing investment banking business in other countries, including Germany and Switzerland, large banks did all kinds of financial business. But starting in the 1980s, many rules were ended by financial deregulation, and Glass-Steagall was repealed in 1999. Large banks became international conglomerates offering a complete range of financial services that were previously provided by banks (8) _____ and insurance companies. (9) _____ in Islamic countries and major financial centres, offer interest-free banking. They do not pay interest to depositors or charge interest to borrowers, but invest in companies and share the profits (or losses) with their depositors.

Some car manufacturers, food retailers and department stores now offer products like personal loans, credit cards and insurance. Technically, these are not banks, but (10) _____.

II. Read the text and entitle it. Be ready to define the key sentence of each paragraph. Explain your choice.

(1) A building society is a mutual institution. This means that most people who have a savings account, or mortgage, are members and have certain rights to vote and receive information, as well as to attend and speak at meetings. Each member has one vote, regardless of how much money they have invested or borrowed or how many accounts they have. Each building society has a board of directors who run the society and are responsible for setting its strategy.

(2) Building societies are different from banks, which are companies (normally listed on the stock market) and are therefore owned by, and run for, their shareholders. Societies have no external shareholders requiring dividends and are not companies. This normally enables them to run on lower costs and offer cheaper mortgages, better rates of interest on savings and better levels of service than their competitors.

(3) The major difference between building societies and banks is that there is a limit on the proportion of their funds that building societies can raise from the wholesale money markets. A building society may not raise more than 50% of its funds from the wholesale markets. The average proportion of funds raised by building societies from the wholesale markets is 30%.

(4) Investment banking and commercial banking are two divisions of the banking industry that provide substantially different services. Investment banks speed up the purchase and sales of bonds, stocks and other investments and aid companies in making initial public offerings (IPOs). Commercial banks act as managers for deposit accounts for businesses and individuals, although they primarily focus on business accounts, and they make public loans through deposit money that they hold.

(5) Commercial banks are highly regulated by a variety of federal authorities, such as the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC). Commercial banks are insured by the federal government, maintaining an ability to protect customer accounts and provide a certain level of security. Investment banks differ, as they are much more loosely regulated by the Securities and Exchange Commission (SEC). This offers less protection to customers, but allows investment banks a significantly greater amount of operational freedom.

(6) There are some benefits of the combination of the functions of investment banks and commercial banks. For example, a combination bank can use investment capabilities to aid a company in the sale of an IPO, and then use its commercial division to offer a generous line of credit to the new business, enabling the business to finance rapid growth and consequent increases its stock price.

SPEAKING STRATEGIES

Activity 1.

Comment on the following tables.
Figure 1.

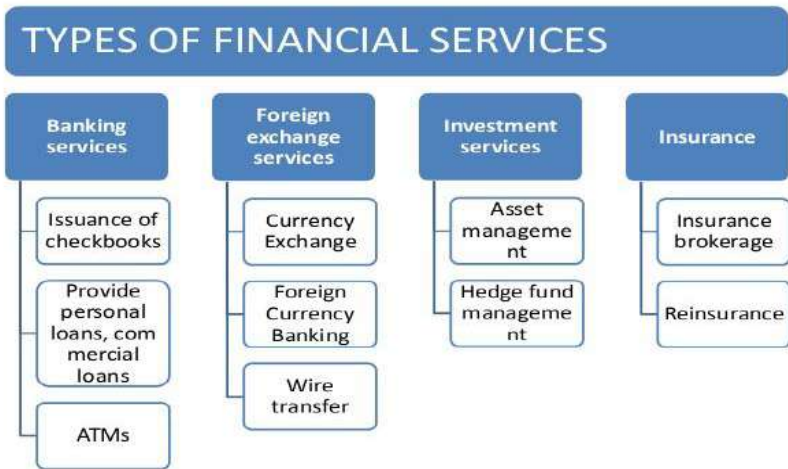


Figure 2.“Where Our Money Is Deposited” summarizes the distribution of assets among the nation’s depository institutions.

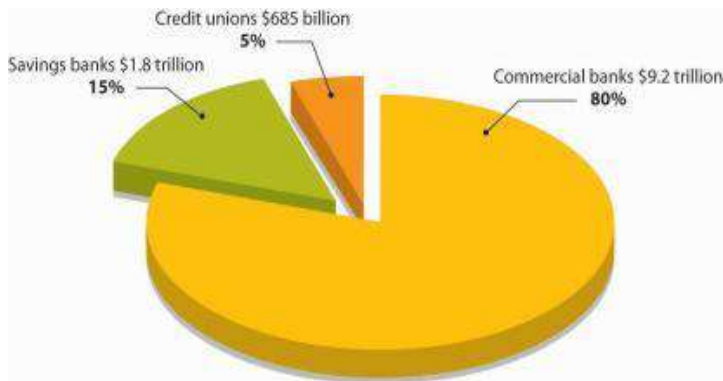
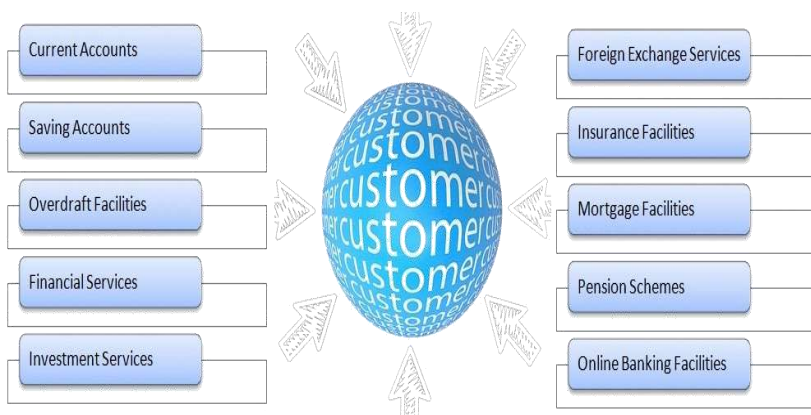


Figure 3.



Activity 2.

Opening a Bank Account

In this part we are going to practise the English needed for opening a bank account. Be ready to answer the following questions.

1. What should you do before opening the bank account?
2. What documents do you need to open the bank account abroad?
3. What kind of information is necessary for opening the bank account?
4. What kind of account can you open?
5. Which of the following might you need to open up a bank account?

Put a tick in the box below:

passport	☐	SIM card	☐
driving licence	☐	telephone bill	☐
photo ID	☐	national health card	☐
electricity bill	☐	restaurant bill	☐
gas bill	☐	NI number	☐
wage slip	☐	council tax bill	☐

Activity 3.

Read the information given below, then summarise it.

Interest rates, services, and fees vary from bank to bank. Banks may charge a fee you don't expect, so ask for a complete overview of the conditions. Before you open an account, you should talk to the customer service or representative about the services, fees, and support they give to student customers. Remember, your expectations of a bank at home are different from your expectations of a bank abroad. For instance, do not expect that a savings account here will work in the same way as your savings account at home. You may also want to look into the locations of ATM machines that you can use without being charged fees. Once you have found a bank that you would like to join, you will need forms of identification, e.g. passport, to open an account. If you do not have a Social Security number, the bank may use your student ID number. Some people do print their ID number on their checks, but this is not recommended.

What do you need to open a bank account in brief?

- Your ID (passport)
- Money to deposit
- Your mother's maiden name for security check
- Proof of address like an envelope or personal check printed with your name and address, if possible, or a rental agreement or utility bill.
- If you have a U.S. Social Security Number (SS#), take it. Your SS# is necessary for tax purposes.
- You might not need everything in the above list. The most important items are the ID and money.

Facts you ought to know before you choose a bank:

- What are the monthly charges and are there ways to avoid paying them?
- How much do checks cost?
- How much does it cost to use the ATM (Automatic Teller Machine)?
- What are the interest rates on the checking and savings accounts?
- What is the charge for overdrawing your account?

(For example, Fleet charges \$25 when your account is overdrawn by \$1000.)

- Will you receive a printed statement from the bank that lists all your banking activity every month?

Activity 4.

Read a specimen talk in a Swiss bank. Be ready to reproduce the dialogue together with your group-mate.

Cashier: Good afternoon, sir.

Man: I'd like to open an account, please.

Cashier: Certainly, sir. Do you live in Geneva?

Man: Yes. I'm at the Interpreters' School.

Cashier: Are you a student?

Man: Yes.

Cashier: What sort of account would you like?

Man: A current account, I think.

Cashier: Have you got any large sums to deposit?

Man: No, only a thousand francs or so a month.

Cashier: Well, we can open a current account with a cheque book for you as long as the initial sum is at least three thousand francs. But I'd advise you in your case to take an account that gives you more interest, and which is more practical. We normally advise students to open deposit accounts.

Man: Can I take out money whenever I like?

Cashier: Yes. There are two or three types of account. They permit you to withdraw up to ten thousand francs a month.

Man: Can I receive money directly from abroad?

Cashier: Certainly.

Man: And can I withdraw at a branch office?

Cashier: Certainly, though it may be more convenient to open your account in our branch near the University.

Man: No, I live quite near here. Do you need a passport?

Cashier: Yes.

Man: I'm afraid I haven't got it on me. Will my student card do?

Cashier: No, I'm afraid not.

Man: I'll come back later, then.

Cashier: Very good, sir.

Note: *The initial sum necessary in order to have a cheque book varies from country to country and from bank to bank.*

ROLE PLAY

Activity 1.

A. With a partner, act out the roles below, based on the dialogue between a student and a bank manager about opening a bank account.

Student May I come in, sir?

Manager Yes, come in. Please, be seated. How can I help you?

Student Sir, I want to open an account with a bank.

Manager What is your profession, boy?

Student I am a student.

Manager What is your income source?

Student Yes, I frequently get money as my educational expenses and on different occasions from my parents and relatives. But I don't spend a lot of money.

Manager Oh good. I need to open a saving account.

Student Saving account? What have I to do for this, sir?

Manager First, you have to take a form. Then you fill it up well and submit it with the necessary documents. In the relevant field of the form, you must provide information of your selected nominee and an introducer, who has an account with us.

Student What are the documents I have to attach with my application form?

Manager You'll need your recent passport-size photograph and photocopy of your ID card. Photo of your nominee is also needed.

Student What else do I need to do, sir?

Manager You'll also need to put your signature on a signature card and deposit at least one hundred US dollars for the first time.

Student OK, for the time being, I don't have all the things collected.

Manager OK, come next time. And listen, when you are opening your account, just go to counter No4 and take a form. They will help you step by step. If you feel any problems come to me.

Student Thank you for your help.

Manager You are welcome.

Activity 2.

Suppose, you are a student and a scholarship holder. You want to deposit the scholarship money in a bank so it can be helpful in your hard times. Now, complete the dialogue between you and a

bank manager about opening a bank account; then read and reproduce it together with your group-mate.

Student May I come in, sir?

Manager Yes, sit down, please.

Student Thank you, sir. Can you help me open an account _____ a bank?

Manager Of course. What _____ of account do you like to open?

Student I'm not sure, sir. I am a student and I want to save my _____ money.

Manager Oh student! Then you need to open a _____ account.

Student What have I to do for this, sir?

Manager First, you have to take a _____. Then you fill it _____ well and submit it with your _____ passport-size photograph and photocopy of your ID card. In the relevant _____ of the form, you must provide information of your selected _____ and an _____, who has an account with us.

Student What else do I need to do, sir?

Manager You'll also need to put your _____ on a signature card and deposit at least one hundred US dollars the first time.

Student OK, for the time being, I don't have all the things collected.

Manager OK, come next time. And listen, when you are opening your account, just go to _____ No12 and you'll have all the out helps to open an account. If you feel any _____ come to me.

Student Thank you for your help.

Manager You are welcome.

Activity 3.

Suppose, you are a student. Along with your other birthday gifts you got a good amount of money from your near and dear ones. You are not willing to spend the money but want to deposit it in a bank. For this purpose you have planned to open an account with a bank. Now, role-play a dialogue between you and a bank manager. Ask questions about:

- documents you need to open the bank account;
- kind of account you can open;
- services, fees, and support the bank gives to student customers;
- locations of ATM machines.

Activity 4.

Choose one of the following quotations about banks; discuss it with your partner. What do the authors mean? Do you agree or disagree with them? Comment on it.

- “A bank is a place that will lend you money if you can prove that you don't need it.”

Bob Hope (1903–2003), an American actor

- “A banker is a fellow who lends you his umbrella when the sun is shining, but wants it back the minute it begins to rain.”

Mark Twain (1835–1910), an American writer

- “Bank failures are caused by depositors who don't deposit enough money to cover losses due to mismanagement.”

Dan Quayle, born 1947, an American politician

- “I believe that banking institutions are more dangerous to our liberties than standing armies”

*Thomas Jefferson (1743–1826),
the third President of the USA*

- “It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning.”

*Henry Ford (1863–1947) the founder
of the Ford Motor Company*

WRITING STRATEGIES

I. Write a brief summary of text A.

II. Choose one of the topics below. Write an essay (100 – 150 words).

1. The history of money and why we use it.
2. What is the future for electronic banking?
3. What is currency and why do we use it in everyday life?
4. What would be the advantages if the world used one currency?
5. What would be the disadvantages if the world used one currency?

SELF-ASSESSMENT QUESTIONS

Complete the words below to match the following meaning

1.	Paper money (such as dollar bills) and coins	C- - - - -y
2.	A document that you get from someone as proof that you have given them money or goods	R- - - - - t
3.	The real value that a company has (an asset, etc.)	I- - - - - c v- - - e
4.	Standard unit of currency in a country's money supply	M- - - - -y u - - t
5.	The total amount of money issued by a country's monetary authorities and held by all persons and organizations in a country at a particular time	M - - - y s - - - -y
6.	An economic system in which the value of money is based on the value of gold	G- -d s- - - - - d
7.	The place where a country makes its coins and paper money	M - - t
8.	An international financial institution that provides loans to developing countries	The W - - - d B - - k
9.	A function of money that allows people to pre-serve value for future use	S - - -e o- v - - -e
10.	Institutions which accept and manage deposits, pay you interest on your deposits and use the deposits to make loans	D - - - - - y I- - - - - s
11.	A direct exchange of goods and services without the use of money	B - - - - r
12.	Money that people and organizations have in bank accounts	B- - k d - - - - - s
13.	The ability of money to be divided into parts	D - - - - - y
14.	Paper currency decreed by a government as legal tender but not converted into coins or precious metal	F - - t m - - -y
15.	Money which exists only in banking computer systems and is not held in any physical form	E - - - - - c m - - -y



UNIT FOUR

TAXES

Section I Text A. Taxation & Taxation Principles

Section II Text B. Types of Taxes You Should Know About

Useful English Expressing Comparison & Contrast Expressing Cause / Effect

LEARNING OBJECTIVES

After studying this unit, you should be able to:

- apply reading skills to comprehend, analyze, summarize and interpret texts related to taxation and types of taxes;
- identify the main idea; read for details, a specific facts or pieces of information; deal with unknown vocabulary;
- express general and personal opinion; agreement and disagreement;
- evaluate information; draw conclusions; formulate questions;
- talk about taxation, taxation principles and types of taxes: give spontaneous and prepared monologues, dialogues, and group interaction using topical vocabulary;
- summarize, render and translate texts related to the issues covered in the unit.

LEAD-IN

Now, in this chapter, we direct your attention to the subject and basics of taxation, explain the general principles of taxation, and consider criteria for effective taxes, looking at how taxes affect people's desire to work and save, examine different types of taxes

1. Discuss these questions with your partner.

➤ What is taxation?

➤ Do you think the taxes you pay are fair?

➤ How do taxes affect people's desire to work and save?

2. Comment on the following quotations about taxes. What do the authors mean? Do you agree or disagree with them? Discuss it with your partner.



Benjamin Franklin

➤ **“The power to tax is the power to destroy.”**

*John Marshall(1755–1835),
Chief Justice of the Supreme Court of the USA*

➤ **“Income tax returns are the most imaginative fiction being written today”**

*Herman Wouk/'wook/ born 1915,
an American author*

➤ **“You can't tax business. Business doesn't pay taxes. It collects taxes.”**

*Ronald Reagan/'reɪɡən/(1911–2004),
the 40th President of the United States.*

➤ **“I like to pay taxes. With them, I buy civilization.”**

*Oliver Wendell Holmes Jr.(1841–1935),
Associate Justice of the Supreme Court of the USA*

➤ “We contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle.”

Winston Churchill (1874–1965),
the Prime Minister of the UK

➤ “Death, taxes and childbirth! There's never any convenient time for any of them.”

Margaret Mitchell (1900–1949) an American writer
and journalist. Author of well-known novel
“Gone with the Wind”

KEY TERMS

1. Before reading text A, B and C study the key terms and their definitions. While reading the texts, you should pay attention to the economic and business terms. They will become the basics of your professional vocabulary.

1. **Taxation** – *оподаткування; стягнення податку* – the system or the act of collecting money by taxes; money that has to be paid as taxes

2. **Tax** – *податок, збір; мито* – a compulsory contribution to state revenue, levied by the government on workers' income and business profits, so that it can pay for public services

3. **Incidence of the tax (tax incidence)** – *сфера впливу податку* – the effect of a particular tax on people or organization, and how much they have to pay

4. **Direct tax** – *прямий податок* – tax which is collected directly from the person or company who pays it, for example income tax

5. **Indirect tax** – *непрямий податок* – tax which, is collected from businesses on the goods and services that people buy from them

6. **Tax rate** – *ставка податку* – the percentage of an amount of money or of the value of sth that has to be paid as tax

7. **Tax rebate** – *податкове зниження; повернення переплати за податками* – an amount of money that is paid back to you if you have paid too much tax.

8. **Marginal tax rate** – *гранична ставка оподаткування* – (also marginal rate of tax) a rate of tax that is paid on your next unit of income; the highest rate of tax that sb pays

9. **Benefit principle** – *принцип корисності* – a theory that states that the people who benefit more from a government product or service should pay more tax for it than those who benefit less.

10. **Ability-to-pay principle** – *принцип платоспроможності* – a theory that states that people who earn more money should pay more tax, so that there are higher rates of tax on higher incomes

11. **Proportional tax** – *пропорційний податок* – fixed tax (BrE flat tax, proportional tax) is one that takes the same percentage of all incomes regardless of size

12. **Regressive tax** – *регресивний податок* – is one that takes a higher percentage of a low income and a lower percentage of a high income (ex. sales tax)

13. **Progressive tax** – *прогресивний податок* – is one that takes a larger percentage of a higher income and a smaller percentage of a lower income(ex. income tax)

14. **Sales tax** – *податок з продажу (податок з обігу/з обороту)* – a regressive tax added to the price of goods at the time they are sold

15. **Income tax** – *податок на прибуток* – a certain percentage of your income that you have to pay regularly to the government.

16. **Value-added tax (VAT)** – *податок на додану вартість* – is a tax levied on the value added to goods at every stage of production.

2. Match the terms with their definitions.

1.	Direct tax	a.	the effect of a particular tax on people or organization
2.	Sales tax	b.	the percentage of an amount of money or of the value of sth that has to be paid as tax
3.	Taxation	c.	is one that takes a larger percentage of a higher income and a smaller percentage of a lower income
4.	Proportional tax	d.	tax which is collected from businesses on the goods and services that people buy from them
5.	Value-added tax	e.	a compulsory contribution to state revenue, levied by the government on workers' income and business profits
6.	Income tax	f.	tax which is collected directly from the person or company who pays it
7.	Ability-to-pay principle	g.	the system or the act of collecting money by taxes; money that has to be paid as taxes

End of table

8.	Marginal tax rate	h.	a tax levied on the value added to goods at every stage of production.
9.	Tax	i.	an amount of money that is paid back to you if you have paid too much tax
10.	Benefit principle	j.	a certain percentage of your income that you have to pay regularly to the government.
11.	Indirect tax	k.	is one that takes a higher percentage of a low income and a lower percentage of a high income
12.	Progressive tax	l.	a theory that states that people who earn more money should pay more tax, so that there are higher rates of tax on higher incomes
13.	Tax rate	m.	a theory that states that the people who benefit more from a government product or service should pay more tax for it than those who benefit less.
14.	Regressive tax	n.	a rate of tax that is paid on your next unit of income; the highest rate of tax that sb pays
15.	Tax incidence	o.	is one that takes the same percentage of all incomes regardless of size
16.	Tax rebate	p.	a regressive tax added to the price of goods at the time they are sold

3. Give the proper terms for the following definitions.

a. A situation where the average rate of tax falls as income rises _____ .

b. A tax which is collected directly from the person or company who pays it, for example income tax _____ .

c. A situation where the proportion of income taken in tax stays the same as income increases _____ .

d. A tax charged as a percentage of the selling price of an article or commodity _____ .

- e. A tax charged at an increasing rate as the taxable income increases _____ .
- f. An approach to taxation based on the idea that taxes should be proportional to one's ability to pay _____ .
- g. An eventual distribution of the burden of a tax as a result of which certain people suffer a reduction of their real income resulting from the imposition of a tax _____ .
- h. A tax levied on the incomes either individual taxpayers or households _____ .
- i. Money compulsory levied by the state or local authorities on individuals, property, or business _____ .
- j. Theory of taxation that states that tax burdens should be allocated among taxpayers in accordance with the benefits they receive from provision of public goods _____ .
- k. A tax levied on goods and services rather than on income or profits _____ .
- l. A tax that has less effect on people with a high income than on people with a low income _____ .
- m. The effect of a particular tax on people or organization _____ .
- n. The highest rate of tax that somebody pays _____ .
- o. An amount of money that is paid back to you if you have paid too much _____ .

PRONUNCIATION GUIDE

incidence [ˈɪnsɪdəns]
 welfare [ˈwelfeə]
 incarceration [ɪnˌkɑːsəˈreɪʃ(ə)n]
 emirate [ˈemɪrət]
 expenditure [ɪkˈspendɪtʃə]
 agency [ˈeɪdʒ(ə)nəsi]
 percent [pərˈsent]
 criterion (sg) [kraɪˈtɪ(ə)rɪən]
 impartial [ɪmˈpɑːʃ(ə)l]

evasion [ɪˈveɪʒ(ə)n]
 forfeiture [ˈfɔːfɪtʃə]
 mortgage [ˈmɔːɡɪdʒ]
 utility [juˈtɪlətɪ]
 debt [det]
 vary [ˈve(ə)rɪ]
 percentage [pəˈsentɪdʒ]
 criteria (**pl**) [kraɪˈtɪ(ə)rɪə]
 levy [ˈlevɪ]

SECTION I

I. Read text A and be ready to complete the tables with the information from the text.

Table1

Criteria for Effective Taxes	Description

Table2

principles of taxation	Description	Examples



Text A

Taxation &Taxation Principles

Taxation is a means by which governments finance their expenditure by imposing charges on citizens and corporate entities. Some form of tax or another can be traced back to well over 3,000 years ago. Governments use taxation to encourage or discourage certain economic decisions. For example, reduction in taxable personal (or household) income by the amount paid as interest on

home mortgage loans results in greater construction activity, and generates more jobs.

A **tax** is a financial charge or other levy imposed upon a taxpayer (an individual or legal entity) by a state or the functional equivalent of a state to fund various public expenditures. A failure to pay, or evasion of or resistance to taxation, is usually punishable by law. Taxes are also imposed by many administrative divisions.

Tax is money that people have to pay to the government. Governments finance most of their expenditure by **taxation**. If they spend more than they **levy** or charge in taxes, they have to borrow money. For example, taxes are used to pay for people who work for the government, such as the military & police. Governments also use taxes to fund welfare and public services such as education&health care, pensions for the elderly, unemployment benefits, and public transportation. Energy, water and waste management systems are also common public utilities. Some of the taxes include expenditures on war, the enforcement of law and public order, protection of property etc.

In modern taxation systems, governments levy taxes in money. Tax collection is performed by a government agency. When taxes are not fully paid, the state may impose civil penalties (such as fines or forfeiture) or criminal penalties (such as incarceration) on the non-paying entity or individual. Governments use different kinds of taxes and vary the tax rates.

Tax Rate	Tax Rebate
<p>A tax rate is the percentage of tax that a company must pay to government.</p> 	<p>When the government gives a tax rebate, it returns tax money to people or companies.</p> 

This is done to distribute the tax burden among individuals or classes of the population involved in taxable activities. Few countries impose no taxation at all, such as the United Arab Emirates.

Finally, there is the matter of who actually pays the tax. This is known as the **incidence of a tax** — or the final burden of the tax. Suppose a city wants to tax a local electric utility to raise revenue. If the utility is to raise its rates, consumers will likely bear the burden of

the tax in the form of higher utility bills. However, if the company's rates are regulated, and if the company's profits are not large enough to absorb the tax increase, then shareholders may get smaller dividends — placing the tax burden on the owners. The company also might delay a pay raise — shifting the burden to its workers.

Criteria for Effective Taxes. To be effective, taxes must be equitable, easy to understand, and efficient. Some taxes will always be needed, so we want to make them as fair and as effective as possible. To do so, taxes must meet three criteria: equity, simplicity, and efficiency.

The first criterion is **equity**, or fairness, which means that taxes should be impartial and just. Problems arise when we ask, what is fair? You might believe that everyone should pay the same amount. Your friend may think that wealthier people should pay more than those earning less.

A second criterion is **simplicity**. Tax laws should be written so that both taxpayers and tax collectors can understand them. People seem more willing to tolerate taxes when they understand them.

A third criterion for an effective tax is **efficiency**. A tax should be relatively easy to administer and reasonably successful at generating enough revenue while not harming the economy.

Taxes in the United States are based on two principles that have evolved over the years. These principles are **the benefit principle and the ability-to-pay principle**.

Benefit principle of taxation states that taxes should be paid according to benefits received regardless of income. The benefit principle of taxation states that those who benefit from government goods and services should pay in proportion to the amount of benefits they receive. Gasoline taxes are a good example of this principle. Because the gas tax is built into the price of gasoline, people who drive more than others pay more gas taxes — and therefore pay for more of the upkeep of nation's highways.

The ability-to-pay principle states that that people should be taxed according to their ability to pay, regardless of the benefits they receive. An example is the individual income tax, which requires people with higher incomes to pay more than those who earn less.

WORDS AND PHRASES TO BE REMEMBERED

to impose (on, upon) — обкла́дати (податком, митом)

to impose a duty — обкла́дати митом; накла́дати зобов'язання

to impose a penalty — накла́дати пока́рання (стягнення)

to impose a fine — накла́дати штра́ф

fine — штраф; пеня

to fine — накладати штраф (пеню)

to impose a fine on the spot — накладати штраф на місці

forfeiture — позбавлення (прав, майна, посади); конфіскація; штраф

incarceration — взяття під варту; ув'язнення, позбавлення волі

levy — збір; комісія; мито, податок; плата

to levy (- on) — стягувати (комісії, збори) ; збирати (податки); обкладати (податком, митом).

Syn. to impose on; to tax; to take; to lay

to levy a tax — обкладати податком

legal entity — юридична особа

corporate entity — комерційна організація, корпорація;

evasion of taxes — ухилення від сплати податків

to punish — карати (в т. ч. в кримінальному порядку) ; накладати стягнення;

welfare — благо; благополуччя; благодійність; соціальне забезпечення

welfare payment — (державна) соціальна допомога

public service — комунальні послуги

public utility — комунальне підприємство;

public utilities — міське господарство

charges for public utility services — плата за комунальні послуги

unemployment benefits — допомога узв'язку з безробіттям

expenditure — витрачання; видатки

mortgage — застава; іпотека; закладна

tax rate — ставка оподаткування; норма оподаткування; податкова ставка

marginal tax rate — гранична ставка оподаткування

minimum tax rate — мінімальна ставка податку

average tax rate — середня ставка податку

effective tax rate — фактична (чинна) податкова ставка

progressive tax rate — прогресивна ставка податку

tax burden — податковий тягар; сума податків, що сплачуються (стягуються)

impartial — безсторонній, неупереджений, справедливий

incidence — сфера впливу (охоплення)

tax rebate — податкове зниження; повернення переплати за податками

Note: criterion (pl. criteria) — критерій, мірило

VOCABULARY PRACTICE

I. Find in the text the English equivalents for the following word combinations.

Обкладати податком; державна соціальна допомога; плата за комунальні послуги; юридична особа; ухилення від сплати податків; прогресивна ставка податку; принцип корисності; гранична ставка оподатковування; принцип платоспроможності; податок на додану вартість; ставка податку; накладати покарання (стягнення); збір, комісія, мито; критерій; податковий тягар; прогалина у податковому законодавстві; застава; сфера впливу (охоплення); компенсаційна податкова пільга.

II. Give the Ukrainian equivalents for the following word combinations.

Choose three word combinations and explain their meaning with your own words. Make your own sentences.

Expenditure; to impose charges on citizens; to trace back; to encourage or discourage economic decisions; reduction in taxable personal (or household) income; home mortgage loan; resistance to taxation; to fund welfare; unemployment benefits; waste management systems; enforcement of law; to impose civil penalties; forfeiture; incarceration; incidence of a tax; to raise revenue; criteria; to delay a pay raise; equitable taxes; simplicity and efficiency; impartial taxes; to shift the burden to smb.

III. Express in one word.

1. to introduce by law the payment of a tax – to i _ _ _ ;
2. the action of spending funds e _ _ _ _ _ _ _ _ _ ;
3. a punishment imposed for breaking a law, rule, or contract
p _ _ _ _ _ ;
4. services provided by the state (the supply of electricity, gas etc.) –
p _ _ _ _ _ u _ _ _ _ _ _ _ _ _ ;
5. to require (a duty, charge, or penalty) to be undertaken or paid –
to i _ _ _ _ _ ;
6. something difficult to bear – b _ _ _ _ _ ;
7. the action of evading something – e _ _ _ _ _ _ _ _ ;
8. an amount of money that is paid back to smb if he/she has
paid too much tax – t - x r - - - - e .

IV. Fill in the missing words or word combinations in the sentences below. Choose from the box. Translate the sentences into Ukrainian.

taxation; reduction; public utilities; was imposed; marginal rates; tax loopholes; income tax; evasion; public service; encourage; duty; direct taxes; tax rebate; discourage; mortgage loans; fines; welfare; incidence of taxation; tax rate.

1. Low levels of _____ have attracted some big companies to the region.
2. The government has reduced _____ but raised taxes on spending.
3. The government raises most of its revenue from indirect taxes such as VAT and _____ on fuel.
4. The government has promised to lower _____.
5. The court can impose _____ of up to two million euros.
6. Governments use taxation to _____ or _____ certain economic decisions.
7. The retailer exploited a _____ in Scottish law and sacked staff who refused to work on Sundays.
8. _____ in taxable personal (or household) income by the amount paid as interest on home _____ results in greater construction activity, and generates more jobs.
9. _____ is a certain percentage of your income that you have to pay regularly to the government.
10. The authorities will pursue companies that abuse _____.
11. A new tax _____ on fuel.
12. They believe that international commerce is harmful to the _____ of developing countries.
13. The planned tax increase on oil and gas profits will mean that the company effective _____ will rise.
14. They are trying to introduce _____ on income.
15. _____ is something such as health care, transport, or the removal of waste which is organized by the government or an official body in order to benefit all the people in a particular society or community

16. _____ are services provided by the government or state, such as the supply of electricity and gas, or the train network.

17. The structure of production may influence the _____.

18. More than 2 million tax payers will receive checks totaling \$1 billion because of the federal _____ program.

V. Write one word in each gap to complete the sentences. Translate the sentences into Ukrainian.

1. These proposals would only increase the tax _____ on business.

2. The government _____ its attention away from the fight against crime.

3. Everyone whose qualifications meet our _____ will be considered.

4. The process of making sure that something happens, especially that people obey a law or rule is called law _____.

5. Money provided by the government to someone who does not have a job is unemployment _____.

6. _____ is an amount of money that you have to pay, for example as a tax.

7. The costs involved would outweigh any _____ gained.

8. This new tax _____ an unfair burden on employers.

9. We intend to make child _____ one of our priorities.

10. Care provided by the state or another organization for people in need is the _____ system.

11. Do you have a _____ on your house? You can pay it back by making monthly payments.

12. Public _____ is a company that provides gas, electricity, or water for people to use.

13. Public _____ – a service that the government pays for, such as education or health care.

14. _____ should ideally not exceed income.

15. _____ is an amount of money that you have to pay because you have broken the law.

16. The court has the right _____ heavy fines.

17. She _____ £250 for speeding.

COMPREHENSION CHECK

Now read text A again and answer the following questions.

1. What is taxation?
2. What is tax?
3. What is tax rate?
4. What are the basic aspects of governmental spending?
5. What is the main purpose of taxes?
6. What is the incidence of the tax?
7. How taxes are administered?
8. What are the criteria for effective taxes?
9. Why is equity important?
10. What are the basic principles of taxation?
11. What does the benefits-received principle state?
12. Why is the benefits-received principle considered to be unfair?
13. What does the ability-to-pay principle mean?
14. Which principle of taxation do you prefer, and why?
15. Which of the two principles of taxation—the benefit principle or the ability-to-pay principle—do you think is more equitable?
16. Do you think the taxes you pay are fair?

READING STRATEGIES

I. You are going to read the text about personal taxation in the UK. Consider the questions and be ready to answer them as soon as you read the text.

1. What is Geoff Peters?
2. How is personal taxation structured in the UK?
3. How is it levied?
4. What new legislation has recently been introduced?
5. What do you think the government uses national insurance contributions for?
6. What is PAYE?

Personal taxation in the UK.

Geoff Peters, Chief Inspector of Taxes at the Inland Revenue was asked to give a short overview of personal taxation as it stands at the moment in the UK.

Here is his presentation in brief.

Good afternoon, ladies and gentlemen. Unfortunately, in the UK too, there's no getting away from the man you all love to hate – the taxman.

So, contrary to popular opinion, UK personal taxation is both simple and relatively low. There are two rates: 25 per cent on taxable income up to £23,700, and 40 per cent on income above this figure. You'll notice I say taxable income, as, like most countries, there are a series of deductions and allowances which can be taken into account before arriving at your net taxable income figure. The major one relates to the status of the individual: a single person's allowance at present stands at £3,295, while a married person's allowance is currently £5,015.

At this point I should mention that the government has recently introduced legislation which allows married couples to opt for separate taxation.

Other allowances or deductions which are common are, firstly, tax relief on private pensions. At the moment this is allowable up to 17.5 per cent of total income, up to the age of 35, rising to 40 per cent above 60 years old. Also the much vaunted tax relief on mortgages or loans to buy a house – here there is currently 7 per cent tax relief on the interest payable to the bank or building society up to a maximum of £30,000 capital borrowed. The percentage relief obviously depends on the interest rates that are operative at any one time.

Right, that covers the first part of my presentation; I'd now like to move on to how personal tax is levied. The Inland Revenue obliges employers to operate a PAYE (Pay As You Earn) scheme, which means the tax is deductible at source. In other words, by the employer before making out the monthly salary cheque or bank transfer to the employee. The tax is then collected direct from the employer. At the same time I should mention that the employer is obliged to deduct National Insurance from the employee's salary – the employee's contribution being roughly 9 per cent of income, the employer's ranging from 5 to 10 per cent. These are approximate figures as it is also income-related. This last transparency summarizes the situation.

II. Read the text about personal taxation in the UK again and complete the information in Charts 1 and 2.

Chart 1. Personal taxation

Rates	
Lower rate: up to £23,700: a. _____	%
Higher rate: above £23,700: b. _____	%
Allowances	
Single person: c. £ _____	
Married person: d. £ _____	
Pensions: e. maximum _____	% of income
Mortgage interest relief: f. _____	

Chart 2. Collection of personal taxes

Income tax	
System: g.	_____
National insurance	
Employee's contribution: h.	_____ %
Employer's contribution: i.	_____ %

TRANSLATION PRACTICE

Translate into English.

1. Оподаткування — законодавчо врегульований процес встановлення та утримання податків у країні.
2. Податки — обов'язкові платежі, які сплачують фізичні та юридичні особи до бюджету.
3. Податкова ставка — розмір податку на одиницю оподаткування, встановлений в законодавчому порядку.
4. Види ставок оподаткування розрізняються один від одного відповідно до способу, який використовується, щоб визначити суму податку по відношенню до прибутку, який підлягає оподаткуванню
5. Загалом, податки діляться на прямі та непрямі.
6. Прямі податки стягуються безпосередньо з доходів і майна платника податків. Прямими податками можна назвати такі, як податок на доходи фізичних осіб, податок на прибуток і подібні.
7. Непрямі податки на товари й послуги, установлені центральними й місцевими органами влади у вигляді надбавок до ціни товарів або тарифу на послуги й незалежні від доходів платників податків.
8. Принцип платоспроможності – це принцип оподаткування, який стверджує, що податки повинні сплачуватись тими, хто може собі дозволити платити їх.
9. Принцип пільг – це принцип оподаткування, який стверджує, що ті, хто отримує пільги від уряду є саме тими, то повинен за них платити.
10. Головна вимога гарної системи оподаткування – бути справедливою.



SECTION II

Taxes, along with taxation rules are one of the most complex and confusing topics of any financial system. This complexity arises because of different types of taxes with different tax rates and continuous amendments in the taxation rules. Text B introduces different **types of taxes** and discusses some of the specific features of each.

I. Read text B and be ready to define progressive, regressive and proportional taxes. Complete the table with the information from the text.

Types of taxes	Description	Example

Text B

Types of Taxes You Should Know About



Benjamin Franklin once said, "Nothing is certain but death and taxes." But what kinds of taxes do you pay? There are so many types

of taxes that an average person pays that often you pay a tax without even knowing that you're paying it! Wouldn't you like to know exactly what taxes we pay in our day to day lives, both knowingly and unknowingly? So here goes!

The most fundamental classification of taxes is based on **who collects** the taxes from the tax payer. Taxes can be either direct or indirect.

Direct Taxes, as the name suggests, are taxes that are directly paid to the government by the taxpayer– usually through “pay as you earn”. It is a tax applied on individuals and organizations directly by the government .These taxes cannot be shifted to others. A homeowner pays personal **property taxes** directly to the government. A family pays its own federal **income taxes**.

Individuals pay income tax on their wages or salaries, and most other money they receive. Most countries have a **capital gain tax** on profits made from the sale of assets such as stocks or shares. This is usually imposed or levied at a much lower rate than income tax. **An inheritance tax** (commonly called death duty in Britain) is usually imposed on inherited money or property. Other names for this tax are **capital transfer tax** or **estate tax**.

Companies pay **corporation tax** on their profits. Business profits are generally taxed twice, because after the company pays tax on its profits, the shareholders pay income tax on any dividends received from these profits. Companies and their employees also have to pay taxes (called national insurance in Britain) which the government uses to finance social security spending – unemployment pay, sick pay, etc.

Indirect taxes are levied on the production or sale of goods and services. They are included in the price paid by the final purchaser. An indirect tax is imposed on one person but partly or wholly paid by another. In indirect tax, the person paying and bearing tax is different. An indirect tax can be passed on to another person or group. A business may recover the cost of the taxes it pays by charging higher prices to customers. A tax shift occurs when the business shifts its taxes to others. It is the tax on consumption or expenditures.

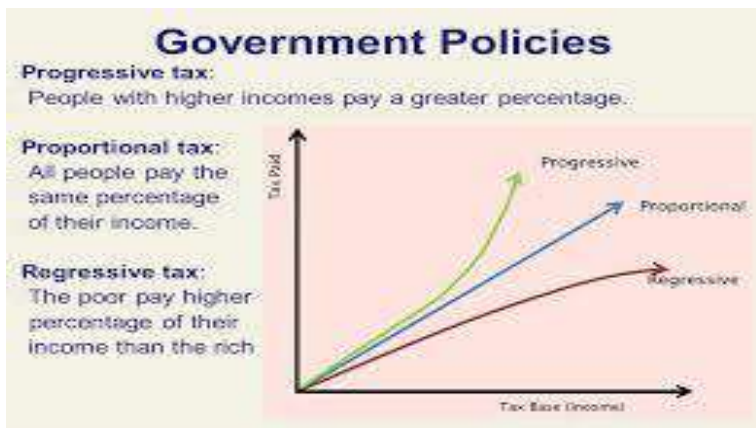
In most European countries, companies pay **VAT or value-added tax**, which is levied at each stage of production, based on the value added to the product at that stage. The whole amount is added to the final price paid by the consumer. In Canada, Australia, New Zealand and Singapore, this tax is called goods and services tax or GST. Other examples of the indirect taxes are: **sales taxes** – collected by retailers, levied on the retail price of goods; **excise taxes** or **excise duties** – additional sales taxes on commodities like tobacco products, alcoholic

drinks and petrol; special taxes, called **tariffs**, are often charged on goods imported from abroad.

Non-payment of tax. To reduce the amount of income tax that employees have to pay, some employers give their staff advantages instead of taxable money, called perks, such as company cars and free health insurance. Multinational companies often register their head offices in tax havens – small countries where income taxes for foreign companies are low, such as the Liechtenstein, Monaco, the Cayman Islands, and the Bahamas.

Using legal methods to minimize your tax burden – the amount of tax you have to pay – is called tax avoidance. This often involves using loopholes – ways of getting around the law, because of an error or a technicality in the law itself. Using illegal methods – such as not declaring your income, or reporting it inaccurately – is called tax evasion, and can lead to big penalties.

An important feature of tax systems is the percentage of the tax burden as it relates to income or consumption. The terms progressive, regressive, and proportional are used to describe the way the rate progresses from low to high, from high to low, or proportionally. The terms describe a distribution effect, which can be applied to any type of tax system (income or consumption) that meets the definition.



There are three categories into which we can place direct and indirect taxes: proportional, progressive, and regressive.

Progressive taxes. The more money individuals make the higher percentage of their income they have to pay. Most countries have progressive income taxes.

Progressive tax is a tax that imposes a higher percentage rate of taxation on higher incomes than on lower ones. This tax uses a progressively higher marginal tax rate, the tax rate that applies to the next dollar of taxable income. A progressive tax is a tax imposed so that the effective tax rate increases as the amount to which the rate is applied increases.

Regressive taxes. A tax that takes a larger percentage from low-income people than from high-income people. The less money individuals make the higher percentage of their income they have to pay. Regressive tax is the opposite of a progressive tax. This effect is commonly produced where means testing is used to withdraw tax allowances or state benefits. A regressive tax is generally a tax that is applied uniformly. This means that it hits lower-income individuals harder.

Sales taxes are usually called regressive as poor people spend a higher percentage of their money, than rich people. Some examples include gas tax and cigarette tax. For example, if a person has \$10 of income and must pay \$1 of tax on a package of cigarettes, this represents 10% of the person's income. However, if the person has \$20 of income, this \$1 tax only represents 5% of that person's income.

Sales taxes that apply to essentials are generally considered to be regressive as well because expenses for food, clothing and shelter tend to make up a higher percentage of a lower income consumer's overall budget. In this case, even though the tax may be uniform (such as 7% sales tax), lower income consumers are more affected by it because they are less able to afford it.

Proportional Tax / Flat taxes. In between is a proportional tax, where the effective tax rate is fixed, while the amount to which the rate is applied increases.

A proportional tax imposes the same percentage rate of taxation on everyone, regardless of income. If the percentage tax rate is constant, the average tax rate — total tax paid divided by the total taxable income — also is constant, regardless of income. If a person's income goes up, the percentage of total income paid in taxes does not change.

Income tax for individuals is usually progressive: people with higher incomes pay a higher rate of tax (and therefore a higher percentage of their income) than people with lower incomes. Indirect taxes such as sales tax and VAT are called proportional taxes, imposed at a fixed rate. But indirect taxes are actually regressive: people with a low income pay a proportionally greater part of their income than people with a high income.

To conclude, we can say that the instrument of taxation is of great importance on

- Increasing the level of economic activity – regressive taxation
- Reducing income inequalities – progressive taxation
- Promoting economic growth – funds could be reinvested

Besides, tax payment helps reduce the gap between the haves and have-nots. As it helps in mobilizing the surplus income from the haves and reinvesting them for public welfare, it helps these surplus funds to reach the have-nots.

WORDS AND PHRASES TO BE REMEMBERED

tax payer – платник податків

perk – пільга; надбавка (до заробітної плати)

tax haven – територія з пільговим режимом оподаткування; податкове сховище; податкова оаза

tax burden – податковий тягар; сума податків, що сплачуються (стягуються)

loop hole – лазівка, "дірка" (в законодавстві)

tax evasion – ухиляння від сплати податків

tax avoidance – зниження суми оподаткування (законним чином) ; мінімізація суми оподаткування

tax allowance – податкова пільга; податкова знижка

tax rebate – податкове зниження (повертається після сплати податків); повернення переплачених податків

marginal tax rate – гранична ставка оподаткування

minimum tax rate – мінімальна ставка податку

average tax rate – середня ставка податку

effective tax rate – фактична (чинна) податкова ставка

progressive tax rate – прогресивна ставка податку

income tax – податок на прибуток, прибутковий податок

sales tax – податок з продажу (податок з обігу)

value-added tax (VAT) – податок на додану вартість

wealth tax – податок на особисте майно

property tax – податок на нерухоме майно

personal tax – податок на рухоме майно; подушний податок

excise duty – акцизний збір

corporation tax – податок на доходи корпорацій

payroll tax – податок на фонд заробітної плати

national insurance – державне соціальне страхування

capital gains tax (CGT) – податок на приріст капіталу

inheritance tax (death tax; estate tax) – податок на спадщину

haves – імуцій; заможний

have-nots – незаможний

VOCABULARY PRACTICE

I. Find in the text English equivalents for the following word combinations. Write your own sentences using them.

Гранична ставка оподаткування; податкове зниження; державне соціальне страхування; лазівка в законодавстві; ухиляння від сплати податків; податковий тягар; територія з пільговим режимом оподаткування; пільга, надбавка (до заробітної плати); акцизний збір; незаможний; податок з продажу; податок на спадщину; податок на фонд заробітної плати; податкова пільга/знижка; податок на особисте майно; податок на рухоме майно/подушний податок.

II. Give Ukrainian equivalents for the following word combinations.

Taxpayer; legally imposed taxes; property taxes; a person bearing tax; recover the cost of the taxes; to charge higher prices ; tax shift; consumption tax; excise duty; tax avoidance; to use loopholes; sick pay; ways of getting around the law; income tax; to report inaccurately; marginal tax rate; unemployment pay; effective tax rate; capital gains tax; to withdraw tax allowances; expenses for food, clothing and shelter; consumer's overall budget; to recover the cost; constant tax rate.

III. What are the standard names for the tax or taxes paid on the following?

1. alcoholic drinks and tobacco products – _____
2. company profits – _____
3. goods bought in stores – _____
4. money received from relatives after their death – _____
5. salaries and wages – _____
6. goods made in other countries – _____
7. money made by selling stocks at a profit – _____

IV. Find words in text B with the following meanings.

1. an adjective describing taxes on revenue or income – _____;
2. a tax that has one rate that is the same for everybody – _____;
3. money paid by the government to sick and unemployed people – _____;

4. a tax that has a higher rate for taxpayers with a higher income – _____;
5. an adjective describing taxes on consumption or spending – _____;
6. means of evading a rule without breaking it – _____
7. to move or transfer smth from one place or position to another – _____.

V. Find as many verbs as you can in the text that can be used to make word combinations with 'tax'.

.....	
.....	
.....	tax
.....	
.....	

VI. Explaining taxes

A. In the following conversation between two work colleagues (Peter and Juan), Peter is explaining to Juan the meaning of different tax vocabulary. From the context, try to guess what the meaning of the words/phrases in bold are. Then do the quiz at the end to check if you are right.

Juan: 'I have just received my first pay slip which says how much money I have earned from working here and I am not sure how much money I am going to receive.'

Peter: 'The money that the company will pay into your bank is called the **net** amount. Net means after taxes and other costs have been removed. So you are going receive in your bank account £2,234.'

Juan: 'I see it. There's another number/figure on the payslip which says gross next to it. It's more money than the net number/figure. What's that?'

Peter: 'Your **gross** salary or wage is the amount of money the company actually pays you. Which for you is £2,765. But this is before taxes and other costs have been **deducted** or removed from your salary. That's why it's higher than the money you actually receive.'

Juan: '£531 is a lot of money to pay in taxes.'

Peter: 'Not really, the **tax rate** you pay from your salary is 25%. I know some people who have to pay a 47% tax rate.'

Juan: 'But £531 isn't 25% of £2,765, it's about 19%. Have they made a mistake? Do I have to pay more tax?'

Peter: 'No, in this country you are **exempt** from paying any income tax on the first £620 that you earn every month. Basically, you don't pay any tax on that amount. You only start to pay income tax on any money you earn over £620 per month. The amount of money where you have to start to pay tax is called the **tax threshold**.'

Juan: 'So, I only pay income tax on the money I earn over £619 each month from my salary?'

Peter: 'Yes, you are **liable** for paying tax over £619. You are required to pay tax over that amount (you're not exempt from paying tax). "You earn about £33,000 a year, don't you?"

Juan: 'Yes, my gross salary for a year is about that.'

Peter: 'Well, if you earn over £35,000 you enter a different **tax bracket**. This means that all the money you earn over £35,000 is taxed at a different tax rate. The income tax rate increases to 47%.'

Juan: 'So, if I start to earn over £35,000, I pay 47% income tax on all the money I earn instead of 25%?'

Peter: 'No, you would pay both tax rates. For the part of your income below £35,000 and above the tax threshold, you always pay a 25% tax rate no matter how much you earn. You only pay 47% in tax on the part of your income which is £35,000 or over.'

Juan: 'OK. In Spain the government sometimes give people money back if they have paid too much tax. Does this happen here in Britain?'

Peter: 'Yes, it does. It depends on how much money you have paid in taxes during the **tax year**.'

Juan: 'Sorry to interrupt, but what's a tax year?'

Peter: 'The 12 months that the government uses for claiming/collecting taxes. In this country, the tax year starts in April and finishes at the end of March. You started your job here in September, didn't you?'

Juan: 'Yes, I did. I moved to Britain from Spain then.'

Peter: 'Because you started your first job in Britain in September (which is in the middle of the tax year), by the end of the tax year you will have paid more income tax than you should have. You should get you a **tax refund**, where the government gives you back your overpaid taxes. When you have paid less tax than you should during the tax year, the government will ask you to pay them money and this is called a **tax demand**.'

Juan: 'Do I have to fill in a form to tell the government how much money I have earned at the end of the tax year?'

Peter: 'In Britain you don't have to do a **tax return** to tell the government how much money you have earned, our company will do

it for you. It's normally only self-employed people (who work for themselves) and companies who have to do a tax return and send it to the government.'

B. Now do the quiz below to make sure you understand the meaning of this vocabulary.

1. A different way to say you 'don't have to' pay tax, is _____.
2. The period of time that a government uses to calculate the amount of tax that people have to pay it, is called the _____.
3. Income or earnings before tax has been removed, is called _____.
4. A document which that a company or person sends to the government, so the amount of tax they have to pay can be calculated, is called a _____.
5. The quantity of money when you begin to pay tax, is called the _____.
6. When the government tells you to pay more money in tax than you have already done, is called a _____.
7. The percentage which tax is taken from something by the government, is called the _____.
8. If a tax has different tax rates, the quantity of money where you have to pay each different tax rate, is called a _____.
9. When the government gives you back money that you paid them in tax, is called a _____.
10. The opposite of 'exempt' from paying a tax, is _____.
11. Income or earnings after tax has been removed, is called _____.
12. A more formal way to say 'removed', is _____.

VII. Are the following statements true or false? Find reasons for your answers in the text.

1. Capital gains are generally taxed at a higher rate than income.
2. The same sum of money can be taxed more than once.
3. Sales taxes can be both proportional and progressive at the same time.
4. Excise duties are extra sales taxes on selected products.

5. Many international companies have their registered head-quarters in small countries where they do only a small proportion of their business.

6. Employees will generally pay less tax if their employer reduces their salary a little and provides them with a car.

7. Tax avoidance is illegal.

8. Perks and loopholes are forms of tax evasions.

VIII. Choose the correct words to complete each sentence.

1. The tax on wages and salaries (and business profits in the US) is called In Britain the tax on business profits is called corporation tax.

a. direct tax

b. income tax

c. wealth tax

2. A tax that is levied at a higher rate on higher rate on higher incomes is called a tax.

a. progressive

b. regressive

c. value-added

3 Property taxes, sales taxes, customs duties on imports, and excise duties tobacco, alcoholic drinks, petrol, etc. are taxes.

a. direct

b. indirect

c. value-added

4. Most sales taxes are slightly because poorer people need to spend a larger proportion of their income on consumption than the rich.

a. progressive

b. regressive

c. repressive

5. A sales tax collected at each stage of production, excluding the already – taxed costs from previous stages, is called a

a. sales tax

b. value-added tax

c. added-value tax.

6. Profits made from the sale of assets are liable to a tax.

a. capital gains

b. capital transfer

c. wealth

7. Gifts and inheritances are usually liable to tax.

a. capital gains

b. capital transfer

c. wealth

8. Reducing the amount of tax you pay to a legal minimum is called

a. fiscal policy

b. tax avoidance

c. tax evasion

X. Give the proper terms for the following definitions. Choose from the box. Translate the sentences into Ukrainian.

direct tax, indirect tax, tax burden, tax haven, tax revenue, income tax, corporation tax, value added tax, payroll tax, sales tax, excise duty, tax rate, taxable income, public goods, inheritance tax.

1. A form of indirect tax which is included in the selling price of a product and which is eventually paid by the consumer.
2. An indirect tax which is based on the difference between the value of the output over the value of the input used to produce it.
3. A country or independent area where taxes are levied at a low rate.
4. A tax imposed on someone who inherits property or money.
5. The percentage rate at which a tax is levied on income or expenditure.
6. The money raised by government through imposing taxes.
7. A tax levied by the government on goods and services in order to raise revenue, such as value added tax and excise duty.
8. Goods and services provided by the state for all or most of the population such as education, health, housing, etc.
9. A tax levied by the government on the income or property of households or businesses.
10. A direct tax levied by the government on the income (wages, rent, dividends) received by households.
11. The amount of an individual's income on which a tax is levied.
12. The total amount of taxation paid by the population of a country in the form of income tax, corporation tax, value added tax, etc.
13. A direct tax levied by the government on the profits of businesses.
14. An indirect tax levied by the government on certain goods, typically tobacco, oil, and alcoholic drink.
15. A compulsory contribution to state revenue, levied by the government on workers' income and business profits.

COMPREHENSION CHECK

Now read the text again and answer the following questions.

1. What is the most fundamental classification of taxes based on?
2. What is direct tax? Give examples of direct taxes.
3. Can the direct tax be shifted to the others?

4. What is indirect tax? Give examples of indirect taxes.
5. What is an income tax?
6. What is an excise tax?
7. What is a payroll tax?
8. What is an estate tax?
9. What is a value-added tax?
10. How VAT is called in Canada, Australia, New Zealand and Singapore?
11. What are custom duties?
12. What is a sales tax?
13. What are other names for inheritance tax?
14. What is national insurance?
15. How can most taxes be classified?
16. What is a progressive tax?
17. What is a peculiar feature of a proportional tax?
18. Under which type of tax do individuals with lower incomes pay a smaller percentage than do those with higher incomes?
19. Which tax is the fairest? Give your reasoning.
20. What is the role of taxation in the national economy?
21. How high are tax rates in Ukraine? How do they affect changes in taxed commodity?
22. In your country, what percentage of national income goes to the government as tax? Do you know how this compares with other countries?

TRANSLATION PRACTICE

Translate into English.

1. Податок на прибуток грає важливу роль у фінансово-бюджетній політиці багатьох країн.
2. Загалом, податки діляться на прямі, тобто ті податки, які стягуються з економічних агентів й непрямі, тобто податки на товари й послуги.
3. Прямими податками можна назвати такі, як податок на доходи фізичних осіб, податок на прибуток і подібні.
4. До непрямих податків належать такі податки, як податок на додану вартість, акцизи й інші.
5. Пропорційні податки – податки, ставка яких не залежить від величини оподатковуваного доходу.
6. Прогресивний податок – це такий, який стягує більший процент з вищого прибутку і менший процент з нижчого прибутку.
7. Регресивний податок – це такий, який стягує вищий процент з низького доходу і нижчий процент з високого доходу.

8. Податок на додану вартість – це податок, який накладається на вартість додану до товарів на кожному етапі виробництва.

9. Існують податки, які накладаються на імпорт або продаж окремих товарів.

10. Митні збори відносяться до імпортованих товарів, а акцизні збори накладаються на товари вітчизняного виробництва.

11. Американська система оподаткування складається з податків на прибуток, податків на майно і податків на підприємницьку діяльність.

LET'S READ AND TALK

Activity 1.

Scan the text about taxation in the United Kingdom and be ready to do the assignments given after the text.



Taxation in the United Kingdom may involve payments to a minimum of three different levels of government: the central government (Her Majesty's Revenue and Customs), national governments and local government. Central government revenues come primarily from income tax, National Insurance contributions, value added tax, corporation tax and fuel duty. Local government revenues come primarily from grants from central government funds, business rates in England and Wales, Council Tax and increasingly from fees and charges such as those from on-street parking. In the fiscal year 2014-15, total government revenue was forecast to be £648 billion, or 37.7 per cent of GDP, with net taxes and National Insurance contributions standing at £606 billion.

The Government's goal is to make the UK the best place in the world to locate an international business. UK has one of the most open economies globally, a highly skilled workforce, access to capital markets and first-class infrastructure. The UK now also has a highly

competitive corporate tax system. Since 2010, the Government has undertaken a comprehensive review of the UK tax system, consulting with business on the direction and design of the reforms. Tax policy has been made simpler and more transparent. The corporation tax rate is currently 23 per cent and will be reduced further to 20 % by 2015 – the lowest it has ever been in the UK, the lowest in the G7.

The World Bank ranks the UK third in Europe and seventh in the world, for ease of doing business. The UK Government's aim is to create the most competitive corporate tax regime in the G20.

The principal indirect tax is Value Added Tax (VAT), which applies in all countries in the EU. The UK rate of 20 per cent is in line with the average EU standard rate and is applied to both goods and services. Certain supplies are exempt from VAT (no VAT on the supply, but no refund of the VAT incurred on the costs of supply), while others are at a reduced rate (five per cent).

UK capital gains tax rates are low. The top rate is 28 per cent, with lower rates and reliefs available to support entrepreneurial and business activity.

Excise duties are levied on three major categories of goods: alcoholic drinks, tobacco and road fuels. They are levied at a flat rate (per pint, per litre, per packet etc.); tobacco products are subject to an additional ad valorem tax of 16.5% of the total retail price (including the flat-rate duty, VAT and the ad valorem duty itself). Since flat-rate duties are expressed in cash terms, they must be revalorised (i.e. increased in line with inflation) each year in order to maintain their real value. Excise duties are forecast to raise £47.1 billion in 2014–15.

Note: The Group of 7 (G7) is a group consisting of Canada, France, Germany, Italy, Japan, the UK, and the USA. The European Union is also represented within the G7. These countries are the seven major advanced economies as reported by the IMF: The G7 countries represent more than 64% of the net global wealth (\$263 trillion):

A. Work in pairs. Student A: Ask student B these questions about the UK taxation.

1. What are three levels of government taxation in the UK?
2. What are the Central government's sources of revenues?
3. Where do the local government revenues come from?
4. What is the government's goal?
5. What is the principal indirect tax in the UK?
6. What exactly does the author mean speaking about "a highly competitive corporate tax system"?
7. How do you understand the terms "ease of doing business" and "a flat rate"?

B. Student B: Ask student A what these numbers refer to in this article about the UK taxation

- | | | | |
|---------|------------------|----------------|----------------|
| a) 2010 | b) £648 billion | c) £47.1 | d) 23 per cent |
| e) G7 | f) 37.7 per cent | g) 28 per cent | h) 16.5% |

Activity 2.

Think and say:

- *A 5 percent sales tax on food is an example of*
a. Regressive b. Proportional c. Progressive
- *The federal personal income tax is an example of a*
a. Regressive b. Proportional c. Progressive

Activity 3.

In pairs, explain each other the significance of tax loophole, individual income tax, sales tax, average tax rate, tax rebate, progressive tax, marginal tax rate, and regressive tax.

WRITING STRATEGIES

I. Write a brief summary of text A.

II. Differentiate between regressive, proportional and progressive tax structure. Compare and contrast their characteristics. Write at least 150 words about your findings. USEFUL ENGLISH section below may be helpful to you.

USEFUL ENGLISH

Expressing Comparison & Contrast

Although Though Even though

While Whereas

Expressing Cause / effect

Since So that Because

UNIT FIVE

TAX PLANNING. TAX COMPLIANCE

Section I Text A. Tax Planning

Section II Text B. Tax Compliance

Useful English Expressing views and opinions

LEARNING OBJECTIVES

In this unit you will practice the following skills and strategies:

- examining topics and content related to tax planning and tax compliance;
- applying reading skills to comprehend, analyze, and interpret texts related to the topic;
- using strategies to reinforce comprehension skills: use graphic organizers to visualize connections between main ideas and supporting details, cite evidence for main ideas, answer literal and critical comprehension questions on the topic;
- giving spontaneous and prepared monologs, dialogs, and group interaction using topical vocabulary;
- translating and summarizing texts related to the issues covered in the unit.

LEAD-IN

1. Discuss these questions with your partner. Use the expressions below.

Tax efficiency, follow tax laws, reduce tax liability legally, understand tax brackets, income splitting, charitable donations, use tax exemptions and deductions, get advice from a tax professional

*What are the key principles of effective tax planning?
How can individuals minimize their tax liability?*



2. Comment on the following quotations about taxes. What do the authors mean?

Do you agree or disagree with them? Discuss it with your partner.

"They can't collect legal taxes from illegal money."

Al Capone

"Today, it takes more brains and effort to make out the income-tax form than it does to make the income."

Alfred E. Neuman

"A fine is a tax for doing something wrong. A tax is a fine for doing something right."

Anonymous

"The income tax created more criminals than any other single act of government."

Barry Goldwater

"The purpose of a tax cut is to leave more money where it belongs: in the hands of the working men and working women who earned it in the first place."

Bob Dole

"I don't know if I can live on my income or not--the government won't let me try it."

Bob Thaves

"Collecting more taxes than is absolutely necessary is legalized robbery."

Calvin Coolidge

"There's nothing wrong with the younger generation that becoming taxpayers won't cure."

Dan Bennett

KEY TERMS

1. Before reading texts A, B and study the key terms and their definitions. While reading the texts, you should pay attention to the economic and business terms. They will become the basics of your professional vocabulary.

1. **Tax Planning** — *податкове планування* — the proactive approach of structuring your finances to minimize tax liabilities while complying with tax laws and regulations.

2. **Tax Management** — *управління податками* — the ongoing process of ensuring you meet all tax filing and payment deadlines and maintain proper records for potential audits.

3. **Tax Liability** — *податкові зобов'язання* — the amount of tax you owe to the government.

4. **Tax Compliance** — *податковий комплаєнс, дотримання податкового законодавства* — fulfilling all your tax obligations by filing accurate returns, paying taxes on time, and maintaining records.

5. **Tax Code** — *податковий кодекс* — the body of laws and regulations that govern how taxes are levied, collected, and enforced.

6. **Unrelated parties** — *непов'язані сторони* — are companies or other entities which are independent of each other, so that they are normally assumed to be dealing with each other at fair market prices.

7. **Deduction** — *відрахування* — an expense you can subtract from your taxable income, thereby reducing your tax liability. (e.g mortgage interest, charitable donations)

8. **Tax Credit** — *податковий кредит* — a dollar-for-dollar reduction in your tax bill, often used to incentivize specific behaviors (e.g., child tax credit, education tax credit).

9. **Tax-Advantaged Accounts** — *рахунки з пільговим оподаткуванням* — investment vehicles that offer tax benefits like tax-deferred growth (contributions grow tax-free until withdrawal) or tax-free withdrawals under specific conditions (e.g., IRAs, 401(k) plans).

10. **Limited Liability Company (LLC)** — *товариство з обмеженою відповідальністю (ТОВ)* — a business structure that offers limited liability protection for its owners and passes through profits and losses to their personal tax returns.

11. **Double Taxation** — *подвійне оподаткування* — income being taxed in both the country it's earned and where the taxpayer resides or repatriates the income (e.g., profits earned by a subsidiary in a foreign country).

12. **The arm's length principle** — *принцип «втягнутої руки»* — dictates that transactions between related parties (companies under the

same ownership) should be conducted at prices that are comparable to those that would be agreed upon by unrelated parties in similar circumstances.

13. **Transfer Pricing** — *трансфертне ціноутворення* — the practice of setting prices for transactions between related entities within a multinational corporation (MNC). Tax authorities scrutinize transfer pricing to ensure these transactions are conducted at arm's length (comparable to prices between unrelated parties).

14. **Tax Bracket** — *податкова категорія* — a range of taxable income subject to a specific tax rate.

15. **Tax Treaties** — *податкові угоди* — agreements between countries that aim to avoid double taxation and promote international trade.

16. **Tax Audit** — *податковий аудит* — a formal examination of a taxpayer's tax return by the tax authorities.

17. **Tax Penalties** — *податкові штрафи* — fines imposed for failure to comply with tax laws, such as filing late or inaccurate tax return

II. Give the right terms for the following definitions.

1.	Ensuring timely tax filing, payments, and record-keeping.	
2.	The amount of tax owed to the government.	
3.	Fulfilling all tax obligations: filing accurately, paying on time, and maintaining records.	
4.	Laws and regulations governing tax collection.	
5.	Independent companies assumed to deal at fair market prices.	
6.	An expense you subtract from your taxable income (e.g., mortgage interest).	
7.	A direct reduction in your tax bill (e.g., child tax credit).	
8.	Investments with tax benefits (e.g., tax-deferred growth or tax-free withdrawals).	
9.	Business structure offering limited liability protection and pass-through taxation.	
10.	Income taxed twice: in the country earned and where the taxpayer resides.	
11.	Setting prices for transactions within a multinational corporation (MNC).	
12.	Transactions between related parties should be priced similarly to unrelated parties.	
13.	Income range subject to a specific tax rate.	
14.	Agreements between countries to avoid double taxation and promote trade.	
15.	Formal review of a taxpayer's tax return by the tax authorities.	
16.	Fines for failing to comply with tax laws (e.g., late or inaccurate filing).	

SECTION I

Read text A and be ready to complete the table

Concept	Description	Example
Tax Planning		
Tax Management		
Income Management		
Tax-Advantaged Accounts		
Business Structure		
Tax Compliance		
Double Taxation		
Transfer Pricing		

PRONUNCIATION GUIDE

compliance [kəm'plai.əns]
multifaceted [ˌmʌltɪ'fæsɪtɪd]
recognition [ˌrɛkəg'nɪʃn]
efficiency [ɪ'fɪʃnsi]
dispute [dɪ'spju:t]

circumstance ['sɜ:.kəm.stɑ:ns]
legitimate [lɪ'dʒɪt.ə.mət]
consequence ['kɒnsɪkw(ə)ns]
acquisition [ˌæk.wɪ'zɪʃ.ən]
adverse ['æd.vɜ:s] [əd'vɜ:s]

Text A

TAXATION PLANNING AND MANAGEMENT

Tax planning is a critical aspect of personal and corporate financial strategies, aimed at minimizing tax liabilities and ensuring compliance with relevant laws and regulations. At its core, tax planning involves a proactive approach to structuring financial affairs in a way that optimizes tax outcomes, maximizes after-tax income, and facilitates long-term wealth accumulation.

The concept of tax planning encompasses a multifaceted framework that requires a deep understanding of tax laws, regulations, and incentives. It involves strategic decision-making processes that consider various factors such as income sources, deductions, credits, investments, and business operations. By analyzing these elements,

individuals and businesses can identify opportunities to reduce tax burdens through legitimate means in order to mitigate tax-related risks.

One fundamental aspect of tax planning involves income management. Taxpayers may explore strategies to defer or accelerate income recognition based on their specific circumstances and tax objectives. For instance, deferring bonuses or capital gains to future tax years can help minimize current-year tax liabilities. At the same time accelerating deductible expenses can enable a taxpayer to fall into a lower tax bracket and offset taxable income.

Investment decisions also play a crucial role in tax planning. Investors often seek tax-efficient investment vehicles and asset allocation strategies that minimize tax consequences. Tax-advantaged accounts such as Individual Retirement Accounts (IRAs) and 401(k) plans offer opportunities for tax-deferred growth or tax-free withdrawals under certain conditions. Additionally, investors may consider tax-loss harvesting strategies to offset capital gains with capital losses and optimize overall investment returns.

Moreover, business entities engage in tax planning to optimize corporate structures, transactions, and operations. Businesses may explore various organizational forms, such as partnerships, corporations, or limited liability companies, to minimize tax liabilities and achieve operational efficiency. Strategic decisions related to employee compensation, business expenses, and asset acquisitions can also have a significant impact on tax outcomes.

Tax planning extends far beyond tax minimization strategies; it encompasses risk management and compliance considerations. Taxpayers must navigate complex tax laws and regulations mitigating potential tax-related risks, such as audits, penalties, and legal disputes. Compliance with tax laws and ethical standards is paramount to maintaining financial integrity and avoiding adverse consequences.

Tax planning is an ongoing and dynamic process that requires periodic review and adjustment. Changes in personal circumstances, tax laws, economic conditions, and financial goals necessitate continuous evaluation and adaptation of tax strategies. Regular consultation with tax advisors and professionals can provide valuable insights and guidance in navigating evolving tax landscapes.

Double taxation and transfer pricing are key considerations in tax planning, especially for cross-border transactions and multinational corporations (MNCs) operating across multiple jurisdictions. Tax planning involves strategies to mitigate the impact of double taxation, where income is taxed both in the country where it is earned and in

the country where the taxpayer resides or where the income is repatriated. MNCs can use various mechanisms to avoid or reduce double taxation, such as:

- utilizing tax treaties that provide relief from double taxation using mechanisms like tax credits, exemptions, or deductions;
- structuring transactions, investments, and financing arrangements in a way that minimizes the tax consequences of double taxation;
- choosing tax-efficient jurisdictions through establishing subsidiaries or operations in countries with favorable tax regimes or jurisdictions that offer tax incentives to reduce the overall tax burden.

Transfer pricing is critical for tax planning as it determines how profits are allocated among different entities within an MNC. Tax authorities closely scrutinize transfer pricing to ensure that transactions between related parties are conducted at arm's length—that is, at prices comparable to those that would be agreed upon between unrelated parties. MNCs engage in transfer pricing planning for several reasons. Firstly, they must comply with transfer pricing regulations in each jurisdiction to avoid penalties and disputes with tax authorities. Secondly, by setting transfer prices strategically, MNCs can allocate profits in a way that minimizes overall tax liabilities. Moreover, transfer pricing planning allows MNCs to optimize their global tax position by aligning intercompany transactions with business objectives.

Incorporating double taxation and transfer pricing considerations into tax planning requires a deep understanding of international tax laws, regulations, and best practices. MNCs often work with tax advisors and experts to develop tax-efficient structures and strategies that mitigate risks and comply with regulatory requirements in each jurisdiction where they operate.

WORDS AND PHRASES TO BE REMEMBERED

relevant laws and regulations — актуальні закони та нормативи

financial affairs — фінансові справи

multifaceted framework — багатогранна структура

tax laws, regulations, and incentives — податкові закони, нормативи та пільги

deductions — відрахування

legitimate means — законні засоби

to offset — компенсувати, зменшити

investment vehicles — інвестиційні механізми(інструменти)

deductible expenses — дозволені до відрахування витрати

tax consequences — податкові наслідки

tax-loss harvesting strategies — стратегії реалізації податкових збитків

asset acquisition — придбання активів

legal disputes — юридичні спори

financial integrity — фінансова доброчесність

adverse consequences — негативні наслідки

adjustment — коригування

tax landscapes — податкові ландшафти

cross-border transactions — транскордонні операції

to reside — проживати

favorable tax regimes — сприятливі податкові режими

to scrutinize — ретельно вивчати

to align — узгоджувати

Individual Retirement Accounts (IRAs) — Індивідуальний пенсійний рахунок (IRA) — це довгостроковий ощадний рахунок, який особи з заробленим доходом можуть використовувати для збереження на майбутнє, користуючись певними податковими перевагами. IRA призначений насамперед для самозайнятих осіб, які не мають доступу до пенсійних рахунків на робочому місці, таких як 401(k), які доступні лише через роботодавців.

401(k) plan — ощадний план, що дозволяє працівникові частину зарплати до сплати прибуткового податку вносити в інвестиційний фонд під управлінням роботодавця; сплата податків відкладається до виходу пенсію чи звільнення з цієї фірми; назву дано за відповідним розділом Податкового кодексу США.

VOCABULARY PRACTICE

I. Find in the text the English equivalents for the following word combinations.

Стратегії, спрямовані на мінімізацію податкових зобов'язань; сприяти довгостроковому накопиченню багатства; охоплювати багатогранну структуру; враховувати різні фактори, такі як джерела доходу і відрахування; пом'якшувати податкові ризики; потрапити до нижчої податкової категорії; компенсувати оподатковуваний дохід; мінімізувати податкові наслідки; пропонувати можливості для відстроченого зростання податків; зняття коштів без оподаткування; займатися податковим плануванням; мати першорядне значення для підтримки фінансової цілісності; потребувати періодичного перегляду та коригування; вимагати постійної оцінки та адаптації податкових стратегій; податкові креди-

ти та звільнення від сплати податків; засновувати дочірні компанії в країнах зі сприятливими податковими режимами; за цінами, які були б погоджені між непов'язаними сторонами.

II. Give the Ukrainian equivalents for the following word combinations. Choose five word combinations and explain their meaning with your own words. Make your own sentences

To ensure compliance with relevant laws and regulations; to require a deep understanding of tax laws, regulations, and incentives; to reduce tax burdens through legitimate means; to defer or accelerate income recognition based on their specific circumstances; to consider tax-loss harvesting strategies; to offset capital gains with capital losses; be related to asset acquisitions; avoid adverse consequences; to provide valuable insights and guidance; to utilize tax treaties; to determine how profits are allocated among different entities within an MNC; to ensure that transactions between related parties are conducted at arm's length; to avoid penalties and disputes with tax authorities; to align intercompany transactions with business objectives.

III. In each set of words, cross out the word that does not have the similar meaning to the first. Consult the dictionary. Translate the words into Ukrainian.

1	a. ensure	b. verify	c. secure	d. guarantee	e. imply
2	a. facilitate	b. smooth	c. promote	d. infer	e. enable
3	a. encompass	b. comprise	c. incorporate	d. entail	e. include
4	a. consider	b. contemplate	c. look at	d. ponder	e. discard
5	a. mitigate	b. reduce	c. lessen	d. escalate	e. alleviate
6	a. defer	b. postpone,	c. put off	d. delay	e. tackle
7	a. accelerate	b. speed up	c. hasten,	d. hamper	e. advance
8	a. necessitate	b. require	c. indulge	d. demand	e. compel
9	a. scrutinize	b. investigate	c. inspect	d. tighten	e. examine
10	a. align	b. match	c. take in	d. put in order	e. harmonize
11	a. file	b. withdraw	c. enter	d. submit	e. lodge
12	a. subtract	b. deduct	c. take up	d. remove	e. take away
13	a. incentivize	b. encourage	c. stimulate	d. deduce	e. induce

IV. Fill in the missing words or word combinations in the sentences below. Choose from the box. Translate the sentences into Ukrainian.

legitimate means; compliance with; financial integrity; to reduce tax burdens; to defer income recognition; conducted at arm's length; relevant laws and regulations; avoid adverse consequences; penalties and disputes with tax authorities; to offset capital gains; mitigating tax-related risks

1. Companies that fail to maintain _____ relevant laws regarding tax reporting can face significant _____.
2. Many businesses utilize tax planning strategies _____ while still adhering to legal regulations.
3. Certain accounting practices, like _____, can be employed to strategically manage tax liabilities.
4. Transfer pricing between subsidiaries of the same company should be _____, meaning the prices are equivalent to what would be charged between unrelated parties.
5. Following proper tax procedures helps businesses _____ such as fines.
6. Investors often seek opportunities _____ with capital losses to minimize their overall tax liability.
7. A robust internal control system plays a crucial role in _____ by promoting accurate record-keeping and identifying potential areas of non-compliance before issues arise.
8. It is essential for businesses to uphold _____ in all their transactions.
9. Companies must comply with _____ to avoid legal consequences.
10. Achieving success through _____ is crucial for long-term sustainability.

TRANSLATION PRACTICE

Translate into English.

1. Податкове планування передбачає проактивний підхід до структурування фінансових справ таким чином, щоб оптимізувати податкові результати, максимізувати дохід після сплати податків.

2. Концепція податкового планування охоплює багатогранну структуру, яка вимагає глибокого розуміння податкового законодавства, нормативних актів і стимулів.

3. Інвестори часто шукають ефективні з точки зору оподаткування механізми інвестування та стратегії розподілу активів, які мінімізують податкові наслідки.

4. Дотримання податкового законодавства та етичних стандартів має першорядне значення для підтримки фінансової цілісності.

5. Податкове планування є безперервним і динамічним процесом, який потребує періодичного перегляду та коригування.

6. Податкове планування передбачає стратегії пом'якшення впливу подвійного оподаткування, коли дохід оподатковується як у країні, де він зароблений, так і в країні, де проживає платник податків.

7. Багато країн мають двосторонні податкові угоди, які забезпечують послаблення від подвійного оподаткування за допомогою таких механізмів, як податкові кредити, звільнення від сплати податків або відрахування.

8. Транснаціональні корпорації можуть засновувати дочірні компанії або операції в країнах зі сприятливими податковими режимами.

9. Трансфертне ціноутворення має вирішальне значення для податкового планування, оскільки воно визначає, як розподіляються прибутки між різними суб'єктами.

10. Транснаціональні корпорації можуть розподіляти прибуток таким чином, щоб мінімізувати загальні податкові зобов'язання.

COMPREHENSION CHECK

Read the text again and answer the following questions. Compare your answers with another student and discuss any differences. Make sure you can refer to a particular phrase or sentence from the text for each answer.

1. What are the primary objectives of tax planning and management for both individuals and corporations?

2. How would you define tax planning, and what are its essential components?

3. What factors do individuals and businesses consider when engaging in tax planning strategies?

4. Can you explain the concept of income management in tax planning? How does it help taxpayers reduce their tax liabilities?

5. What role do investment decisions play in tax planning, and what are some tax-efficient investment vehicles and strategies?

6. How do businesses optimize their tax outcomes through strategic decisions regarding corporate structures, transactions, and operations?

7. Besides minimizing tax liabilities, what other considerations are integral to effective tax planning, particularly in terms of risk management and compliance?

8. Why is tax planning considered an ongoing and dynamic process? What factors necessitate periodic review and adjustment of tax strategies?

9. What are the challenges posed by double taxation and transfer pricing in tax planning, especially for multinational corporations (MNCs)?

10. How do MNCs mitigate the impact of double taxation, and what strategies do they employ to address transfer pricing issues effectively?

READING STRATEGIES

Read the text and be ready to do the following assignments



TAX RELIEFS

Tax planning involves the process of arranging your financial affairs in ways that minimize your tax liability while remaining compliant with tax laws and regulations. It's a proactive approach that individuals and businesses take to manage their finances efficiently. Tax planning can involve various strategies aimed at reducing the amount of taxes owed, deferring taxes to future periods, or taking advantage of tax incentives provided by the government.

The term “tax relief” (“tax benefit”) refers to any tax law that helps you reduce your tax liability. Benefits range from deductions and tax credits to exemptions. They cover various areas, including programs for families, education, employees, and natural disasters.

1. **Tax Exemptions:** Tax exemptions are specific amounts of income or types of transactions that are not subject to taxation. They can apply to individuals, businesses, or transactions. For example, in some countries, income earned from certain types of investments may be exempt from taxation.

2. **Tax Allowances:** Tax allowances are similar to exemptions and reliefs in that they reduce the amount of income subject to taxation. The main difference between the two is that while an exemption is used to reduce the total of taxable income, an allowance is used to reduce a specific amount that would be taxed on your regular paycheck. For example, individuals may be entitled to a personal allowance that reduces their taxable income by a certain amount.

3. **Tax Deductions:** Tax deductions are expenses or allowances that taxpayers can subtract from their gross income to arrive at their taxable income. Deductions reduce the amount of income that is subject to tax. Tax allowances and deductions are both mechanisms used to reduce your taxable income, but they work in slightly different ways. Imagine your total income is a pie. A tax allowance is like taking a slice out of the pie before you calculate the sales tax on the remaining pie. A tax deduction is like removing some ingredients (expenses) from the pie before you bake it, resulting in a smaller pie to calculate the sales tax on. In Ukraine, the system primarily relies on tax deductions, with a limited use of allowances. Common deductions include mortgage interest, property taxes, medical expenses, and charitable contributions.

4. **Tax Credits:** Tax credits are dollar-for-dollar reductions in the amount of tax owed by an individual or business. Unlike deductions, which reduce taxable income, tax credits directly reduce the amount of tax owed. Imagine your total income is still the cake, and you've already calculated how much tax you owe (the frosting). Tax Credit is like a coupon you can redeem to directly reduce the amount you owe for the frosting (tax). Common tax credits include the Earned Income Tax Credit, Child Tax Credit, and Renewable Energy Tax Credit.

5. **Tax Shelters:** Tax shelters are investments or financial maneuvers designed to significantly reduce your tax liability, often using loopholes or complex structures. While not inherently illegal, they often push the boundaries of tax law and can raise red flags with authorities. These strategies are often complex and can be expensive to

set up and maintain. They might involve specialized financial products or require significant investment capital.

Imagine tax benefits and reliefs as standard roads leading to a lower tax burden (destination). They are well-marked and accessible to most vehicles (taxpayers). Tax shelters, on the other hand, are like unmarked shortcuts or hidden paths that might lead to the same destination faster. However, they can be risky (may not be legal), and not everyone has the right vehicle (financial resources or knowledge) to navigate them safely. Examples of tax shelters include:

- *Individual Retirement Accounts (IRAs)*: Contributions are often tax-deductible, and earnings grow tax-deferred until withdrawal.
- *401(k) plans*: Offered by employers, contributions are deducted from your paycheck before taxes are applied, reducing your taxable income.

- *Health Savings Accounts (HSAs)*: Contributions are tax-deductible, and funds can be used for qualified medical expenses tax-free.

- *Municipal bonds*: Interest earned is often exempt from federal income tax and sometimes state and local taxes.

- *Depreciation deductions*: Businesses can deduct the cost of certain assets over time, reducing their taxable income.

6. **Tax Incentives**: Unlike tax benefits known as measures to reduce your tax burden, tax incentives are specifically designed to encourage certain behaviors. Tax incentives are measures implemented by governments to encourage specific behaviors or investments. They can include deductions, credits, exemptions, or allowances that reduce tax liability for individuals or businesses engaged in qualifying activities. Tax incentives are commonly used to promote economic development, job creation, environmental conservation, and other policy objectives.

When individuals or businesses file their tax returns, they calculate their actual tax liability based on their income, deductions, and credits. If the total taxes paid throughout the year exceed the actual tax liability, the taxpayer is entitled to a refund or a rebate for the excess amount.

7. **Tax refund** means a taxpayer has paid more taxes than he was liable to, and therefore, the government will refund the excess amount. A **tax rebate** is simply a claim reimbursement on taxable income. It refers to the amount of tax liability that you, as a taxpayer, do not have to pay.

Both tax rebates and tax refunds involve returning excess taxes to taxpayers, tax rebates are often government-initiated and may have specific purposes, while tax refunds are based on individual taxpayer circumstances and the overpayment of taxes during the tax year.

WORDS AND PHRASES TO BE REMEMBERED

tax exemption — звільнення від оподаткування

personal allowance — персональна пільга

charitable contributions — благодійні внески

frosting — глазур

raise red flags — робити попередження

Health Savings Accounts — Ощадні рахунки охорони здоров'я

Municipal bonds — Муніципальні облігації

Depreciation deductions — Амортизаційні відрахування

a claim reimbursement — вимога про відшкодування

A. Read the text and be ready to complete the table

Term	Description	Example
Tax Planning		
Tax Relief / Tax Benefit		
Tax Exemption		
Tax Allowance		
Tax Deduction		
Tax Credit		
Tax Shelter		
Tax Incentive		
Tax Refund		
Tax Rebate		

B. Mark the following statements as true (T) or false (F) according to the information in the text. Find the part of the text that gives the correct information.

1. Tax planning aims to maximize tax liabilities while remaining compliant with tax laws and regulations.

2. Tax exemptions apply only to individuals and not to businesses or transactions.

3. Tax allowances are used to reduce the total taxable income, whereas tax deductions reduce a specific amount of income.

4. Tax credits directly reduce the amount of taxable income.

5. Tax shelters are always illegal and are often inexpensive to set up and maintain.

6. Tax shelters are like well-marked roads accessible to most taxpayers.

7. Contributions to Health Savings Accounts (HSAs) are not tax-deductible.

8. Tax incentives are designed to discourage certain behaviors or investments.

9. Tax refunds and tax rebates refer to the same thing and can be used interchangeably.

10. Tax rebates are often government-initiated and may have specific purposes, while tax refunds are based on individual taxpayer circumstances.

SPEAKING STRATEGIES

Activity 1

Discuss these questions in pairs. Then join up with another pair. Compare your conclusions. USEFUL ENGLISH section below may be helpful to you.

1. Why is it important to strike a balance between tax minimization and tax compliance?

2. How can tax planning contribute to long-term wealth accumulation?

3. What are the challenges of tax planning in a constantly evolving legal and economic landscape?

4. How do double taxation and transfer pricing considerations affect the tax strategies of multinational corporations?

Activity 2.

Case Studies:

1. **John and Mary:** John and Mary are a married couple with two young children. John works a full-time job with a steady income, while Mary stays home with the children. They are looking to buy a new house and are curious about the tax implications of different mortgage options. Develop a tax planning strategy for John and Mary considering factors like mortgage interest deduction, property taxes, and potential tax credits for childcare expenses.

2. **Startup Dilemma:** A young entrepreneur is launching a tech startup. They are deciding between structuring the business as a sole

proprietorship, a partnership, or a limited liability company (LLC). Analyze the tax advantages and disadvantages of each structure and recommend the most suitable option for the startup, considering factors like potential for future growth, profit distribution, and personal liability protection.

Activity 3

Working in small groups, make mini-presentations on one of the following:

Research and Analysis

1. **Emerging Tax Trends:** Research a current trend in tax law or policy (e.g., changes in tax rates, new tax credits for specific industries) and analyze its potential impact on individuals or businesses.

2. **Global Tax Landscape Comparison:** Compare the tax regimes of two different countries with a focus on their treatment of foreign investment, corporate income tax rates, and potential tax treaties. Identify which country might be more favorable for a specific type of business operation or investment.

USEFUL ENGLISH

Expressing a Personal Opinion

▪ It seems to me that... I feel that... As I see it... The way I see it...

▪ I think/believe/ suppose... In my opinion... I'm convinced that...

Expressing doubt

▪ I'm not sure if... I'm not convinced that.. I doubt that...

Introducing a point

▪ First of all I'd like to point out... The main problem is...
Speaking of...

Concluding

▪ To sum up... In conclusion... All things considered,...
▪ Taking everything into consideration... The advantages
/disadvantages of ...



SECTION II

Tax Compliance

KEY TERMS

I. Before reading text B study the key terms and their definitions. While reading the texts, you should pay attention to the economic and financial terms. They will add to the basics of your professional vocabulary.

1. **Systems Integration** — *системна інтеграція* — ensuring efficient interaction between various functional areas of the company for accurate and timely data required for tax reporting.

2. **Tax Implication Analysis** — *аналіз податкових наслідків* — assessing tax implications of contracts and dealings with counterparties to prevent unwanted tax liabilities.

3. **Proactive Engagement** — *проактивне залучення* — involving tax experts in the contracting process to ensure compliance with tax legislation requirements.

4. **Transfer Pricing (TP) Rules** — *правила трансфертного ціноутворення* — Guidelines governing the pricing of transactions within multinational enterprises, aimed at ensuring transactions occur at arm's length prices to prevent profit shifting.

5. **Base erosion** — *розмивання оподаткованої бази* — refers to the **gradual decrease of a country's tax base**.

6. **Profit shifting** — *виведення прибутку з-під оподаткування* — involves artificially moving a company's profits to jurisdictions with lower tax rates or tax havens.

7. **Tax dispute** — *податковий спір* — arises when a disagreement occurs between a taxpayer (individual or business) and a tax authority regarding the amount of tax owed, tax filing errors (discrep-

ancies or inconsistencies might be identified in tax returns submitted by the taxpayer) or interpretation of tax laws

8. **Base Erosion and Profit Shifting (BEPS)** —Tax planning strategies used by multinational companies to exploit gaps in tax rules and artificially shift profits to low-tax locations. Addressed through OECD's BEPS Action Plan, aiming to improve transparency and prevent tax avoidance.

II. Give the proper terms for the following definitions.

1. This refers to ensuring efficient information exchange and collaboration between various departments within a company_____

2. This involves evaluating the potential tax consequences of business contracts, deals, and other financial activities. _____

3. This refers to including tax specialists early in the decision-making process, such as during contract negotiations_____

4. These are guidelines established by regulatory bodies to govern the pricing of transactions between affiliated entities within a multinational corporation _____

5. This describes the gradual decrease of a country's tax base_____

6. This involves artificially transferring a company's profits to jurisdictions with lower tax rates or tax havens_____

7. This arises when a disagreement occurs between a taxpayer (individual or business) and the tax authority_____

III. Read text B and be ready to complete the tables with the information from the text.

Type of Compliance Risk	Description	Example
Regulatory Compliance Risks		
Tax Planning Risks		
Transfer Pricing Risks		
Tax Audit and Investigation Risks		
Cybersecurity and Technology Risks		
Economic and Market Risks		

PRONUNCIATION GUIDE

adherence [əd'hɪərəns]
regulatory [ˈregjələtəri]
transparent [træn'spærənt]
abusive [ə'bju:sɪv]
jurisdiction [ˌdʒʊə.rɪs'dɪk.ʃən]
disclosure [dɪ'skləʊ.ʒər]

requirement [rɪ'kwʌɪəmənt]
ambiguity [ˌæm.bɪ'ɡju:.ə.ti]
credibility [ˌkrɛdɪ'bɪlɪti]
scrutiny ['skru:tɪni]
exposure [ɪk'spəʊʒər]
erosion [ɪ'rəʊ.ʒən]

Tax Compliance

Tax compliance refers to the process of adhering to all relevant tax laws, regulations, and reporting requirements set forth by tax authorities. It encompasses activities such as accurate tax calculations, timely filing of tax returns, and transparent financial reporting. Tax laws and regulations are often complex and undergo a lot of changes at both national and international levels. Keeping up with these changes and understanding their implications can be challenging for businesses, increasing the risk of non-compliance. Different interpretations of tax laws and regulations may exist, leading to uncertainty regarding the correct application of tax rules. Ambiguities in tax legislation can create compliance risks, especially when there are multiple ways to interpret the law.

Tax compliance involves identifying and mitigating potential tax risks associated with the company's operations. These risks may arise from complex tax laws, regulatory changes, international transactions, transfer pricing issues, or tax audits.

➤ **Regulatory compliance risks** arise due to the fact that tax laws and regulations are subject to frequent amendments and interpretations, which makes it challenging for taxpayers to clearly understand their obligations. Failure to comply with tax laws can result in penalties, fines, and legal actions, undermining financial stability and reputational credibility.

➤ **Tax planning risks** occur when aggressive or overly complex tax planning schemes may attract scrutiny from tax authorities. Transactions and structures perceived as abusive or lacking economic substance may be challenged, leading to additional taxes, interest, and penalties.

➤ Multinational corporations engaging in cross-border transactions face **transfer pricing risks**, as tax authorities scrutinize inter-company transactions to ensure they are conducted at arm's length prices. Failure to adhere to transfer pricing guidelines can result in adjustments to taxable income, double taxation, and disputes between jurisdictions.

➤ **Tax audit and investigation risks** are inherent risks to taxpayers, as discrepancies or misinterpretations may be identified by tax authorities, potentially leading to additional tax assessments, penalties, and reputational damage.

➤ **Cybersecurity and technology risks** relate to data security, privacy, and system reliability. Cybersecurity breaches, data leaks, or system failures can compromise sensitive taxpayer information, disrupt operations, and undermine trust in the integrity of tax systems.

➤ **Economic and market risks** arise from economic downturns, regulatory reforms, and geopolitical developments that impact tax liabilities and compliance obligations, introducing uncertainty and volatility in tax planning and financial reporting.

Effective risk management strategies help minimize exposure to tax liabilities and uncertainties. Managing tax risks requires a proactive and multifaceted approach that integrates robust risk assessment frameworks, compliance strategies, and mitigation measures tailored to specific contexts and stakeholders.

To reduce tax risks, companies and individuals can take several practical steps related to tax compliance. Firstly, it's essential to identify potential tax risks that may arise from the company's operations and develop measures to reduce them. This includes being aware of any legal changes that could impact taxation. Secondly, different departments within the company must manage cross-functional processes ensuring timely collection of data for tax purposes. Thirdly, experts in law have to carefully examine the tax implications of every contract or agreement with partners to avoid unexpected tax burdens. It's necessary that tax specialists should be involved in contract discussions from the outset so that all transactions comply with information disclosure requirements. Besides, audit committees should actively monitor and evaluate the effectiveness of internal controls.

Finally, adherence to TP-rules and BEPS (Base Erosion and Profit Shifting) is crucial for multinational corporations and tax authorities in managing cross-border transactions and ensuring fair taxation practices. Transfer Pricing (TP) Rules are guidelines that govern the pricing of transactions within multinational enterprises, especially when it comes to inter-company transactions. This prevents profit shifting and ensures that each jurisdiction receives its fair share of taxes. Adherence to TP rules involves documentation (corporations are required to maintain detailed documentation that supports the transfer prices they use); compliance (businesses have to ensure that transactions comply with the arm's length principle as outlined in local tax regulations); adjustment (tax authorities may adjust transfer prices if they believe they do not reflect fair market value).

Base Erosion and Profit Shifting (BEPS) refers to tax planning strategies used by multinational companies to exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity. BEPS strategies can include practices like transfer pricing manipulation, treaty abuse, and shifting of intangible assets.

To address BEPS, the OECD (Organisation for Economic Cooperation and Development) developed a comprehensive framework consisting of 15 action points, known as the BEPS Action Plan. The aim is to close loopholes and improve transparency in international tax systems. Countries are encouraged to adopt and implement the BEPS recommendations to prevent profit shifting and ensure that profits are taxed where economic activities generating the profits are performed. Enhanced cooperation and information exchange between tax authorities should be constantly maintained to combat tax avoidance and evasion.

WORDS AND PHRASES TO BE REMEMBERED

to adhere to: дотримуватися

relevant: актуальний, відповідний

transparent: прозорий

implications: наслідки

ambiguity: неоднозначність

amendment: поправка

credibility: довіра, надійність

scrutiny: ретельна перевірка

scrutinize: ретельно вивчати

economic substance: економічна сутність

to pose inherent risks: становити невід'ємні ризики

discrepancies: розбіжності

data leaks: витік даних

to compromise sensitive taxpayer information: ставити під загрозу конфіденційну інформацію

integrity: цілісність

exposure: ризик

multifaceted approach: багатогранний підхід

tailored to specific contexts: адаптований до конкретних контекстів (умов)

to exploit gaps: використовувати прогалини

disclosure: розкриття

treaty abuse: зловживання угодою

profit shifting: виведення прибутку з-під оподаткування

VOCABULARY PRACTICE

I. Find in the text the English equivalents for the following word combinations.

Своєчасне подання податкових декларацій; прозора фінансова звітність; призводити до невизначеності; проблеми з трансфертним ціноутворенням; податкові перевірки; призводити до штрафів і судових позовів; викликати пильну увагу з боку податкових органів; недотримання вказівок щодо трансфертного ціноутворення; скопирометувати конфіденційну інформацію платників податків; вимагати проактивного та багатогранного підходу; адаптовані до конкретних умов і зацікавлених сторін; управляти наскрізними (міжфункціональними) процесами; вимоги розкриття інформації

II. Give the Ukrainian equivalents for the following word combinations. Choose five word combinations and explain their meaning with your own words. Make your own sentences.

To undergo a lot of changes at both national and international levels; ambiguities in tax legislation; be subject to frequent amendments and interpretations; to lack economic substance; result in adjustments to taxable income; disputes between jurisdictions; to pose inherent risks to taxpayers; cybersecurity breaches, data leaks, or system failures; to minimize exposure to tax liabilities; information disclosure requirements; to exploit gaps and mismatches in tax rules; to artificially shift profits to low or no-tax locations; treaty abuse; to minimize exposures

III. In each set of words, cross out the word that does not have the similar meaning to the first. Consult the dictionary. Translate the words into Ukrainian.

1.	a. ambiguity	b. termination	c. obscurity	d. uncertainty
2.	a. amendment	b. emphasis	c. modification	d. alteration
3.	a. scheme	b. plan	c. strategy	d. scam
4.	a. substance	b. essence	c. surface	d. gist
5.	a. assessment	b. evaluation	c. appraisal	d. accrual
6.	a. exposure	b. risk	c. vulnerability	d. sustainability
7.	a. disclosure	b. revelation	c. pivot	d. unveiling
8.	a. accuracy	b. correctness	c. precision	d. deviation
9.	a. dealing	b. contraction	c. negotiation	d. interaction
10.	a. mismatch	b. discrepancy	c. inconsistency	d. alignment
11.	a. adherence	b. compliance	c. interference	d. observance
12.	a. guideline	b. principle	c. disclosure	d. standard
13.	a. engagement	b. involvement	c. disclaimer	d. commitment

IV. Fill in the missing words or word combinations in the sentences below. Choose from the box. Translate the sentences into Ukrainian.

minimize exposures(2); exploiting gaps and mismatches; adherence to TP-rules(2); to ensure accuracy; tax implications; information disclosure; cross-functional processes; pose inherent risks; economic substance; scrutiny from tax authorities(2)

1. _____ is crucial for multinational companies to _____ during tax audits.
2. Failing to disclose foreign income in tax filings can _____ of significant penalties and even criminal charges.
3. _____ between finance and legal departments are essential to _____ in tax calculations.
4. Transactions lacking _____ may invite _____.
5. Understanding the _____ of investing in foreign markets is crucial for informed financial decisions.
6. _____ is critical for maintaining transparency and building trust with stakeholders.
7. Companies operating in multiple countries should prioritize _____ to avoid legal issues.
8. Deliberately _____ in tax regulations is illegal and can result in severe consequences.
9. _____ often intensifies when there are inconsistencies in financial reporting.
10. Maintaining accurate financial records is essential to _____ to errors and potential penalties.

TRANSLATION PRACTICE

Translate into English.

1. Податкові закони та нормативні акти часто складні та зазнають багатьох змін як на національному, так і на міжнародному рівнях.
2. Дотримання податкового законодавства передбачає виявлення та пом'якшення потенційних податкових ризиків, пов'язаних з діяльністю компанії.

3. Ризики можуть виникати через складне податкове законодавство, нормативні зміни, міжнародні операції, проблеми з трансфертним ціноутворенням або податкові перевірки.

4. Недотримання вказівок щодо трансфертного ціноутворення може призвести до коригування оподаткованого доходу, подвійного оподаткування та суперечок між юрисдикціями.

5. Під час аудиту можуть бути виявлені розбіжності або неправильне тлумачення, що потенційно може призвести до додаткового нарахування податків, штрафів та шкоди репутації.

6. Забезпечення ефективної взаємодії між різними функціональними сферами компанії є основою для забезпечення точності та своєчасності даних, необхідних для податкового обліку та звітності.

7. Країнам пропонується прийняти та впровадити рекомендації щодо BEPS, щоб запобігти виведенню прибутку з-під оподаткування.

8. План дій BEPS полягає в тому, щоб закрити лазівки та підвищити прозорість міжнародних податкових систем. Це також допомагає підтримувати цілісність глобальної податкової системи та запобігає розмиванню оподаткованої бази.

COMPREHENSION CHECK

Read the text again and answer the following questions. Compare your answers with another student and discuss any differences. Make sure you can refer to a particular phrase or sentence from the text for each answer.

1. What does tax compliance entail?
2. How do tax laws and regulations contribute to the complexity of tax compliance for businesses?
3. What are some common tax risks associated with non-compliance mentioned in the text?
4. How can businesses mitigate tax risks associated with cybersecurity and technology?
5. Why is effective risk management crucial for minimizing tax liabilities and uncertainties?
6. What are some strategies mentioned in the text for companies to mitigate tax risks?
7. How do cross-functional processes contribute to ensuring accuracy in tax accounting and reporting?
8. Why is it important for companies to analyze the tax implications of contracts and dealings with counterparties?

9. What roles do training and awareness play in promoting tax compliance within organizations?
10. How are Transfer Pricing (TP) Rules and Base Erosion and Profit Shifting (BEPS) addressed in tax compliance for multinational corporations?

READING STRATEGIES

I. Read the text and be ready to do the following assignments.

Organisation for Economic Cooperation and Development (OECD)



The Organisation for Economic Cooperation and Development (OECD) is an international organization established in 1961 to promote economic growth and development worldwide. It serves as a platform for member countries to discuss and coordinate policies, share experiences, and address common challenges.

OECD's headquarters are located in Paris, France, where member countries convene to collaborate on various initiatives aimed at fostering prosperity and well-being. Membership in the OECD is based on a commitment to democratic principles and a market economy, with currently 38 member countries.

The OECD's primary objectives include promoting sustainable economic growth, raising living standards, and maintaining financial stability. It achieves these goals through research, policy analysis, and the formulation of recommendations designed to improve economic performance and social outcomes.

One of the OECD's key functions is conducting peer reviews and assessments of member countries' policies and practices across a wide range of areas, including taxation, education, health care, and environmental protection. These reviews provide valuable insights and

recommendations for policy reforms, helping countries enhance their economic competitiveness and social cohesion.

Furthermore, the OECD serves as a forum for dialogue and cooperation between member and non-member countries, as well as with international organizations and stakeholders from civil society and the private sector. This collaboration facilitates the exchange of best practices, knowledge sharing, and capacity building, contributing to global economic development and stability.

In recent years, the OECD has expanded its focus to address emerging challenges such as digitalization, globalization, and climate change. It plays a crucial role in shaping international policy responses to these complex issues, advocating for inclusive and sustainable growth strategies that benefit people and the planet.

Overall, the OECD remains committed to its founding principles of promoting economic progress and cooperation among nations. Through its research, analysis, and policy recommendations, it continues to play a vital role in advancing global prosperity and well-being.

1. Indicate whether the following statements are true or false based on the information in the text

- a) The OECD was established in 1945. _____
- b) The OECD's headquarters are located in London. _____
- c) The OECD has 38 member countries. _____
- d) One of the OECD's primary objectives is to promote sustainable economic growth. _____
- e) The OECD conducts peer reviews only in the area of taxation.

- f) The OECD serves as a forum exclusively for member countries.

- g) In recent years, the OECD has focused solely on traditional economic issues. _____

2. Answer the following questions.

- a) What are some of the primary objectives of the Organisation for Economic Cooperation and Development (OECD)?
- b) How does the OECD conduct peer reviews, and why are they important?
- c) In what ways does the OECD facilitate dialogue and cooperation among member and non-member countries?
- d) Why has the OECD expanded its focus to address emerging challenges like digitalization and climate change?

e) How do you think the OECD's work contributes to global economic development and stability?

3. Research a specific initiative or project undertaken by the OECD and present a summary of its goals, methods, and potential impact.

SPEAKING STRATEGIES

Activity 1

Discuss these questions in pairs. Then join up with another pair. Compare your conclusions.

1. Explain the importance of effective communication within an organization regarding tax compliance.

2. Describe two potential consequences a company might face for non-compliance with tax regulations.

3. Briefly discuss the role of the OECD in addressing international tax challenges.

Activity 2

Working in small groups, discuss these scenarios:

Scenario 1:

A rapidly growing e-commerce company plans to expand its operations internationally.

Challenges:

The company lacks experience with international tax regulations and transfer pricing.

Different countries have varying tax rates and compliance requirements.

Tasks:

1) Identify potential tax risks associated with the international expansion.

2) Recommend strategies to mitigate these risks.

3) Analyze the benefits of seeking guidance from an international tax advisor.

Scenario 2:

A small manufacturing firm receives a notification for a tax audit.

Challenges:

The company's accounting department might not have maintained detailed records to support certain tax deductions.

Discrepancies in financial reporting could raise red flags for the auditors.

Tasks:

- 1) Identify potential areas of concern that might be scrutinized during the audit.
- 2) Recommend actions the company can take to prepare for the audit.
- 3) Discuss the importance of clear and accurate financial record-keeping for tax compliance.

Scenario 3:

A large corporation experiences a data breach compromising sensitive taxpayer information.

Challenges:

The company needs to address the data breach and prevent further security vulnerabilities.

Potential regulatory consequences and reputational damage need to be managed.

Tasks:

- 1) Analyze the potential tax implications of the data breach.
- 2) Recommend strategies to strengthen the company's cybersecurity measures.
- 3) Discuss the importance of transparency in communicating the data breach to stakeholders.

Activity 3

Imagine you are a tax manager in a multinational corporation. Outline steps you would take to ensure compliance with TP rules and mitigate risks associated with BEPS.

LEAD-IN

Discuss these questions with your partner.

- *What forms of business organizations do you know?*
- *Can you describe advantages or disadvantages of different forms of business organizations?*
- *What business will you set up?*

Comment on the following quotations about business organizations. What do the authors mean? Do you agree or disagree with them? Discuss it with your partner.

“If we are together nothing is impossible. If we are divided all will fail.”

Winston Churchill

“In the past a leader was a boss. Today’s leaders must be partners with their people.. they no longer can lead solely based on positional power.”

Ken Blanchard

“In this new wave of technology, you can’t do it all yourself, you have to form alliances.”

Carlos Slim Helu

“A friendship founded on business is a good deal better than a business founded on friendship.”

John D. Rockefeller

“Corporation: An ingenious device for obtaining profit without individual responsibility.”

Ambrose Bierce

“You can’t build a strong corporation with a lot of committees and a board that has to be consulted every turn. You have to be able to make decisions on your own. “

Rupert Murdoch

KEY TERMS

Before reading texts A, B and C study the key terms and their definitions. While reading the texts, you should pay attention to

the economic and business terms. They will become the basics of your professional vocabulary.

1. **Sole proprietorship** — *одноосібна власність* — a firm owned and controlled (managed) by a single person.

2. **Partnership** — *партнерство* — a firm owned and controlled by two or more persons who are parties to a partnership agreement.

3. **Corporation** — *корпорація* — a firm that is owned by a group of ordinary shareholders and the capital of which is divided up into a number of shares.

4. **Legal entity** — *юридична особа* — an association, corporation, partnership, trust, or individual that has legal standing in the eyes of law.

5. **Liability** — *відповідальність* — the state of being legally responsible for something.

6. **Limited liability** — *обмежена відповідальність* — the legal position in which shareholders of a company are only responsible for the money they have given if the company cannot pay its debts.

7. **Unlimited liability** — *необмежена відповідальність* — the legal duty of the owners of an unlimited company to pay all its debts.

8. **General partnership** — *повне партнерство* — a type of business partnership in which members share profits and must pay all its debts if the business fails.

9. **Limited partnership** — *обмежене партнерство* — formed by two or more people, with at least one person acting as the general partner who has management authority and personal liability, and at least one person in the role of limited partner who is a passive investor with no management authority.

10. **Charter** — *статут* — one of the legal documents that is created when a company is formed. It states the name and address of the company, its purpose and the amount of money it can raise by selling shares.

11. **Share (BrE), stock (AmE)** — *акція* — a unit of ownership that represents an equal proportion of a company's capital. It entitles its holder to an equal claim on the company's profits and an equal obligation for the company's debts and losses.

12. **Shareholder (stockholder)** — *акціонер* — a legal owner of the corporation and is entitled to a share in its profits, receiving some of these profits in the form of dividends.

13. **Dividend** — *дивіденд* — a payment made by a corporation to its shareholders for providing share capital. Dividends are a distribution of the profits of the company.

14. **Bond** — *облігація* — a financial security issued by businesses and by the government as a means of borrowing long-term funds.

15. **Principal** — *капітал* — 1) an amount of money that is lent or invested to earn interest; 2) relating to an original amount of money that is lent or invested, rather than any interest.

16. **Interest** — *відсоток* — 1) the extra money that you have to pay when you borrow money; 2) the extra money that you receive when you invest money.

17. **Board of directors** — *рада директорів* — the group of people chosen by shareholders to control a company, decide its policies and appoint senior officers.

18. **Securities and Exchange Commission** — *комісія з цінних паперів і бірж* — a government organization that is responsible for controlling how shares, bonds, etc. are traded to make sure that this is done in an honest way in order to protect investors.

2. Match the terms with their definitions:

1. General partnership	a. a business owned by two or more people who are responsible only for the amount they have invested in the business if it is unable to pay its debts.
2. Articles of partnership	b. an organization or a person that has the right to make contracts, to use the legal system to settle disputes, and to make other legal arrangements.
3. Liability	c. financial security issued by a corporation as a means of raising long-term capital. Purchasers of shares pay money to the company and in return receive a share certificate signifying their ownership of the shares.
4. Board of directors	d. the owners are all personally liable for any legal actions and debts the company may face.
5. Share	e. an individual, group, or organization that owns one or more shares in a company, and in whose name the share certificate is issued.
6. Limited partnership	f. capital as distinct from the income (interest) derived from it.
7. Corporation	g. a fee paid for the use of another party's money. To the borrower it is the cost of renting money, to the lender the income from lending it.

8. Interest	h. a voluntary contract between two or among more than two persons to place their capital, labor, and skills, and corporation in business with the understanding that there will be a sharing of the profits and losses between/among partners.
9. Dividend	i. gives the corporation an independent existence as a legal entity.
10. Sole proprietorship	j. the legal protection available to the shareholders of privately and publicly owned corporations under which the financial liability of each shareholder for the company's debts and obligations is limited to the par value of his or her fully paid-up shares.
11. Unlimited liability	k. a type of business organization in which two or more individual pool money, skills, and other resources, and share profit and loss in accordance with terms of the partnership agreement.
12. Partnership	l. legal responsibility for something, especially for paying money that is owed, or for damage or injury.
13. Shareholder	m. an official document promising that a government or company will pay back money that it has borrowed, often with interest.
14. Legal entity	n. simplest, oldest, and most common form of business ownership in which only one individual acquires all the benefits and risks of running an enterprise.
15. Charter	o. governing body of an incorporated firm.
16. Bond	p. a business organization that has been officially created and is owned by shareholders.
17. Principal	q. a share of the after-tax profit of a company, distributed to its shareholders according to the number and class of shares held by them.
18. Limited liability	r. refers to the legal obligations of general partners and sole proprietors because they are liable for all business debts if the business can't pay its liabilities.

SECTION I

PRONUNCIATION GUIDE

proprietor /prə'prɒɪətə/
proprietorship /prə'prɒɪətəʃɪp/
advantage /əd'vɑːntɪdʒ/
disadvantage /dɪsəd'vɑːntɪdʒ/
individual /ɪndɪ'vɪdʒʊ(ə)l/
relatively /'relatɪvli/
earn /ɜːn/
requirement /rɪ'kwɪəmənt/
cease /siːs/
restaurant /'rest(ə)rɒnt/
employee /ɪm'plɔɪ'iː/

immediate /ɪ'mɪːdiət/
separate /'spəreɪt/
exempt /ɪg'zempt/
reluctant /rɪ'lʌkt(ə)nt/
efficiency /ɪ'fɪʃ(ə)nsi/
personal /'pɜːs(ə)n(ə)l/
inventory /'ɪnv(ə)nt(ə)ri/
experience /ɪk'spiəriəns/
quit /kwɪt/
qualified /'kwɒlɪfaɪd/
fringe /frɪn(d)ʒ/

I. Read the text to be ready to discuss advantages and disadvantages of sole proprietorship.

Text A

Sole Proprietorship



When setting up a business the legal form has to be decided. There are three main forms of business organization in the economy today — the sole proprietorship, the partnership, and the corporation. Each offers its owners significant advantages and disadvantages.

The most common form of business organization is the sole proprietorship or proprietorship — a business owned and run by a single individual. Because proprietorships are basically one person operations, they comprise the smallest form of business and have the small-

est fraction of total sales. They are also relatively profitable, and they bring in about one-fifth of the total profits earned by all businesses.

Forming a Proprietorship

The sole proprietorship is the easiest form of business to start because it involves almost no requirements except for occasional business licenses and fees. Most of proprietorships are ready for business as soon as they set up operations. You could start a proprietorship simply by putting up a lemonade stand in your front yard. Someone else could decide to mow lawns or open a restaurant. A proprietorship can be run on the Internet, out of a garage, or from an office in a professional building.

Advantages

As you have learned, a sole proprietorship is easy to start. If someone has an idea or an opportunity to make a profit, he or she only has to decide to go into business and then do it.

Management also is relatively simple. Decisions do not require the approval of a co-owner, boss or other “higher-up”. This flexibility means that the proprietor can make an immediate decision if a problem comes up.

A third advantage is that the owner can keep profits of successful management without having to share them with other owners. The owner also has to accept the possibility of a loss, but the lure of profits makes people willing to take risks.

Fourth, the proprietorship does not have to pay separate business income taxes because the business is not recognized as a separate legal entity. The owner still must pay individual income taxes on profits taken from the sole proprietorship, but the business itself is exempt from any tax on income.

Another advantage of the proprietorship is the psychological satisfaction many people get from being their own boss. These people often have a strong desire to see their name in print, have dreams of great wealth or community status, or simply want to make their mark in history.

A sixth advantage is that it is easy to get out of business. All the proprietor has to do is to pay any outstanding bills and then stop offering goods or services for sale.

Disadvantages

The main disadvantage of a proprietorship is that the owner of the business has limited liability. This means that the owner is personally

and fully responsible for all losses and debts of the business. If the business fails, the owner's personal possessions may be taken away to satisfy business debts.

A second disadvantage of a proprietorship is the difficulty of raising financial capital. Generally, a large amount of money is needed to set up a business, and even more may be required for its expansion. However, banks and other lenders are often reluctant to lend money to new or very small businesses.

The size and efficiency of a proprietorship are also disadvantages. Because of limited financial capital, the proprietor may not be able to hire enough personnel or stock enough inventory to operate the business efficiently.

A fourth disadvantage is that the proprietor often has limited managerial experience. This owner may have to hire others to do the types of work — manufacturing, sales, and accounting — at which he or she is not an expert.

A fifth disadvantage is the difficulty of attracting qualified employees. Because proprietorships tend to be small, employees often have to be skilled in several areas. Moreover, larger firms offer fringe benefits — employee benefits such as paid vacations, sick leave, retirement, and health or medical insurance — in addition to wages and salaries.

A sixth disadvantage of the sole proprietorship is limited life. This means that the firm legally ceases to exist when the owner dies, quits, or sells the business.

WORDS AND PHRASES TO BE REMEMBERED

sole proprietorship — одноосібна власність

partnership — партнерство

corporation — корпорація

to offer — пропонувати

significant — значний

advantage — перевага

disadvantage — недолік

common — спільний

to run — керувати

to comprise — складати

fraction — доля, частка

relatively — відносно

profitable — прибутковий

to earn — заробляти

requirement — вимога
fee — плата, внесок
to set up — засновувати
opportunity — можливість
to require — вимагати
approval — схвалення
co-owner — співвласник
flexibility — гнучкість
immediate — негайний
successful — успішний
to share — розділяти
to accept — приймати
possibility — можливість
loss — втрата, збиток
lure — спокуса
to be willing — бути готовим
income tax — податок на прибуток
to recognize — розпізнати
separate — окремий
legal entity — юридична особа
exempt — вільний
psychological — психологічний
satisfaction — задоволення
wealth — багатство
outstanding bill — неоплачений вексель
unlimited liability — необмежена відповідальність
responsible — відповідальний
possessions — майно
to raise capital — залучати капітал
expansion — розширення
reluctant — неохочий
to lend — давати в борг
to hire — наймати на роботу
inventory — товарні запаси
experience — досвід
accounting — бухгалтерський облік
to attract — приваблювати, залучати
qualified — кваліфікований
to tend — мати схильність
skilled — кваліфікований, досвідчений
fringe benefits — додаткові пільги
employee — службовець

vacation — відпустка
sick leave — лікарняний
insurance — страхування
wages — заробітна плата
salary — оклад
to cease — припиняти
to exist — існувати
to quit — покидати

VOCABULARY PRACTICE

I. Find in the text English equivalents for the following word combinations. Write your own sentences using them.

Одноосібна власність; партнерство; корпорація; пропонувати значні переваги та недоліки; відносно прибутковий; приносити прибуток; найлегша форма бізнесу; майже жодних вимог; започатковувати операції; схвалення співвласника; приймати негайне рішення; успішне управління; прийняти можливість збитку; робити людей готовими ризикувати; окрема юридична особа; бути власним босом; легко виходити з бізнесу; необмежена відповідальність; особисте майно власника; залучати фінансовий капітал; бути неохочим давати гроші в борг; наймати службовців; обмежений досвід в управлінні; приваблювати кваліфікованих службовців; обмежене життя.

II. Give Ukrainian equivalents for the following word combinations.

The most common form of business organization; business owned and run by a single individual; to have the smallest fraction of total sales; occasional business licenses and fees; an opportunity to make a profit; to share with other owners; to pay separate business income taxes; to have dreams of great wealth; outstanding bills; personally and fully responsible; losses and debts of the business; to stock inventory; proprietorships tend to be small; to be skilled in several areas; moreover; fringe benefits; health and medical insurance; to quit the business.

III. The italicized words in the sentences below are found in this unit. Study the sentences. Then identify the part of speech and write your own definition for the word on the line provided.

EXAMPLE.

They *offered* him a very good job.

offer (v) to hold smth out to someone so that they can take it.

1. Please inform us if there are any *significant* changes in your plans.

significant () _____

2. The big *advantage* of this system is that is fast.

advantage () _____

3. The benefits of the system far outweigh the *disadvantages*.

disadvantage () _____

4. For a while, she *ran* a restaurant in Boston.

run () _____

5. To find out about entry *requirements* for students, write to the college ad-missions board.

requirement () _____

6. Employees expect *flexibility* in the work-place.

flexibility () _____

7. I have an office that I *share* with some other bookkeepers.

share () _____

8. They offered me a job and I *accepted*.

accept () _____

9. The interest is *exempt* from income tax.

exempt () _____

10. Maddox was *reluctant* to talk about it.

reluctant () _____

IV. Fill in the missing words or word combinations in the sentences below.

Choose from the box. Translate the sentences into Ukrainian.

sole traders; management; to run; tax purposes; alive; enterprise; legal entity; income; responsible; unlimited liability; debts; assets

In Hungary ____ own most of the business. The sole trader can operate the proprietorship with a license obtained from the local office of the Hungarian Chamber of Commerce. It is the Chamber of Commerce, which controls the activities in the ____ whether they are done according to license or not. The sole trader is ____ for the total control and ____ over the business. Sole proprietorship is not a separate ____ and the owner has the ____ which means that he or she is liable for the ____ with the total amount of his or her own fortune and personal _____. The profit is the owner's ____, which has to be reported for _____. The business can last only as long as the owner is ____ or decides ____ the business. In case of the owner's death the business ends.

V. Find the most appropriate word to complete the sentences.

1. A business run by a ____ has just one owner, who is entirely ____ for all the company's business affairs.
2. The sole trader doesn't have to consult anyone else when making ____.
3. The ____ do not have to be shared with anyone else.
4. A sole trader has ____ for his company, which means that if he goes ____, he may lose both his company and his personal property.
5. The sole trader may have more difficulties raising ____.
6. People start a business partly because they do not want to remain ____ any more or partly because they are forced to ____ a business, as they become unemployed or cannot find a ____.
7. As a sole trader you become ____ from your boss, very flexible and free.
8. If you start a business a lot of money has to be ____ which can either be ____ from a bank or from friends, if you do not have enough money yourself.

COMPREHENSION CHECK

Now read the text again and answer the following questions.

1. What are the three main forms of business organization today?
2. What is a sole proprietorship?
3. Why do sole proprietorships comprise the smallest form business?

4. Why is the sole proprietorship the easiest form of business to start?
5. Where can sole proprietorships be found?
6. What are the main advantages of the sole proprietorship?
7. Why is management relatively simple?
8. Why do some people want to set up their own business?
9. When can proprietorships stop their activities?
10. What are the main disadvantages of the sole proprietorship?
11. What is unlimited liability?
12. Why is it difficult for proprietorships to raise financial capital and to attract qualified employees?

TRANSLATION PRACTICE

Translate into English.

1. Існує три форми організації бізнесу: одноосібна власність, партнерство та корпорація.
2. Найбільш поширеною формою бізнесу є одноосібна власність — бізнес, яким володіє і керує одна особа.
3. Особи, які бажають розпочати свій власний бізнес, повинні усвідомлювати як переваги, так і недоліки одноосібної власності.
4. Перевагами даного виду підприємницької діяльності є легкість у створенні бізнесу та його управлінні, оскільки власник вирішує сам всі питання стосовно його діяльності.
5. З одного боку, підприємець стає незалежним, має гнучкий графік роботи, а з іншого боку, він отримує всі прибутки бізнесу, якщо він є успішним, та психологічне задоволення від того, що він є єдиним власником свого підприємства.
6. Однак, слід не забувати про недоліки одноосібної власності, а саме най-головніший з них — необмежену відповідальність, яку несе власник бізнесу за своє підприємство.
7. Для того, щоб започаткувати будь-який бізнес, необхідні фінансові ре-сурси, а одноосібний власник обмежений лише власними ресурсами, і якщо його власних ресурсів недостатньо, у нього можуть виникнути проблеми з залучення додаткового капіталу через банк або інші фінансові джерела.
8. Іншим ризиком є те, що організація власної справи потребує багато часу та енергії, що може, в результаті, призвести до того, що підприємець буде змушений жертвувати власною родиною заради своєї справи.

SECTION II

PRONUNCIATION GUIDE

jointly /'dʒɔɪntli/

strength /streŋθ/

weakness /'wi:knəs/

financial /fʌɪ'nænʃ(ə)l/, /fɪ'nænʃ(ə)l/

obligation /ɒblɪ'geɪʃ(ə)n/

likewise /'lɪkwʌɪz/

responsibility /rɪ'spɒnsɪ'bɪlɪti/

debt /det/

specify /'spesɪfaɪ/

equally /'i:kw(ə)li/

attorney /ə'tə:ni/

expertise /,ekspə:'ti:z/

withdraw /wɪð'drɔ:z/

chance /tʃɑ:ns/

acquire /ə'kwʌɪə/

cause /kɔ:z/

liability /lɪə'bɪlɪti/

dissolve /dɪ'zɒlv/

potential /pə(ʊ)'tenʃ(ə)l/

either /'ɪðə/, /'i:ðə/

I. Read text B to be ready to discuss different forms of partnerships, their ad-vantages and disadvantages.

Text B

Partnership

A partnership is a business that is jointly owned by two or more persons. It shares many of the same strengths and weaknesses of a sole proprietorship.



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Types of Partnerships

The most common form of partnership is a general partnership, in which all partners are responsible for the management and financial obligations of the business. In a limited partnership, at least one partner is not active in the daily running of the business. Likewise, the limited partner only has limited responsibility for the debts and obligations of the business.

Forming a partnership

Like a proprietorship, a partnership is relatively easy to start. Because more than one owner is involved, formal legal papers called “articles of partnership” are usually drawn up to specify arrangements

between partners. Although not always required, these papers state ahead of time how the expected profits or possible losses will be divided.

The articles may specify that the profits be divided equally or by any other arrangements suitable to the partners. They also may state the way future partners can be added to the business, and the way the property of the business will be distributed if the partnership ends.

Advantages

Like the sole proprietorship, one advantage of the partnership is its ease of startup. Even the costs of the articles of partnership, which normally involve attorney fees and a filing fee for the state, are minimal if they are spread over several partners.

Ease of management is another advantage. Each partner usually brings a different area of expertise to the business: one might have a talent for marketing, another for production, another for bookkeeping and finance, and yet another for shipping and distribution.

A third advantage is the lack of special taxes on a partnership. The partners withdraw profits from the firm and then pay individual income taxes on them at the end of the year.

Fourth, partnerships can usually attract financial capital more easily than proprietorships. They are generally larger and have a better chance of getting a bank loan. The existing partners could also take in new partners who bring financial capital with them as part of their price for joining.

A fifth advantage is the more efficient operations that come with their slightly larger size.

A sixth advantage is that partnerships often find it easier to attract top talent than proprietorships. Because most partnerships offer specialized services, top graduates seek out stable, well-paying firms to apply their recently acquired skills.

Disadvantages

The main disadvantage of the general partnership is that each partner is fully responsible for the acts of all other partners. If one partner causes the firm to suffer a huge loss, each partner is fully and personally responsible for the loss. This is similar to the unlimited liability feature of a proprietorship, but it is more complicated because more owners are involved. As a result, most people are extremely careful when they choose a business partner.

In the case of the limited partnership, a partner's responsibility for the debts of the business is limited by the size of his or her investment in the firm. If the business fails and debts remain, the limited partner

loses only the original investment, leaving the general partners to make up the rest.

Another disadvantage is that the partnership has limited life. When a partner dies or leaves, the partnership must be dissolved and reorganized.

A third disadvantage is the potential for conflict between partners. Sometimes partners discover that they do not get along, so they have to either learn to work together or leave the business.

WORDS AND PHRASES TO BE REMEMBERED

strength — сила

weakness — слабкість

obligation — зобов'язання

likewise — подібно

to draw up — складати

arrangement — угода, домовленість

equally — однаково

suitable — зручний

attorney fee — плата адвокатам

shipping — доставка, вантаження

distribution — розподіл

to withdraw — вилучати

to acquire — придбати

to cause — спричиняти

to suffer — зазнавати, страждати

huge — величезний

to make up — складати, винаходити

to dissolve — розпускати

to get along — бути в гарних відносинах

VOCABULARY PRACTICE

I. Find in the text English equivalents for the following word combinations. Write your own sentences using them.

Партнерство з необмеженою відповідальністю; партнерство з обмеженою відповідальністю; фінансові зобов'язання; статут товариства; домовленість між партнерами; вимагати; очікувані прибутки; можливі збитки; розподіляти майно; розподілятися між декількома партнерами; спеціальні податки; залучати фінансовий капітал; банківська позика; отримані навички; бути повністю відповідальним; бути залученим; розпускати партнерство; бути в гарних відносинах.

II. Give Ukrainian equivalents for the following word combinations.

To be jointly owned; to share strengths and weaknesses; at least; likewise; to draw up; although; to divide equally; attorney fee; individual income tax; price for joining; specialized services; well-paying firms; to cause; to suffer losses; the size of investment; to fail; debts remain; to make up; conflict between partners; to leave the business.

COMPREHENSION CHECK

I. Now read the text again and answer the following questions.

1. What is a partnership?
2. What are two types of partnership?
3. How is a partnership organized?
4. What similar advantages do sole proprietorship and partnership have?
5. What benefits does partnership have in comparison with sole proprietorship?
6. What is the difference between general partnership and limited partnership?
7. What conflicts may arise between partners and what do they can lead to?

II. Read texts A and B again and say if these statements are true (T) or false (F).

1. At least two partners are needed to start a sole proprietorship.
2. A sole proprietor only requires the investment capital and knowledge of local laws to start his or her business.
3. It is the sole proprietor alone who decides what to do to achieve profits in his or her business.
4. Sole proprietorships are very inflexible.
5. It is to raise money for sole proprietorships and they grow quickly.
6. Partners may be liable for all the debts of their business.
7. Partnerships do not need any legal documents in order to set up a business.
8. Every partner can speak and act for the entire partnership.
9. In case of bankruptcy of a partnership, those partners who invested less capital suffer more.

READING STRATEGIES

I. A. Read the text about self-employed people, partnerships and limited liability and translate it into Ukrainian.

I'm a freelance graphic designer, a freelancer. That means I work for myself — I'm self-employed. To use the official term, I'm a sole trader.

Note: You usually describe people such as designers and journalists as freelancers, and people such as builders and plumbers as self-employed.

We have set up our own architecture partnership. There are no shareholders in the organization apart from us, the partners. A lot of professional people like lawyers, accountants and so on, work in partnerships.

I'm the managing director and main shareholder of a small electronics company in Scotland called Advanced Components Ltd. "Ltd" means limited company. The other shareholders and I have limited liability: we do not have to use our personal property, such as house or car, to pay the company's debts.

I'm the chief executive of a British Company called Megaco PLC. "PLC" means public limited company, so anybody can buy and sell shares in Megaco on the stock market.

I'm CEO of Bigbucks Inc. "Inc" stands for Incorporated. This shows that we are a corporation, a term used especially in the US for companies with limited liability.

B. After reading the text, define the type of each organization.

1. A group of engineers who work together to provide consultancy and design services. There are no outside shareholders.

2. A large British engineering company with 30000 employees. Its shares are bought and sold on the stock market.

3. An American engineering company with outside shareholders.

4. An engineer who works by herself providing consultancy. She works from home and visits clients in their offices.

5. An independent British engineering company with 20 employees. It was founded by three engineers, who are shareholders and directors of the company. There are five other shareholders who do not work for the company.

C. Complete the quotes (a-e) with the words from the box.

entrepreneur; family firm/business; freelance; multinational; self-employed; state-owned

1. The company I work for belongs to the country. People often say that ___ com-pa-nies are badly-run, but we're working hard to make the company as efficient as we can.

2. What I like about working for a ___ company is the chance to work abroad. I spent two years in Germany, and now I'm back at our head office in Japan.

3. I'm ___. I had my own company for a while, but I didn't enjoy managing other people. So now I work ___ doing projects for other companies.

4. My grandfather started the company and now my father runs it. I'm studying management at a business college, and when I finish my course I'm going to join the ___.

5. I like starting companies, but when everything is going well, I sell them, move on and start another one. I'm much better at being an ___ than a manager.

TRANSLATION PRACTICE

Translate into English.

1. Партнерство — це вид організації бізнесу, яким спільно володіє і керує декілька осіб.

2. У світі бізнесу існує два види партнерства — повне партнерство та обмежене партнерство, які відрізняються рівнем відповідальності партнерів, які володіють підприємством.

3. Статут партнерства — це угода, яка складається партнерами бізнесу для того, щоб визначити фінансові зобов'язання кожного з партнерів, а також як будуть розподілятися майбутні прибутки суб'єкта господарювання.

4. Перевагами партнерства є легкість в організації, спрощене оподаткування та легкість в управлінні.

5. На відміну від одноосібної власності, партнери можуть залучати більше фінансових ресурсів та мають більше шансів отримати банківську позику.

6. Партнери здатні залучити талановитих менеджерів та кваліфікованих спеціалістів, оскільки вони можуть запропонувати їм високу заробітну плату.

7. Основний недолік повного партнерства — це необмежена відповідальність, оскільки кожен з партнерів несе відповідальність за борги підприємства.

SECTION III

PRONUNCIATION GUIDE

account /ə'kaʊnt/
majority /mə'dʒɔrɪti/
legal /'li:g(ə)l/
sue /s(j)u:/
arrangement /ə'reɪn(d)ʒm(ə)nt/
permission /pə'mɪʃ(ə)n/
headquarters /hed'kwɔ:təz/
charter /'tʃɑ:tə/
grant /grɑ:nt/
address /ə'dres/
purpose /'pə:pəs/
ownership /'əʊnəʃɪp/
shareholder /'ʃeəhəʊldə/

stockholder /'stɒkhəʊldə/
eventually /ɪ'ventʃʊ(ə)li/
issue /'ɪʃu:/, /'ɪsju:/
concern /kən'sə:n/
ease /i:z/
revenue /'revənju:/
borrow /'bɒrəʊ/
transfer /trans'fə:/
law /lɔ:/
double /'dʌb(ə)l/
board /bɔ:d/
subject /səb'dʒekt/
register /'redʒɪstə/

I. Read the text to be ready to answer the questions given after the text.

Text C

Corporations

Corporations account for only one-fifth of the businesses in the United States although they are responsible for the majority of all sales. A corporation is a form of business organization recognized by law as a separate legal entity with all the rights of an individual. This status gives the corporation the right to buy and sell property, to enter into legal contracts, and to sue and be sued.

Forming a corporation

Unlike a sole proprietorship and partnership, a corporation is a very formal and legal arrangement. People who want to incorporate, must file for permission from the national government or the state where the business will have its headquarters. If proved, a charter — a government document that gives permission to create a corporation —



is granted. The charter states the company's name, address, purpose, and other features of the business.

The charter also specifies the number of shares of stock, or ownership certificates in the firm. These shares are sold to investors, called shareholders or stockholders, who then own a part of the corporation. The money gained from the sale of stock is used to set up the corporation. If the corporation is profitable, it may eventually issue a dividend — a check that transfers a portion of the corporate earnings — to each stockholder.

Advantages

The main advantage of a corporation is the ease of raising financial capital. If the corporation needs more capital, it can sell additional stock to investors. The revenue then can be used to finance or expand operations. A corporation may also borrow money by issuing bonds. A bond is a written promise to repay the amount borrowed at a later date. The amount borrowed is known as the principle. While the money is borrowed, the corporation pays interest, the price paid for the use of another's money.

A second advantage is that the corporation provides limited liability for its owners. This means that the corporation itself, not its owners, is fully responsible for obligations. To illustrate, suppose a corporation cannot pay all of its debts and goes out of business. Because of limited liability, stockholder losses are limited to the money they invested in stock. Even if other debts remain, stockholders are not responsible for them.

A third advantage of a corporation is that the directors of the corporation can hire professional managers to run the firm. This means that the owners, or stockholders, can own a portion of the corporation without having to know much about the business itself.

Another advantage is unlimited life, meaning that the corporation continues to exist even when ownership changes. Because the corporation is recognized as a separate legal entity, the name of the company stays the same, and the corporation continues to do business.

This leads to a fifth advantage, the ease of transferring ownership of the corporation. If a shareholder no longer wants to be an owner, he or she simply sells the stock to someone else who then becomes the new owner. As a result, it is easier for the owner of a corporation to find a new buyer than it is for the owner of a sole proprietorship or a partnership.

Disadvantages

Because the law recognizes the corporation as a separate legal entity, the corporation must keep detailed sales and expense records so that it can pay taxes on its profits. This leads to the first disadvantage, the double taxation of corporate profits. Double taxation means that stockholder dividends are taxed twice. They are taxed the first time when the corporation pays taxes on its profits. Then they are taxed the second time when investors, as the owners of the corporation, report their dividends as personal income.

Another disadvantage of the corporate structure is the difficulty and expense of getting a charter. Depending on the state, attorney's fees and filing expenses can cost several thousand dollars.

A third disadvantage of the corporation is that the owners, or shareholders, have little voice in how the business is run. Shareholders vote for the board of directors, and the directors turn day-to-day operations over to a professional management team. The result is a separation of ownership and management.

Finally, the fourth disadvantage is that corporations are subject to more government regulation than other forms of business. Corporations must register with the state in which they are chartered. If a corporation wants to sell its stock to the public, it must register with the federal Securities And Exchange Commission. It will also have to provide financial information concerning sales and profits to the general public on a regular basis.

WORDS AND PHRASES TO BE REMEMBERED

majority — більшість

separate — окремий

legal entity — юридична особа

to sue — порушувати судову справу

unlike — на відміну

permission — дозвіл

headquarters — штаб-квартира

to grant — надавати

ownership — володіння

share — акція

shareholder (stockholder) — акціонер

to gain — отримувати, заробляти

to set up — засновувати

eventually — зрештою

to issue — випускати

earnings — заробіток

to expand — розширяти

to repay — виплачувати

bond — облігація

principle — основна сума

interest — відсоток

to remain — залишати

to transfer — передавати, переводити

double taxation — подвійне оподаткування

to vote — голосувати

separation — відокремлення

to be subject to — підлягати

Securities and Exchange Commission — комісія по роботі з цінними паперами та фондовій біржі

VOCABULARY PRACTICE

I. Find in the text English equivalents for the following word combinations. Write your own sentences using them.

Окрема юридична особа; право купувати та продавати майно; заключати юридичні контракти; на відміну; головний офіс; дозвіл на створення корпорації; сертифікати власності; отримувати гроші від продажу акцій; заробітки корпорації; розширювати операції; випускати облігації; основна сума; відсоток; обмежена відповідальність; припускати; наймати професійних керівників; легкість передачі власності; подвійне оподаткування; рада директорів; комісія по цінним паперам та фондовій біржі; надавати фінансову інформацію.

II. Give Ukrainian equivalents for the following word combinations.

To account for; the majority of all sales; to sue and to be sued; formal and legal arrangement; the charter; the number of shares; shareholders; to set up the corporation; to issue a dividend; to borrow money; to go out of business; to keep detailed sales and expense records; corporate profits; to be taxed twice; personal income; the difficulty and expense of getting a charter; to vote; day-to-day operations; separation of ownership and management; finally; government regulation; on a regular basis.

III. A. Study different collocations with the adjective *corporate*:

Corporate culture

Corporate headquarters

Corporate logo

Corporate ladder

Corporate image

Corporate profits

B. Correct the mistakes using collocations with the adjective *corporate*:

1. Before we employ people, we like to put them in job situations to see how they do the work and fit into the *corporate ladder*.

2. The company has built a grant *corporate logo* as a permanent symbol of its power.

3. Our stylish new *corporate culture* shows our wish to be seen as a more international airline.

4. The company is growing and *corporate headquarters* are rising.

5. The rules were introduced to protect women working in factories, but today they make it harder for women to climb the *corporate image*.

6. Companies hit by computer crime are not talking about it because they fear the publicity will harm their *corporate profits*.

IV. A. Study the word combinations with “*enterprise*”.

free private	enterprise	business activity owned by individuals, rather than the state
enterprise	culture	an atmosphere which encourages people to make money through their own activities and not to rely on the
	economy	government an economy where there is an enterprise culture
	zone	part of a country where business is encouraged because there are fewer laws, low taxes, etc.

B. Use expressions from the tables to complete this text.

Margaret Thatcher often talked about the benefits of ____ or _____. She said that the achievement was to establish an _____ in Britain, an economy where people were encouraged to start their own companies and where it was acceptable to get rich through business: an _____.

In some areas, the government reduced the number of laws and regulations to encourage businesses to move there. Businesses were encouraged to set up in the London Docklands, for example. The Docklands were an _____.

COMPREHENSION CHECK

I. Now read the text again and answer the following questions.

1. What form of business is a corporation?
2. What does the status of being a separate legal entity give the corporation?
3. What is the procedure of setting up a corporation?
4. What is a charter and what does it state?
5. What are stocks?
6. Who are shareholders?
7. What happens when a corporation is profitable?
8. How can a corporation raise additional capital?
9. Why does the corporation have limited liability?
10. Who manages the corporation?
11. Why is it easier for the owner of a corporation to find a new buyer than it is for the owner of a sole proprietorship or partnership?
12. What is double taxation?
13. Why is ownership separated from management in a corporation?
14. Where are corporations registered?

V. Read text C again and say if these statement are true (T) or false (F).

1. A corporation is the easiest to start of all forms of businesses.
2. A corporation is owned by stockholders, and run by executives who may or may not be stockholders.
3. A corporation is dissolved after the death of its founder or partner.
4. Corporations pay income taxes only.
5. Shares are certificates of ownership indicating that a definite amount of money has been borrowed.
6. Corporation has more freedom of operation than a sole proprietorship or partnership does.
7. Corporation has the financial power to research, develop, and produce new goods.

VI. Complete the table.

	Advantages	Disadvantages
Sole Proprietorship		
Partnership		
Corporation		

TRANSLATION PRACTICE

Translate into English.

1. Корпорація — це окрема юридична особа, яка має право купувати та продавати власність, вступати в контрактні угоди, порушувати судову справу.

2. Створення корпорації вимагає багато зусиль, коштів та часу, оскільки необхідно звертатися за дозволом до уряду, який в свою чергу видає цей дозвіл — статут корпорації, в якому зазначені назва, адреса, мета та вид діяльності даної корпорації.

3. Акціонери — особи, які володіють корпорацією, купують акції, а кошти використовуються організації бізнесу чи подальшого його розширення.

4. Якщо корпорація прибуткова, акціонери отримують дивіденди, що являють собою частину заробітку корпорації.

5. Корпорація, як і будь-яка інша підприємницька організація, має як переваги, так і недоліки організації та ведення бізнесу.

6. Основа перевага корпорації — це обмежена відповідальність її власників — акціонерів, оскільки їх збитки у випадку банкрутства корпорації обмежені лише тим, що вони інвестували у бізнес.

7. На відміну від одноосібної власності та партнерства, корпорація має не обмежений термін існування, оскільки діє як окрема юридична особа.

8. Основним недоліком корпорації є те, що формування даного виду бізнесу вимагає дуже багато коштів.

9. Корпорацією керує рада директорів, яка обирається акціонерами, в той час як самі акціонери не приймають участі у веденні щоденних справ корпорації, тим самим відокремлюючи володіння бізнесом від його керування.

READING STRATEGIES

Activity 1

A. Read the text and translate it into Ukrainian.

Most businesses use scarce resources to produce goods and services in hopes of earning a profit for their owners. Other organizations operate on a “not-for-profit” basis. A nonprofit organizations works in a business like way to promote the collective interests of its members rather than to seek financial gain for its owners.

The American Red Cross is one example of a nonprofit, it relies on volunteers for much of its work. In this way, nonprofits and other

community and civil organizations can perform useful services with minimal expense and without regard to earning a profit.

Community Organizations

Community organizations include schools, churches, hospitals, welfare groups, and adoption agencies. Many of these organizations are legally incorporated to take advantage of limited life and limited liability. They are similar to profit-seeking businesses but do not issue stock, pay dividends, or pay income taxes. If their activities produce revenues in excess of expenses, they use the surplus to further their work.

Cooperatives

A common type of nonprofit organization is the cooperative, or co-op. A cooperative is a voluntary association formed to carry on some kind of economic activity that will benefit its members. Cooperatives fall into three major categories: consumer, service, and producer.

The consumer cooperative is a voluntary association that buys bulk amounts of goods such as food or clothing on behalf of its members. Members usually help keep the cost of the operation down by devoting several hours a week or month to the operation. If successful, the co-op is able to offer its members products at prices lower than those charged by regular business.

A service cooperative provides services such as insurance, credit, or child care to its members, rather than goods. One example is a credit union, a financial organization that accepts deposits from, and makes loans to, employees of a particular company or government agency.

Like consumers, producers also can have co-ops. A producer cooperative helps members promote or sell their products. In the USA most cooperatives of this kind are made of farmers. The co-op helps the farmers sell their crops directly to central markets or to companies that use the members' products.

Some nonprofit organizations are formed to promote the interests of workers and consumers.

Labour Unions

One important economic institution is the labour union, an organization of workers formed to represent its members' interests in various employment matters. The union participates in collective bargaining when it negotiates with management over issues such as pay, working hours, health care coverage, vacations, and other job-related matters. Unions also lobby for laws that will benefit and protect their workers.

Professional Associations

Some workers belong to professional associations, trade associations, or academies. Such a professional association consists of people in a specialized occupation interested in improving the working conditions, skill levels, and public perceptions of the profession.

Business Associations

Business associations are also organized to promote their collective interests. Most communities have a local chamber of commerce, an organization that promotes the welfare of its member businesses. The typical chamber sponsors activities ranging from educational programs to lobbying for favorable business legislation.

Industry or trade associations represent specific kinds of businesses. Trade associations are interested in shaping the government's policy on such economic issues as free enterprise, imports and tariffs, the minimum wage, and new construction.

Some business associations help protect the consumer. The Better Business Bureau is a nonprofit organization sponsored by local businesses. It provides general information on companies, maintains records of consumer inquiries and complains, and offers consumer education programs.

B. Using the information given in the text describe different types of nonprofit organizations.

C. Compare and contrast the purposes of the following nonprofits: American Red Cross, American Medical Association, and Teachers' Credit Union.

D. What motivates people to join professional associations and unions?

E. Discuss the difference between nonprofit and other forms of business organizations..

Activity 2

A. Read the text about nonprofit organizations and translate it into Ukrainian.

Organizations with "social" aims such as helping those who are sick or poor, or encouraging artistic activity, are nonprofit organizations. They are also called charities, and form the voluntary sector, as they rely heavily on volunteers (unpaid workers). They are usually managed by paid professionals, and they put a lot of effort into fund-raising, getting people to donate money to the organization in the form of donations.

B. Match the sentence beginnings (1-5) to the correct endings (a-e).

1. US companies donate around \$500
 - a. with loss-making companies million a year to charities
 - b. in cash and, increasingly
2. She organized fund-raising as goods, services and time.
3. Voluntary sector employees earn five to
 - c. parties for the charity. ten per cent
 - d. when they are helping
4. Nonprofit organizations are not to be people in their own social confused class
 5. Research shows that volunteers give the
 - e. less than they would in they best service would in the private sector.

Activity 3

Look at the sentences below and the profiles of five international executives. Who do the sentences refer to? For each sentence 1-8 mark one letter A, B, C, D or E. You will need to use some of the letters more than once.

1. He has cut operating costs by reducing the number of senior staff.
2. He does not enjoy making presentations and speeches.
3. He started his career working for a television station.
4. He improved the company's financial position by selling off assets.
5. He is expanding the company with a series of takeovers.
6. He is famous for his imagination and tough business strategies.
7. He has been with the same employer all his working life.
8. He has worked in a variety of different industries.

A. Lord Wootten, Chairman, Unimarket

Lord Wootten has recently returned to Unimarket, the large retail food chain, after a 20-year absence. Whilst away, he held a variety of posts in the Conservative Party including that of Chief of Staff to the British Prime Minister for six years, where his skills as an effective public speaker won him great respect. He then returned to the industry as one of the two architects behind the dramatic revival of the Remco supermarket chain. His comprehensive and varied experience of the

retail food sector will make a huge impact on Unimarket and he has already embarked on an ambitious policy of major acquisitions.

B. Steven Waugh, Chief Executive Officer, DigiCom

Steven Waugh, the driving force behind DigiCom for over 25 years, retires this year. Known for his quick decision-making, he is seen as one of the most outspoken and ruthless operators in the world of business. These qualities have often made life difficult for DigiCom competitors, who have regularly been faced with bitter price wars and innovative promotional campaigns, often masterminded by the CEO himself. Born in Queensland, Waugh first cut his teeth on Australia's Channel 9 before entering broadcasting in Britain. Never a great believer in political correctness, he is famous for spending his time abroad his luxury cruiser indulging in gourmet food and champagne.

C. Mark Boucher, Chairman, Gladstone

Mark Boucher, 53, chairs Gladstone, the base-metals group recently demerged from Corgon of South Africa and floated in Amsterdam. Since the breakaway, Gladstone's operating profit has grown to \$92m, even though experts have described the company as overstaffed and inefficient. Boucher is a reserved man who is reluctant to address large meetings but reveals, when pressed, a dry sense of humour. He has had an unusual career path, including a spell working for the North American Space Agency, followed by a stint running a satellite TV station.

D. Erik Johanssen, Chief Executive, MorgenReynolds

MorgenReynolds' CEO Erik Johanssen admits to crying occasionally and says he is not the tough hard-nosed businessman that people expect when they meet him. He is, however, universally regarded as a shrewd politician within the industry. A self-styled company man, the chain-smoking 55 year-old Johanssen has been with Morgen for over 20 years. Since Morgen took over the innovative but under-performing Reynolds, Johanssen has streamlined the business radically, axing half of Reynolds' top managers. Johanssen lives modestly in Stockholm and travels to work by underground.

E. Joe Anderson, Chief Executive, Dayton International Hotels

Joe Anderson joined the imaginative Seattle-based Foyles restaurant chain after graduating in 1963. He worked his way up through the ranks, performing a variety of different roles, eventually becoming the

Managing Director in 1976 and joining the parent company's executive board in 1980. In 1994 he became CEO and President of the group's Dayton International Hotels division. Anderson has focused on Dayton's core restaurant and hotel activities and reduced the group's debts by disposing of several properties and a chain of beauty salons. The next project is likely to be the search for strategic alliances with major European hotel chains.

Activity 4

Two articles have been mixed up. Which paragraphs make up each article? (The paragraphs are in the correct order – Article 1 contains four paragraphs – the first is a. Article 2 contains four paragraphs – the first is b.)

a

Article 1: Corporate safe guards go back to the board

A large majority of top executives in Britain have given the thumbs down to proposals designed to strengthen the role of non-executive directors in the boardroom. A survey by the Confederation of British Industry showed that 82% of FTSE100 chairmen feel that their role would be undermined by proposals contained in the Higgs report released in January.

b

Article 2: Rewards for failure are too high, says Lord Mayor

The City needs to tighten up its standards of corporate governance to restore public and investor confidence, according to the Lord Mayor of London, Gavyn Arthur. It was unacceptable for failure to be almost as well rewarded as success and for executives to take decisions designed to trigger short-term share options rather than act in the long-term interests of the company.

c

“We have an ethos where the long-term stability of the company is what matters most; where it is bad form and seen to be bad form to be taking actions to generate short-term benefits and share options.” Mr Arthur is expected to use a keynote speech at a dinner to be attended by Trade and Industry secretary Patricia Hewitt this month to highlight the need to bolster credibility.

d

The report from Derek Higgs, a former investment banker, called for an enhanced role for non-executive directors, as part of a stream of proposals designed to prevent an Enron-type scandal in the UK. Specifically, the Higgs report called for an independent non-executive director to chair the nominations committee, which nominates people to join the board, splitting the functions of chairman and chief executive, and the appointment of a senior independent director to liaise with shareholders.

e

Ms Hewitt has already announced a review on the issue of rewards for failure. However, last month Labour blocked an attempt by Tory MP and former Asda boss Archie Norman to change the Companies Act to allow directors to challenge executive payoffs.

f

But in the CBI survey, most chairmen believed that the Higgs proposals would undermine their position and lead to divided boards and therefore hamper the way they run their businesses. "What the chairmen are saying is that they need to have unified boards, especially in difficult economic times," said Digby Jones, the CBI director-general.

g

Chairmen of the FTSE-100 companies can also argue that corporate governance in the UK already meets high standards, building on past milestones such as the 1992 report by Sir Adrian Cadbury in 1992 and Sir Ronald Hampel in 1998. Be that as it may, Enron and WorldCom changed the corporate landscape. Those mammoth scandals led to major reforms in the US, notably the Sarbanes-Oxley law, which had the creation of an accountancy oversight board as its centerpiece. Once the US started overhauling corporate governance practices, the rest of the world was forced to go some way to meeting these new best practices.

h

Mr Arthur argues that the current situation cannot be allowed to persist. "I can't bear to see failure being almost as well rewarded as success. It is morally wrong for those who have destroyed their company to walk away with an obscenely large payout. It does a disservice to investors and to public confidence."

SPEAKING STRATEGIES

I. Ask questions to which the following sentences may be answers.

1. _____?

The difference between a public corporation and a privately owned corporation is in the procedure of selling shares. Only the shares of a public corporation are sold freely at the stock exchange.

2. _____?

A partnership can have up to 20 partners.

3. _____?

Stockholders are people who own stock in a company.

4. _____?

The stock exchange is a place where shares are sold and bought.

5. _____?

My friend Mary owns a hotel, she is a sole proprietor.

6. _____?

Setting up a corporation begins with issuing stocks and organizing subscriptions.

7. _____?

Corporation can raise the greatest amount of capital because an unlimited number of shares can be sold.

8. _____?

Managers or executives run the corporation.

9. _____?

They are not necessarily stockholders, but may be just employed by the corporation.

10. _____?

Greater influence belongs to stockholders who have more shares because they have more votes at the annual stockholders' meetings.

II. Assignments for discussion. Linking words given below can be helpful to you.

a). What forms of business do you know about in your home city? Give examples.

b). Choose any business in your home city that you know about. Discuss it with your partners (in groups of three or four students). What advantages do you see in that form of business? What are the disadvantages, if any? Decide which of those businesses seem to you and your partner to be the most successful and profitable. Report this to the class.

c). If you decide to go into business, would you choose:

i) to open your own business as a single proprietor?

ii) to form a partnership?

Give reasons to your decision.

d) Would you risk starting a corporation if you had an opportunity? If so, what kind of corporation would you like to start? Give your reasons. If not, why not? Give your reasons.

III. Role-play.

Student A	Student B
You have come to a business consultant for recommendations. Answer the consultant's questions and discuss his/her recommendations with him/her.	You are a business consultant. A man has come to your office for recommendations. He wants to open his own restaurant. Ask him all the questions you need to ask: investment capital, location of the planned restaurant, kinds of food to be served, opportunities for advertising, etc. Then give him your recommendations.

USEFUL ENGLISH

Linking words and phrases

They can be used to develop coherence ([kəu'hɪ ər(ə)ns] зв'язок; послідовність) within a paragraph, that is linking one idea / argument to another. Remember them and keep as a reference of useful linking words and phrases.

Sequence

First / firstly, second / secondly, third / thirdly etc.

Next, last, finally

In addition, moreover

Further / furthermore

Another

Also

In conclusion

To summarise

Result

So

As a result

As a consequence (of)

Therefore

Thus

Consequently

Hence

Due to

Emphasis

Undoubtedly

Indeed

Obviously

Generally

In fact

Particularly / in particular

Especially

Clearly

Importantly

Addition	Reason	Example
And	For	For example
In addition / additionally	Because	For instance
Furthermore	Since	That is (i.e.)
Also	As	Such as
Too	Because of	Including
As well as		Namely

WRITING STRATEGIES

I. Write a brief summary of Texts A, B and C.

II. Assume that you and a friend want to start a partnership to run your own business, such as a music store. Draw up one-page articles of partnership that outline how you will address financial issues of the partnership.

III. Identify a nonprofit organization in your community. Discuss with an official or volunteer of the organization how the loss of nonprofit status would affect its activities and services. Write at least 150 words about your findings.

SELF-ASSESSMENT QUESTIONS

I. Choose the correct variant:

1. There are essentially ... basic ways to set up a privately owned enterprise.

- a. two b. three c. four

2. A... is an unincorporated business that is owned and operated by one person called

- a. a sole proprietor b. a sole trader.

- a. sole proprietorship b. partnership c. corporation

3. A ... is an association of two or more persons, who act as co-owners of an unincorporated business and operate it for profit.

- a. sole proprietorship b. partnership c. corporation

4. A corporation is a business that is authorized by law as a separate legal entity with its own powers, responsibilities, and obligations.

- a. sole proprietorship b. partnership c. corporation

5. A ... receives all the company's profits and takes complete managerial control.

- a. a sole proprietor b. partner c. stockholder

6. Preferential tax treatment means that any ... earned from the firm is considered a sole proprietor's income.

- a. income b. revenue c. profit

7. ... liability means that a sole proprietor assumes the burden of any losses or liabilities the enterprise faces.

- a. unlimited b. limited c. absence of

8. The way a ... is established, run and taxed often makes it the most attractive form of business.

- a. sole proprietorship b. partnership c. corporation

9. Unlimited liability means that partners have to use their personal assets to pay off all the company's

- a. losses b. failures c. debts

10. The essential feature of a corporation is its legal ... from its owners.

- a. independence b. dependence c. interdependence

11. Limited liability means that shareholders are not ... for the debts of a company.

- a. dependent b. liable c. independent

12. Obtaining a ... charter require higher start-up capital and the services of a lawyer.

- a. state b. local c. government

13. Corporation is subject to ... taxation.

- a. double b. single c. sole

14. The shareholders have a corporation's ... meeting to elect a board of directors whose job is to make general business decisions.

- a. monthly b. semi-annual c. annual

15. To start a partnership it's necessary to draw up a partnership ... stating the terms of the partnership, the rules of how to manage it, each partners' personal rights and liabilities.

- a. agreement b. contract c. document

ANNEX I

DESCRIBING GRAPHS

Study the following information to be able to read any graph, tables and charts/diagrams. Find the Ukrainian equivalents for the highlighted words.

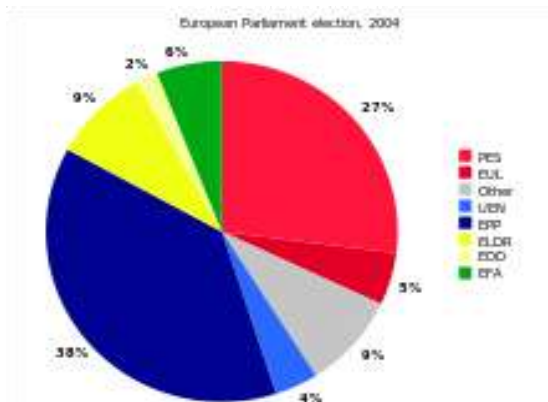
Graphs are used in two ways:

1. to present an economic model or theory which focus on hypothetical relationships

2. to present real world data visually. Actually, these two ways of using graphs are related. They are both ways of presenting visually the between two things.

Graphs are built around a number line, or **axis** (axes, pl.). Axes are called vertical and horizontal. We can plot the information on two axes. When we connect two points we have a line. Even if the line is straight, economists call any such line drawn on a graph **a curve**. A curve can be **a linear curve, a downward curve, a nonlinear curve**.

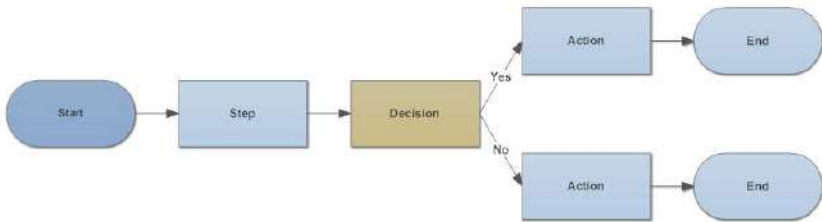
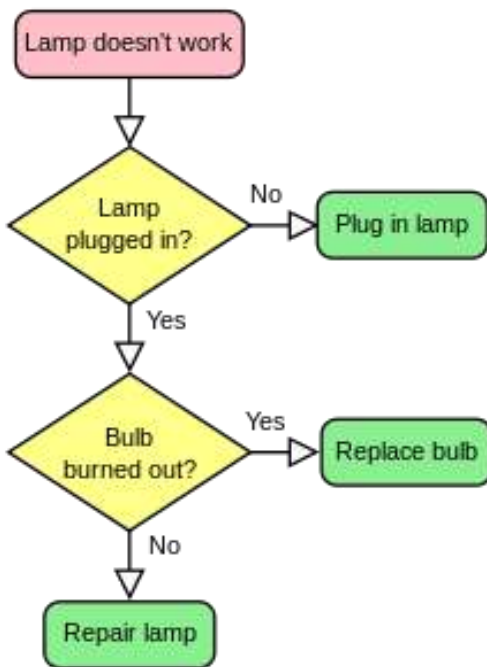
Economists use *the following graphs in presenting actual economic data*:



A **pie chart** (or a **circle chart**) is a circular statistical graphic, which is divided into slices to illustrate numerical proportion. In a pie chart, the arc length of each slice is proportional to the quantity it represents.

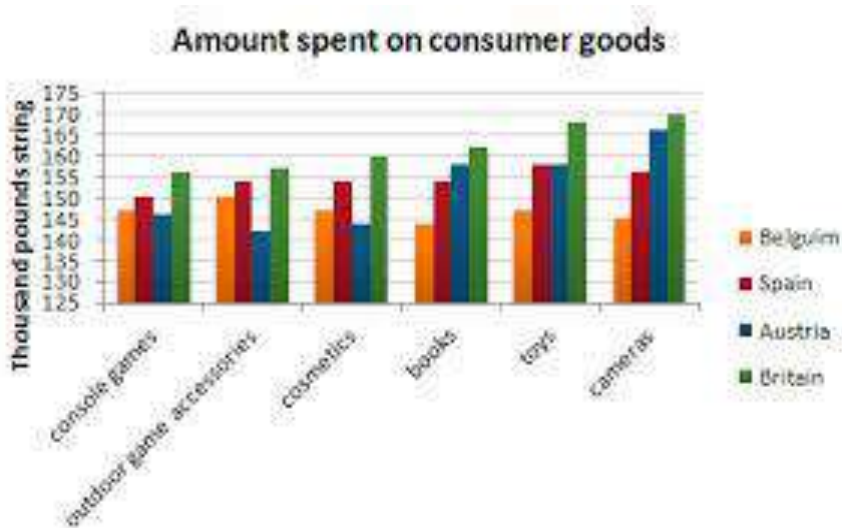
A **flow chart** is a visual representation of the sequence of steps and decisions needed to perform a process. Each step in the sequence is noted within a diagram shape. Steps are linked by connecting lines and directional arrows. This allows anyone to view the flowchart and logically follow the process from beginning to end.

A Basic Flowchart

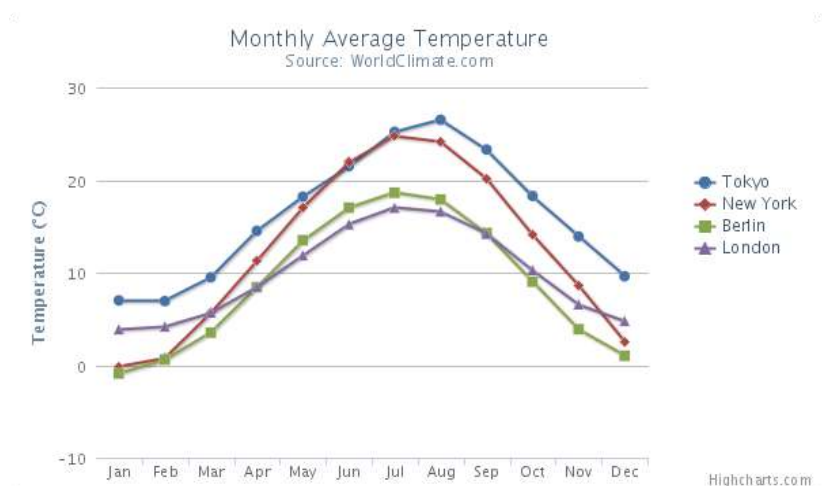


A **bar chart or bar graph** is a chart that uses either horizontal or vertical bars to show comparisons among categories. One axis of the chart shows the specific categories being compared, and the other axis represents a discrete value. Some bar graphs present bars clustered in groups of more than one.

A vertical bar chart is sometimes called a **column bar chart**.



A **line graph** (also known as **line chart**) is a graphical presentation of data that changes over time. It uses line segments to connect data points and shows changes in data.



Look at these words and phrases which will help you describe trends.

						
Nouns	a rise an increase a surge* a growth	a fall a drop a decline a dip**	a peak	a fluctuation a variation	a period of stability	a plateau*** (plateaux pl.)
Verbs	to rise to increase to surge to grow	to fall to drop to decline to dip	to peak	to fluctuate to vary	to stabilise	to plateau

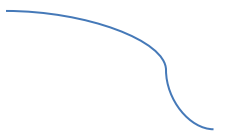
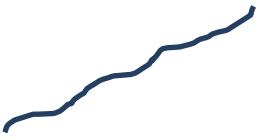
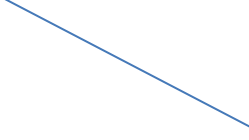
Adjectives and adverbs	sharp(ly) dramatic(ally) significant(ly)	steady (ily)	relative (ly)	considerable (ably)	the second highest the third lowest	slight(ly) gentle(ly) a little	gradual (ly)
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* **A surge** is a sudden large increase in something that has previously been steady, or has only increased or developed slowly.

** **A dip** is a brief downward slope followed by an upward one the big hedge at the bottom of the dip

*** **A plateau** is a state of little or no change following a period of activity or progress

Exercise 1. Use the nouns and adjectives from the table to help you describe the trends in line graphs 2-6.

		
a sharp fall	2.	3.
		
4.	5.	6.

Exercise 2. Describe each trend again, this time using the verbs and adverbs from exercise 1, e.g. It falls sharply.

Exercise 3. There are many ways to say things go up, go down, or don't move much at all. Look at the verbs below and put them with the correct heading. One of the words doesn't fit any of the headings. Which word is it?

decline

increase

decrease

remain

steady

fall

rise

fluctuate

stabilise

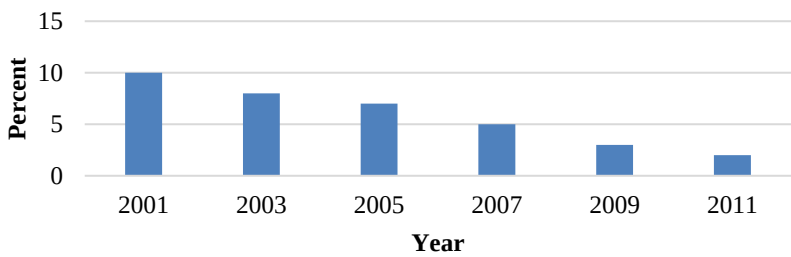
grow

go up 	don't move 	go down 
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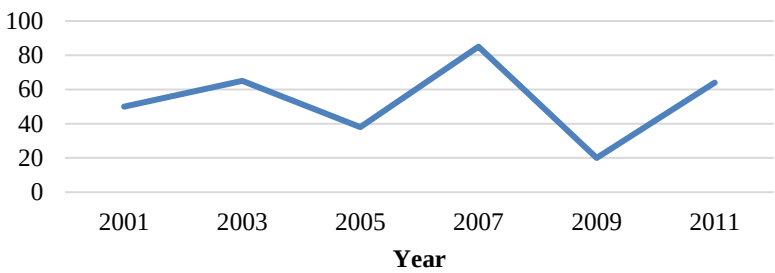
Exercise 4. Look at graphs below. Complete the sentences with the correct form of the verbs in the box.

decline	fall	fluctuate	remain steady	rise	stabilise
---------	------	-----------	---------------	------	-----------

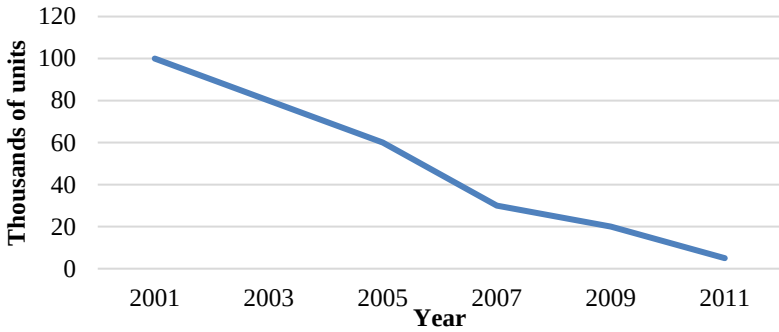
A. Inflation is _____ .



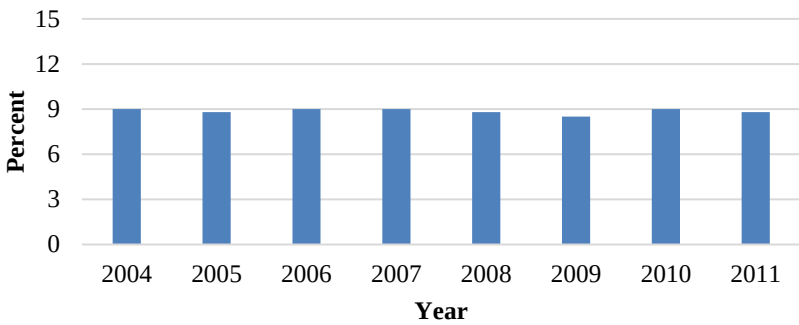
B. Retail prices are _____ .



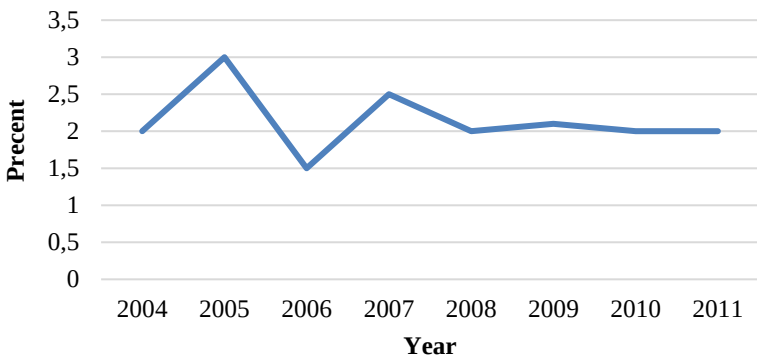
C. New construction is _____.



D. Unemployment is _____.



E. Consumer spending is _____.



Exercise 5.Classify the verbs in the box according to whether they mean **RISE (R)** or **FALL (F)**. Consult a good dictionary, if necessary.

advance	be firm	be strong	be weak
dip	drift	drop	ease
jump	leap	plummet	plunge
rally	rebound	recover	revive
rocket	sink	slip	slump
tumble			

Four of these verbs – all in one line of the box – mean to rise after previously falling. Which are they?

Describing trends 1

A. Look at the news stories. Underline the verbs that tell you how the indicators moved: up or down. Mark them with an arrow showing the direction up (↑) or down (↓).

- a. German unemployment rate falls slightly as the economy continues to create new jobs. Exports, especially of machinery, rise dramatically as world demand remains strong.
- b. Bank of England warns an inflation increase sharply to 3.4%. House owners suffer more pain – a mortgage rates go up 0,5% from4.5% to 5%.
- c. Oil prices decrease as demand from China goes down sharply.
- d. US house prices continue to fall steadily as the number of new homes constructed drops steeply and firms lay off workers.

B. Now complete the table with the verbs you underlined.

to increase

to decrease

C. When we describe a change, we can be more precise by putting an adverb after the verb. Find these adverbs in the headlines:

slightly, steadily, sharply, steeply, dramatically. Which of the adverbs describe:

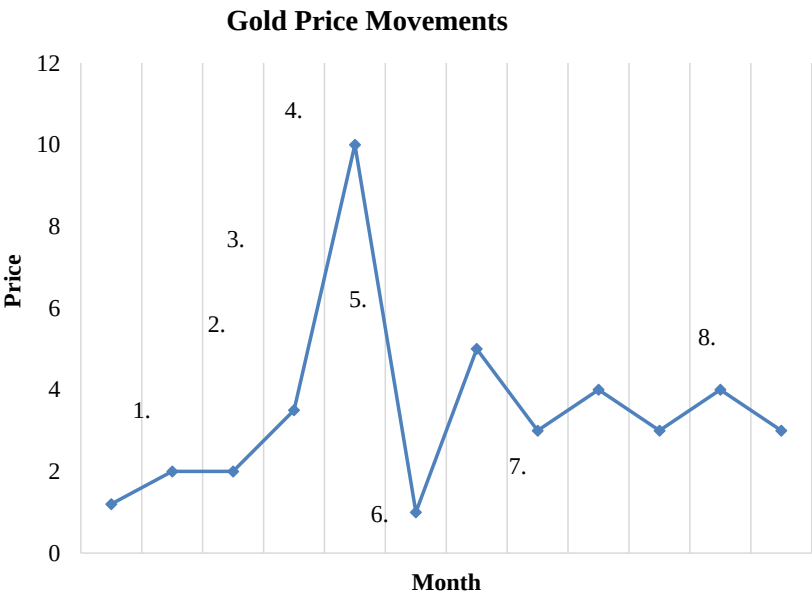
- a) a big change?
- b) a small change?
- c) a continuous change over time?

Describing trends 2

A. Read the extract below and underline the verbs and phrases that describe key trends. There are eight verbs and phrases in all.

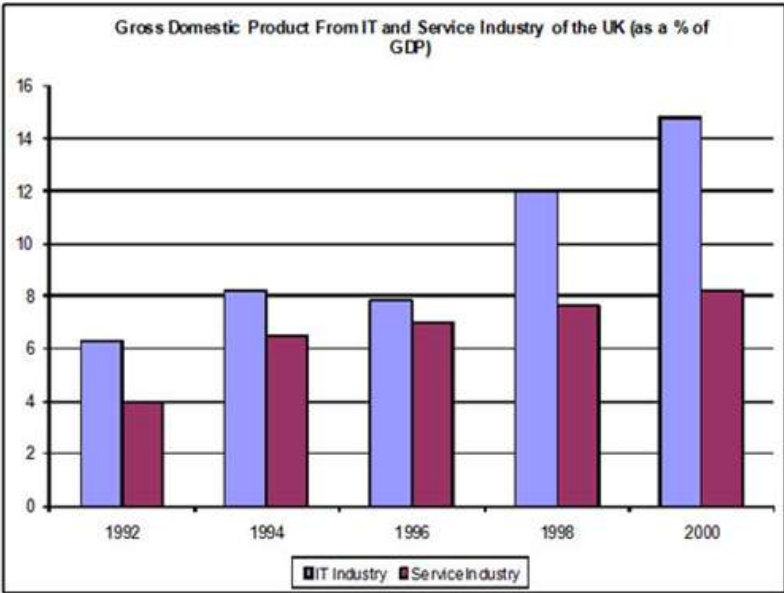
Over the last month oil prices have fluctuated wildly between \$95 and \$123. Prices rocketed at the beginning of the month and they reached a new peak of \$123. But, with fears of an economic slow-down, the price subsequently plunged and hit a low of \$95 last Thursday. They levelled off at the beginning of this week at \$108 and have now recovered to \$115. But oil analysts expect they will surge to new highs over the next 2 months.

B. Now put the verbs and phrases you found in 1 into the graph below, which shows changes in the price of gold.



C. Read the model description of the chart showing the change in Gross Domestic Product in the UK from 1992 to 2000.

Gross Domestic Product in the UK

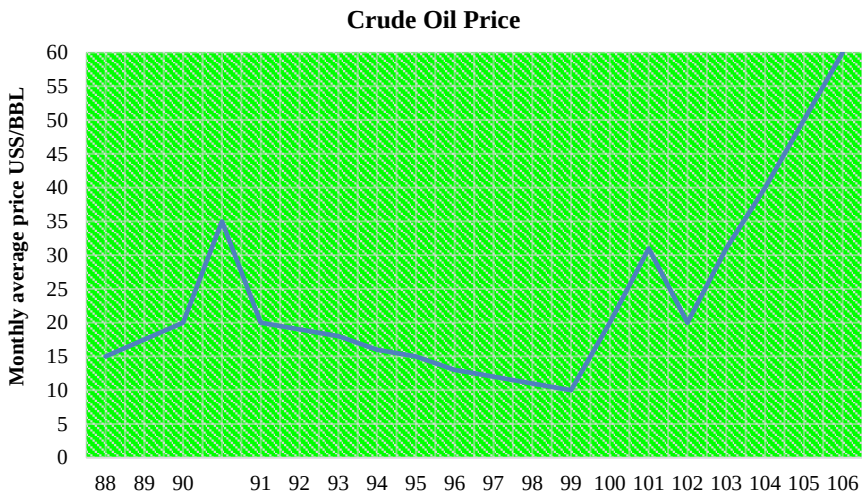


Model Answer The bar chart illustrates the gross domestic product generated from the IT and Service Industry in the UK from 1992 to 2000. It is measured in percentages. Overall, it can be seen that both increased as a percentage of GDP, but IT remained at a higher rate throughout this time.

At the beginning of the period, in 1992, the Service Industry accounted for 4 per cent of GDP, whereas IT exceeded this, at just over 6 per cent. Over the next four years, the levels became more similar, with both components standing between 6 and just over 8 per cent. IT was still higher overall, though it dropped slightly from 1994 to 1996. However, over the following four years, the patterns of the two components were noticeably different. The percentage of GDP from IT increased quite sharply to 12 in 1998 and then nearly 15 in 2000, while the Service Industry stayed nearly the same, increasing to only 8 per cent.

At the end of the period, the percentage of GDP from IT was almost twice that of the Service Industry.

D. Using the graph below and useful expressions, give a mini presentation to your partner on the movements of crude oil prices, 1988-2006.



E. Write a short description of the Figures below.

Figure 1: Demand for Gasoline

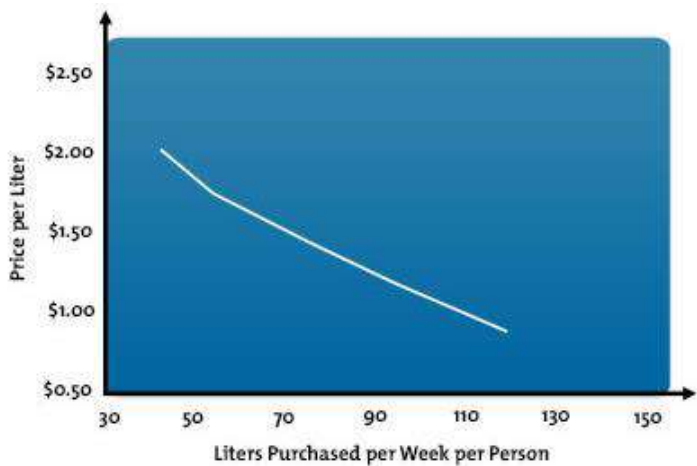


Figure 2: Demand Shifts

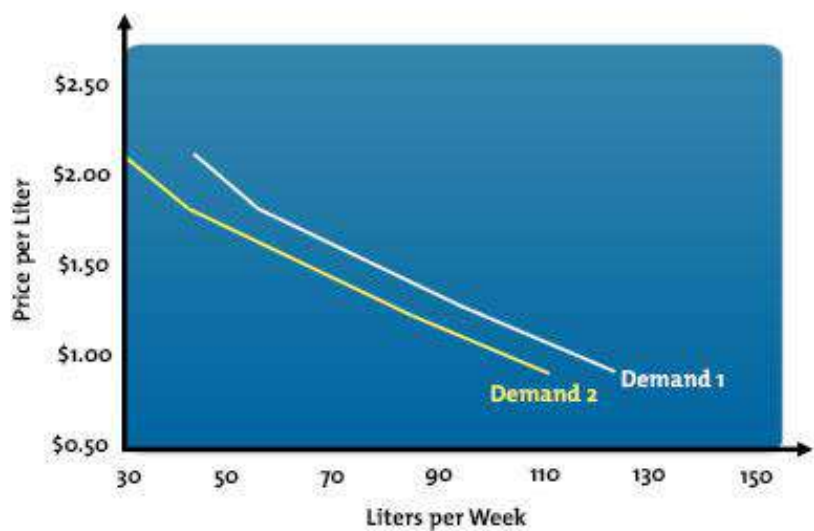


Figure 2:US Oil Demand by Product

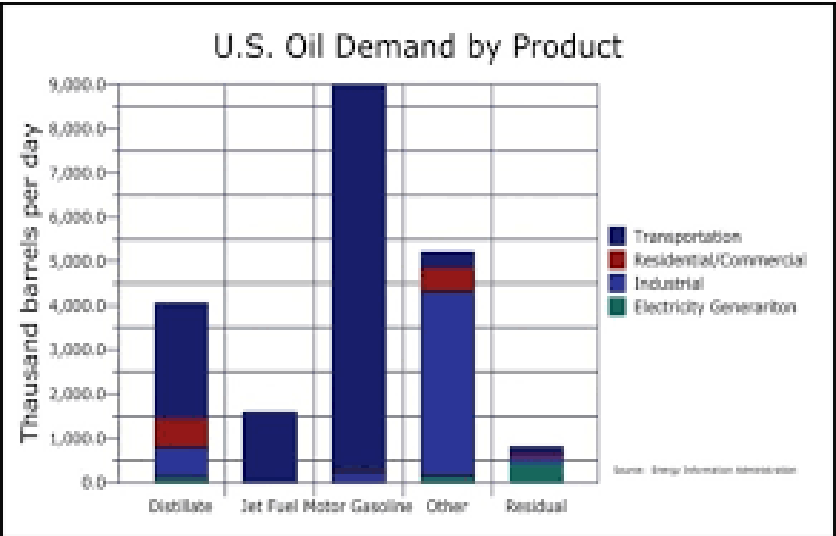
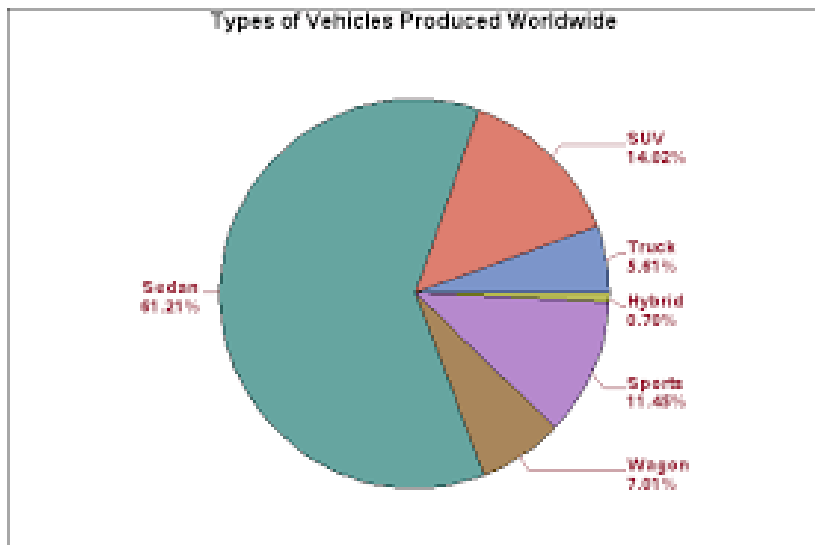


Figure 2: Types of Vehicles Produced Worldwide



USEFUL ENGLISH

Commenting diagrams

Let's have a look at this graph / diagram ...

The horizontal / vertical axis represents ...

Production is indicated by a red line ...

This solid line gives us ...

The broken line shows ...

The dotted line illustrates ...

This curve here indicates ...

With this pie chart I'd like to show you ...

The shaded section represents ...

Upward trend

The number of ... has grown / gone up / risen / increased / climbed.

Prices have jumped since ...

There has been an enormous boom / upturn.

Market has picked up / recovered again.

Sales reached a peak in 2012. It reached an all-time high.

Downward trend

Profits have declined / gone down / dropped / decreased / fallen.

Sales have slumped / plummeted.

We could almost speak of a recession.

There has been an enormous down turn in production.

Prices bottomed out. We reached an all-time low.

Continuing trend

Our sales figures have remained stable / steady.

Prices have been stable / unchanged for several years.

Profits held firm for two years.

Contrast and comparison

If we compare these figures, we see that ...

Compared with last year, sales have increased by 5%.

Although we invested a lot, sales figures fell.

Investment increased whereas sales dropped.

The higher the costs, the higher the price.

Investment was not as high as last year.

Despite the recession we managed to expand.

Adverbs of change

Barely, slightly

Gradually / slowly but steadily

Substantially, markedly, significantly, considerably

Unexpectedly, surprisingly

Suddenly, abruptly

Dramatically, sharply

ANNEX II

Look at the following Latin words. They may be helpful to you while studying texts on Economics and Business.

e.g.	exempli gratia	for example
i.e.	id est	that is
etc.	et cetera	and so on
viz.	vide licet	namely
c	circa	about, around (time)
v	vide	see
et al	et ali	and others
per se		in itself
qua		as
vice versa		the reverse
ad hoc		for this particular purpose
vs	versus	opposed
via		1. through
		2. with the help of
per capita		per head
ceteris paribus		other things equal
ad valorem		according to the value

ANNEX III

Glossary of economic terms

Ability-to-Pay Principle – The belief that people should be taxed according to their ability to pay, regardless of the benefits they receive. The U.S. individual income tax is based on this principle.

Aggregate Demand (AD) – A schedule (or graph) that shows the value of output (real GDP) that would be demanded at different price levels.

Aggregate Supply (AS) – A schedule (or graph) that shows the value of output (real GDP) that would be produced at different price levels. In the long run, the schedule shows a constant level of real GDP at all price levels, determined by the economy's productive capacity at full employment. In the short run, the aggregate supply schedule may show different levels of real GDP as the price level changes.

Allowance – A sum of money paid regularly to a person, often by a parent to a child; sometimes paid in compensation for services rendered.

Asset Something of monetary value owned by an individual or an organization..

Automated Teller Machine (ATM)

A machine that provides cash and performs banking services (for deposits and transfers of funds between accounts, for example) automatically when accessed by customers using plastic cards coded with personal identification numbers (PINs).

Average Cost Total cost (TC) divided by the amount produced.

Average tax rate (or ratio) The percentage of overall income that is paid in taxes.

Average Variable Cost (AVC) Total variable costs divided by the quantity produced.

Balance of Payments The record of all transactions (in goods, services, physical and financial assets) between individuals, firms and governments of one country with those in all other countries in a given year, expressed in monetary terms.

Balance of Payments Deficit An imbalance in a nation's balance of payments where more currency is flowing out of the country than is flowing in. This unequal flow of currency is considered unfavorable and can lead to a loss of foreign currency reserves.

Bank A financial institution that provides various products and services to its customers, including checking and savings accounts, loans and currency exchange.

Bank Service Charges Fees paid by bank customers for financial services, for example, check-cashing fees, fees for overdrafts from accounts, fees for using the ATMs of other banks and fees for using bank-issued credit cards.

Bank Statement A monthly summary providing the status of a depositor's financial accounts (checking and/or savings).

Banking The industry involved with conducting financial transactions. Also, conducting business with a bank, e.g., maintaining a checking or savings account or obtaining a loan.

Barter Trading a good or service directly for another good or service, without using money or credit.

Benefit Monetary or non-monetary gain received because of an action taken or a decision made.

Benefits-Received Principle The belief that people should be taxed according to the benefits they receive from the good or service the tax supports. The gasoline tax is an example..

Business Any activity or organization that produces or exchanges goods or services for a profit.

Businesses and Households

Two sectors of the circular flow. Businesses hire resources from households; the payments for these resources represent household income. Households spend their income for goods and services produced by the businesses; household spending represents revenue for businesses.

Central Banking System

A nation's central bank that is established to regulate the money supply and oversee the nation's banks. In the United States the Federal Reserve is the central bank.

Certificate of Deposit (CD)

A certificate issued by a bank to a person depositing money in an account for a specified period of time (often six months, one year or two years). A penalty is charged for early withdrawal from CD accounts.

Characteristics of Money

The major characteristics of money are portability, uniformity, durability, stability in value and acceptance.

Characteristics of Money

Characteristics of money include it being durable (both physically and socially), divisible (money can be divided into increments appropriate for the cost of an item), transportable (literally meaning that money must be easy to move), and the ability to regulate the amount of money in a market by making it uncounterfeitable.

Coins Government-issued pieces of metal that have value and are used as money.

Competition Attempts by two or more individuals or organizations to acquire the same goods, services, or productive and financial resources. Consumers compete with other consumers for goods and services. Producers compete with other producers for sales to consumers.

Complementary Goods and Services Goods and/or services that are typically used together, such as hamburger and hamburger buns, or tennis rackets and tennis lessons.

Complements Goods and/or services that are often consumed together; e.g., left and right socks, or tennis rackets and tennis lessons.

Consumer Price Index (CPI)

A price index that measures the cost of a fixed basket of consumer goods and services and compares the cost of this basket in one time period with its cost in some base period. Changes in the CPI are used to measure inflation.

Consumer Surplus

The difference between the price a consumer would be willing to pay for a good or service and the price that consumer actually has to pay.

Corporation

A legal entity owned by shareholders whose liability for the firm's losses is limited to the value of the stock they own.

Cost-Push Inflation

Inflation caused by rising costs of production.

Credit Union

A nonprofit financial institution owned by its members; offers various financial services including accounts and loans; regulated by the National Credit Union Association (NCUA).

Cross-Price Elasticity of Demand

The percentage change in the quantity demanded for one good divided by the percentage change in the price of a related good, everything else held constant. It measures the degree to which goods are substitutes or complements. When the cross-price elasticity of demand

is positive, the goods are substitutes; when the cross-price elasticity of demand is negative, the goods are complements.

Currency

The money in circulation in any country.

Currency Devaluation

When a government adjusts the value of the nation's currency so that it buys less of foreign currencies than before.

D

Deadweight Loss

The loss of consumer and producer surpluses resulting from a tax.

Definition of Money

A medium of exchange which can be conveniently circulated and is seen as an effective form of currency.

Deflation

A sustained decrease in the average price level of all the goods and services produced in the economy.

Demand

The quantity of a good or service that buyers are willing and able to buy at all possible prices during a period of time.

Demand-Pull Inflation

Inflation caused by increasing demand for output or "too much money chasing too few goods."

Depreciation

A reduction in the value of capital goods over time due to their use in production.

Depreciation of a currency.

A decrease in the international value of a currency relative to other international currencies.

Depreciation of Currency

A decline in the price of one currency relative to another.

Derived Demand

Demand resulting from what a good or service can produce, not demand for the good or service itself.

Determinants of Demand

Factors other than the price of a good or service that change (shift) the demand schedule, causing consumers to buy more or less at every price. Factors include income, number of consumers, preferences and prices of related goods.

Determinants of Supply

Factors other than the price of a good or service that change (shift) the supply schedule, causing producers to supply more or less at every price. Factors include number of producers, production costs, and technology and productivity.

Diminishing Marginal Utility

A widely observed relationship in which the additional satisfaction (marginal utility) associated with consuming additional units of the same product in a given amount of time eventually declines.

Discount Rate

The interest rate the Federal Reserve charges commercial banks for loans.

Earned Income

Money received for work performed; may include salary, wages, tips, professional fees, commissions, etc.

Easy-Money Policy

Monetary policy designed to stimulate the economy by increasing the level of bank reserves through lowering the discount rate, lowering reserve requirements or buying securities through open market operations.

Elasticity of Demand

Price elasticity of demand is the percentage change in quantity demanded as a result of the percentage change in demand price. Generally, a relative response of a change in quantity demanded to a relative change in price.

Electronic Funds Transfer Act

A federal law providing consumer protection for people who use ATMs and debit cards. The law limits users' liability for unauthorized charges made on cards that have been lost or stolen.

Equilibrium Price

The price at which the quantity demanded by buyers equals the quantity supplied by sellers; also called the market-clearing price.

Equilibrium Quantity

The quantity demanded and quantity supplied at the equilibrium or market-clearing price.

Equity Stock, both common and preferred. Also, the value of mortgaged property after accounting for charges against it or money owed.

Excess Reserves A bank's cash reserves beyond the required reserves, which can be loaned.

Exchange Trading a good or service for another good or service, or for money.

Exchange Rate The price of one nation's currency in terms of another nation's currency.

Exports Goods and services produced in one nation and sold in other nations.

Externalities

Economic side-effects or third-party effects, in which some of the benefits or costs associated with the production or consumption of a product affect someone other than the direct producer or consumer of the product. Can be positive or negative.

Fair-Return Price A price that allows a regulated monopoly, such as gas, electric and telephone companies, to earn the approved profit.

Federal Budget The taxing and spending plan of the national government.

Federal Deposit Insurance Corporation (FDIC)

A federal agency that guarantees depositors' savings up to \$100,000 per account in most commercial banks, savings banks and savings associations.

Federal Income Tax A tax paid by individuals and businesses to the federal government to fund such services as national defense, human services, and the monitoring and regulation of trade.

Fiscal Policy Changes in the expenditures or tax revenues of the federal government, undertaken to promote full employment, price stability and reasonable rates of economic growth.

Fractional Reserve Banking System

A system in which banks are required to hold only a specified fraction of their deposits available for withdrawal by depositors. The rest may be lent out, thus "creating money."

Fraud

Wrongful or criminal deception intended to manipulate a person for the purpose of gain, usually financial.

Free Rider

One who enjoys the benefits of a good or service without paying for it.

Functions of Money

Money functions as a medium of exchange, a store of value, and also a unit of account.

Future Consequences

Costs and/or benefits of a choice that will be paid or gained at a later time.

Government Expenditures

Goods and services provided by government and paid for by taxing and borrowing. Federal government expenditures include national defense and a system of justice. State and local government expenditures include police, roads and public education.

Government Revenues

Funds raised through taxing and borrowing to pay for government expenditures.

Government Spending

Spending by all levels of government on goods and services; includes categories like military, schools and roads.

Heterogeneous Products

Products (goods or services) that are differentiated by real or imagined differences in quality or other features, such as color, taste, styling, warranties or complimentary services provided to those who buy the products.

Homogeneous Products

Products (goods or services) that are identical, with no differentiating features.

Horizontal Merger

A combination formed when two businesses producing the same goods or services merge.

Households

Individuals and family units that buy goods and services (as consumers) and sell or rent productive resources (as resource owners).

Human Capital

The health, education, experience, training, skills and values of people. Also known as human resources.

Human Capital Investment

Investment of time, effort and resources in education and training--to increase one's own knowledge, skills, health, etc., or to develop those assets in others.

Human Resources

The health, education, experience, training, skills and values of people. Also known as human capital.

Hyperinflation

A very rapid rise in the overall price level.

I**Identity Theft**

Unauthorized, illegal use of a person's legal and financial identification (for example, his or her Social Security number or PIN).

Imperfect Competition

Any market structure in which firms are not price takers, but instead must seek the price and output levels that maximize their profits.

Implicit Price Deflator

A price index that compares the prices of all the goods and services produced in the current-year gross domestic product (GDP) to the price levels that prevailed for those same goods and services in an earlier year or years. The implicit price deflator is used to adjust values of nominal or current-price GDP to obtain values for real GDP.

Incentive

Any reward or benefit, such as money, advantage or good feeling, that motivates people to do something.

Income Elasticity of Demand

The percentage change in the demand for a good or service divided by the percentage change in income.

Income Inequality

The unequal distribution of an economy's total income among families, individuals or other designated groups.

Income Statement

The report of the revenue generated and expenses incurred by a firm in a designated time period, such as a month, a quarter or a year.

Income Tax

Payments made by individuals and corporations to the federal government (and to some state and local governments) based on income received (both earned and unearned).

Individual Retirement Account (IRA)

An account in which an individual may set aside earned income in a tax-deferred savings plan for his or her retirement. There are two types of IRAs, traditional and Roth, each with its own qualifications and rules governing contributions and withdrawals.

Inflation

A rise in the general or average price level of all the goods and services produced in an economy. Can be caused by pressure from the demand side of the market (demand-pull inflation) or pressure from the supply side of the market (cost-push inflation).

Initial Public Offering (IPO)

A company's first sale of stock to the public. When a company "goes public," it sells blocks of stock shares to an investment firm that specializes in initial offerings of stocks and resells them to the public.

Intermediate Good

A good that is used in the production of final goods and services.

Internal Revenue Service (IRS)

The government agency that collects federal income taxes.

International Monetary Fund (IMF)

An international organization established to supervise exchange-rate arrangements and to lend money to member countries having difficulties meeting their financial obligations to other countries.

Inventory

An itemized list of goods held by a person or business. Also a quantity of goods held in stock.

L**Law of Demand**

As the price of a good or service rises (or falls), the quantity of that good or service that people are willing and able to buy during a certain period of time falls (or rises).

Law of Diminishing Marginal Returns

Describes a phenomenon observed in all short-run production processes, when at least one input (usually capital) is fixed. As more and more units of a variable input (usually labor) are added to the fixed input, the additional (marginal) output associated with each increase in units of the variable input will eventually decline. In other words, successive increases in a variable factor of production added to fixed factors of production will result in smaller increases in output.

Law of Diminishing Marginal Utility

A widely observed relationship in which the additional satisfaction (marginal utility) associated with consuming additional units of the same product in a given amount of time eventually declines.

Law of Supply

As the price of a good or service that producers are willing and able to offer for sale during a certain period of time period rises (or falls), the quantity of that good or service supplied rises (or falls).

Leading Economic Indicators

Economic variables such as unemployment claims, manufacturers' new orders, stock prices, and new plant and equipment orders that tend to change before real output changes.

Liability

Legal responsibility to pay for damages or losses one has caused.

Liquidity

The ease with which savings or investments can be turned into cash.

M**Marginal Cost**

The increase in a producer's total cost when it increases its output by one unit.

Marginal Physical Product (MPP)

The additional quantity that is produced when one additional unit of a resource is used in combination with the same quantities of all other resources.

Marginal Revenue (MR)

The addition to a producer's total revenue resulting from the addition of one unit to total output.

Marginal Revenue Product (MRP)

The change in the total revenue of the firm when it employs one additional unit of a resource.

Marginal tax rate (or ratio)

The percentage of an increase in income that is paid in taxes.

Marginal Utility

The extra value or satisfaction that a consumer obtains from consuming one additional unit of output.

Market Economy

An economy that relies on a system of interdependent market prices to allocate goods, services, and productive resources and to coordinate the diverse plans of consumers and producers, all of them pursuing their own self-interest.

Market Price Risk

The chance that the value of an investment will go down because of a change in supply and demand.

Market Structure

The degree of competition in a market, ranging from many buyers and sellers to few or even single buyers or sellers.

Markets

Places, institutions or technological arrangements where or by means of which goods or services are exchanged. Also, the set of all sale and purchase transactions that affect the price of some good or service.

Monetarist Theory

A school of thought that emphasizes the role changes in the money supply play in determining national income and price level. Monetarists argue that in the long run only changes in the money supply change the price level.

Monetary Incentive

A factor related to money, income or economic wealth that encourages people to do something.

Monetary Policy

Changes in the supply of money and the availability of credit initiated by a nation's central bank to promote price stability, full employment and reasonable rates of economic growth.

Money

Anything that is generally accepted as final payment for goods and services; serves as a medium of exchange, a store of value and a standard of value. Characteristics of money are portability, stability in value, uniformity, durability and acceptance.

Money Management

A system for income and spending that allows for the achievement of financial and consumer goals.

Money Market Mutual Fund (MMMF)

A fund restricted by law to investing in the short-term money market. MMMFs provide low risk and low returns, but they maintain their investment value.

Money Order

A certificate purchased for a specific amount of money and signed over by the purchaser to the person or business named on the certificate.

Money Supply

Narrowly defined by economists as currency in the hands of the public plus checking-type deposits; also called M1. Other definitions of the money supply (M2, M3) include various savings deposits, money market deposits and money market mutual fund balances.

Monopolies

Exclusive privilege or control over a service/commodity in a specific market.

Monopolistic Competition

A market structure in which slightly differentiated products are sold by a large number of relatively small producers, and in which the barriers to new firms entering the market are low.

Monopoly

A market structure in which there is a single supplier of a good or service. Also, a firm that is the single supplier of a good or service for which there are no close substitutes; also known as a monopolist.

Monopsony

A market situation in which there is only one buyer of a resource. Also, a firm that is the only buyer of a resource; also known as a monopsonist.

Mortgage

A special type of loan for the purchase of a house or other real estate.

Multinational Corporation

A corporation that operates in two or more countries.

Mutual Fund

A pool of money used by a company to purchase a variety of stocks, bonds or money market instruments. Provides diversification and professional management for investors.

Natural Monopoly

An industry in which the advantages of large-scale production make it possible for a single firm to produce the entire output of the market at a lower average cost than a number of firms each producing a smaller quantity.

Negative Externality

A negative side effect that results when the production or consumption of a good or service affects the welfare of people who are not the parties directly involved in a market exchange. Sometimes referred to as "third-party cost" or "spillover cost," it is a cost imposed on third parties by the production or consumption of other parties.

Non-monetary Incentive

A factor not related to money, income or economic wealth that encourages people to do something.

Non-price Competition

Competition by firms trying to attract customers by methods other than reducing prices; examples include advertising and promotional gifts.

Non-price Determinants

Non-price determinants can be interactions that do not affect the price of the wide range of supply and demand factors.

Occupation

A job or profession; also a category of work, sometimes identified by the degree of skill required.

Oligopoly

A market structure in which a few, relatively large firms account for all or most of the production or sales of a good or service in a particular market, and where barriers to new firms entering the market are very high. Some oligopolies produce homogeneous products; others produce heterogeneous products.

Outsourcing

Sometimes called offshoring, outsourcing occurs when a firm in one country tries to reduce costs by locating production facilities in other countries and/or by hiring cheaper foreign workers.

Paper Money

Certificates of various denominations generally recognized and accepted as a medium of exchange within a nation and elsewhere. Paper money is issued and backed by national governments or, in the case of the euro, by a group of governments.

Partnership

A business with two or more owners who share the firm's profits and losses.

Pegged Exchange Rate

An exchange rate that is fixed within a certain range or against a major currency or basket of currencies.

Pension Fund

An account established by a business to fund retirement benefits for its workers. Pension funds invest in stocks, bonds, mutual funds and real estate.

Perfect Competition

A market structure in which a large number of relatively small firms produce and sell identical products and in which there are no significant barriers to entry into or exit from the industry. Firms in perfect competition are price takers and in the long run will earn only normal profits.

Perfectly Elastic Demand

A situation in which even the smallest change in price will cause consumers to change their consumption by a huge amount. Buyers will purchase as much of a product or resource as is available at a constant price.

Perfectly Elastic Supply

A situation in which the smallest change in price would lead to an infinite change in quantity supplied. Sellers will make available as much of the product or resource as buyers will purchase at a constant price.

Perfectly Inelastic Demand

A situation in which there is no change in the quantity demanded as the price changes.

Perfectly Inelastic Supply

A situation in which supply will not change regardless of the change in price or the length of time allowed for change.

PIN (Personal Identification Number)

A confidential code used to access private financial information or to make transactions (at an ATM, for example).

Premium

The fee paid for insurance protection.

Price

The amount of money that people pay when they buy a good or service; the amount they receive when they sell a good or service.

Price Ceiling

A legally established maximum price that may be charged for a good or service.

Price Discrimination

Charging different customers different prices for the same good or service.

Price Elasticity of Demand

The responsiveness of the quantity demanded of a good or service to changes in its price. The price elasticity of demand is the percentage change in quantity demanded divided by the percentage change in price.

Price Elasticity of Supply

The responsiveness of the quantity supplied of a good or service to changes in its price. The price elasticity of supply is the percentage change in quantity supplied divided by the percentage change in price.

Price Floor

A legally established minimum price that may be charged for a good or service.

Price Leadership

An arrangement in an oligopolistic industry in which one firm makes pricing decisions for the entire industry; one firm sets the price and the other firms follow.

Price Level

The weighted average of the prices of all goods and services in an economy; used to calculate inflation.

Price Stability

The absence of inflation or deflation; a broad social goal and criterion for measuring the performance of an economic system.

Price Taker

A firm that is unable to set a price that differs from the market price without losing profit; a firm in a perfectly competitive industry.

Progressive Tax

A tax that take a larger percentage of income from people in higher-income groups than from people in lower-income ones; the U.S. federal income tax is an example.

Property Tax

A tax on land and structures built on it. Payments go to state and/or local governments to pay for police protection, public schools, libraries, etc.

Proportional Tax

A tax that takes the same percentage of income from people in all income groups.

Quantity Demanded

The amount of a good or service people will buy at a given price in a given period of time.

Quantity Supplied

The amount of a good or service sellers are willing and able to offer at a given price in a given period of time.

Quotas

In international trade, the limit on the quantity of a product that may be imported or exported, established by government laws or regulations; in command economies, more typically a production target assigned by government planning agencies to the producers of a good or service.

Real Estate

Property such as land, houses and office buildings.

Real Estate Tax

A tax on land and structures built on it (houses, factories, etc.). Payments go to state and/or local governments to pay for police protection, public schools, libraries, etc.

Real Interest Rates

The nominal (posted) interest rate minus the rate of inflation.

Recession

A decline in the rate of national economic activity, usually measured by a decline in real GDP for at least two consecutive quarters (i.e., six months).

Recessionary Gap

The amount by which the aggregate expenditures curve must increase (shift upward) to increase the real GDP to the full-employment noninflationary level.

Regressive Tax

A tax that takes a larger percentage of income from people in lower-income groups than from higher-income ones. Sales taxes and excise taxes are examples.

Relative Price

The price of one good in relation to the price of another good; a measure of opportunity costs and therefore the price that affects economic decision making.

Return

Earnings from an investment, usually expressed as an annual percentage.

Revenue

The money a business receives from customers who buy its goods and services. Not to be confused with profit.

S

Sales Tax

Tax in the form of a percent of the cost of a good or service; paid to local and state governments when goods and services are purchased.

Service Charge

A fee charged by a financial institution for certain financial services provided to customers.

Simplified Employee Pension (SEP) Plan

A qualified, tax-deferred retirement plan for an individual with a small business.

Social Security

A federal system of old-age, survivors', disability and hospital care (Medicare) insurance which requires employers to withhold (or transfer) wages from employees' paychecks and deposit that money in designated accounts.

Social Security Tax

A tax levied on employers and employees to finance public Social Security benefits.

Sole Proprietorship

A business owned by one person who receives all the profits and is responsible for all the debts incurred by the business.

Spillover Cost

A negative side effect that results when the production or consumption of a good or service affects the welfare of people who are not the parties directly involved in a market exchange. Sometimes called "third-party cost" or "negative externality."

State Income Tax

A percentage of income paid by individuals and businesses to a state government to fund services such as roads, safety and health. Not all states levy an income tax.

Supply

The amount of a good or service that producers are willing and able to offer for sale at each possible price during a given period of time. Normally, as the price of a good or service rises (or falls), the quantity supplied of the good or service rises (or falls).

Supply-Side Fiscal Policy

Policy intended to increase an economy's productive capacity by shifting aggregate supply; e.g., a tax cut giving businesses an incentive to invest and expand.

Surplus

The situation that results when the quantity supplied of a product exceeds the quantity demanded. Generally happens because the price of the product is above the market equilibrium price.

T

Take-Home Pay

The amount of money a person receives within a pay period after taxes and other deductions are taken out of his or her paycheck.

Tariff

A tax on an imported good or service.

Tax Incidence

A measure of who actually pays a tax.

Tax Loophole

An omission or ambiguity in the tax law that allows some people to legally avoid paying certain taxes.

Taxation

Taxation is the process in which a charge is imposed upon a taxpayer by a state or a legal equivalent of a state.

Taxes

Compulsory payments to governments by households and businesses.

Three Cs of Credit

Three characteristics that determine a person's qualifications for obtaining a loan: Capital: Assets owned. Character: A person's past history in repaying debts. Capacity: A person's current and future earnings relative to current debt.

Transaction Costs

Costs associated with buying or selling goods and services that are not included in the money prices of those goods and services. Examples include obtaining information on prices and product quality, searching for sellers, and bargaining costs.

Transfer Payments

Money collected by the government from one group and given to others. Examples include Social Security benefits, unemployment insurance payments and agricultural subsidies.

Unit Pricing

The cost per unit of measurement. A way for consumers to compare the costs of different sizes of the same item.

Utility

An abstract measure of the satisfaction consumers derive from consuming goods and services.

V**Value Added**

The difference between the value of output and the value of the intermediate goods used in the production of that output.

Value of Money

The ability of money to buy goods and services. A wide variety of items has been used as money. Money need not have any intrinsic value. It is people's willingness to accept it that gives it value.

Variable Costs (VC)

Costs of production that change as a firm's output level changes.

Variable Expenses

Expenditures that change from week to week or month to month--for food, clothing, recreation and entertainment, for example.

Velocity of Money

The average number of times each dollar is spent on final goods and services in a year.

Vertical Merger

A combination formed when two businesses, one of which supplies an ingredient of the other's product, merge.

W**W-2 Form**

A federal income tax document that employers complete and send to their employees and to the Internal Revenue Service at the end of a year; shows employee compensation and taxes withheld.

W-4 Form

A federal income tax document that instructs an employer about how much money to withhold from an employee's paycheck for tax purposes.

Withdrawal

The removal of money by a depositor from a financial account.

Withholding

Money taken out of an employee's paycheck and sent to the government and credited to the employee's tax bill.

World Bank

An international organization that makes loans and provides technical expertise to developing nations.

World Trade Organization (WTO)

A trade agreement among over 100 nations that specifies the level of tariffs among the signatories and attempts to resolve trade disputes.

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