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## **ENGLISH for ECONOMISTS**

**Dərs vəsaiti**

**Apərbaycan Respublikası  
Təhsil Nazirliyinin \_\_\_\_\_  
nömrəli əmri ilə təsdiq edilmişdir.**

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## **ENGLISH FOR ECONOMISTS**

Vəsait beş hissədən ibarətdir. Birinci hissədə mətnlər, onlara aid tapşırıqlar və əlavə mətn və dialoqlar verilir. Əlavə mətn və dialoqlar əsas mövzunu daha mükəmməl başa düşmək üçün tələbələrə və eyni zamanda kitabdan istifadə edən digər oxuculara kömək etmək məqsədi ilə verilmişdir.

İkinci hissədə təqdim olunan sərbəst mövzular tələbələrə lüğətdən istifadə edərək sərbəst işləmək və iqtisadiyyata aid daha çox məlumata malik olmaq imkan verir.

Üçüncü hissədə verilən testlər oxucuların asudə vaxtlarını daha səmərəli keçirmələri üçün nəzərdə tutulub.

Dördüncü hissədə verilən “Test Yourself” və “Test” bölməsi tələbələrin grup halında işləməsi üçün maraqlıdır və bu onlar arasında elmi rəqabətin artmasına səbəb olacaq.

Beşinci hissədə iqtisadiyyatın müxtəlif sahələrini əhatə edən izahlı lüğət verilir. Tələbə və iqtisadçılar bu lüğətdən hər zaman faydalana bilər.

Vəsait İqtisad Universitetinin tələbələri və işgüzar ingilis dili ilə maraqlanan digər oxucu kütləsi üçün nəzərdə tutulmuşdur.

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## LESSON 1 ECONOMICS

Economics is the study of how society allocates scarce resources and goods. Resources are the inputs that society uses to produce output, called goods. Resources include inputs such as labor, capital, and land. Goods include products such as food, clothing, and housing as well as services such as those provided by doctors, repairmen, and police offices. These resources and goods are considered scarce because of society's tendency to demand more resources and goods than available.

Most resources are scarce, but some are not \_\_\_\_ for example, the air we breathe. Its price is zero. It is called a free resource or good. Economics, however, is mainly concerned with scarce resources and goods, as scarcity motivated the study of how society allocates resources and goods.

The term market refers to any arrangement that allows people to trade with each other. The term market system refers to the collection of all markets, also to the relationships among these markets. The study of the market system, which is subject of economics, is divided into two main theories; they are macroeconomics and microeconomics.

Macroeconomics is the study of the market system on a large scale. Macroeconomics considers the aggregate performance of all markets in the economy;

1. The household sector, which includes all consumers;
2. The business sector, which includes all firms;
3. The government sector, which includes all government agencies.

Microeconomics is the study of the market system on a small scale. It considers the individual markets that make up the market system. It is concerned with the choices made by small

economic units such as individual consumers, individual firms and individual government agencies.

An economic policy is a course of action that is intended to influence or control the behavior of the economy. Economic policies are normally implemented and administered by the government. The goals of economic policy consist of value judgement about what economic policy should strive to achieve. While there is some disagreement about the appropriate goals of economic policy, there are three widely accepted goals including;

1. Economic growth It means that the incomes of all consumers and firms (after accounting for inflation) are increasing over time.
2. Full employment It means that every member of the labor force who wants to work is able to find work.
3. Price stability It means to prevent increases in the general price level known as inflation, as well as decreases in the general price level known as deflation.

### VOCABULARY

Economic resources	экономические ресурсы	iqtisadi resurslar
Scarce	дефицитный	az tapılan , nadir
Labor force	рабочая сила	işçi qüvvəsi
Scarcity	недостаток	nadirlik
Market system	рыночная система	bazar sistemi
Economic policy	экономическая политика	iqtisadi siyasət
Economic growth	экономический рост	iqtisadi inkişaf
Full employment	полная занятость	tam məşğulluq
Price stability	ценовая стабильность	qiymət stabilliyi
Market economy	рыночная экономика	bazar iqtisadiyyatı
Consumer	потребитель	istehlakçı

**Answer the Questions**

1. What is economics?
2. What do resources mean?
3. What kind of inputs do resources include?
4. What products do goods include?
5. What does macroeconomics mean?
6. What does microeconomics mean?
7. What is an economic policy?
8. What are the goals of economic policy?

**Exercise 1 Give derivatives of these words**

Economy production employ  
 Employment expansion trade  
 Competition growth export  
 Scarcity consumer own

**Exercise 2 Remember the explanations of the following words**

<b>Output</b>	The work or product produced
<b>Commodity</b>	Goods sold in very large quantities, such as metals, foodstuffs
<b>Consumer</b>	Individual buyer
<b>Ensure</b>	Guarantee, make certain
<b>Prevent</b>	Stop from happening
<b>Expansion</b>	Increase in size

**Exercise 4 Choose the suitable words**

**Economy/ economics**

1. We are students of \_\_\_\_\_
2. Within a market \_\_\_\_\_, business

**Economical/economic**

1. Our country's \_\_\_\_\_ situation is getting better.
2. How could the most \_\_\_\_\_ use of our time be organized?

**Economical/ economically**

1. That engine is not the most \_\_\_\_\_
2. Many students can spend their time \_\_\_\_\_

**Economize/ economist**

1. John Keynes was the great English \_\_\_\_\_
2. Don't \_\_\_\_\_ on things which will hardly save you any money

**Exercise 5 Match the antonyms of the words in the left**

Advantage unskillful  
 Improvement inaccessible  
 Available output  
 Effective disadvantage  
 Advancement deterioration  
 Input unavailable  
 Accessible recession  
 Skillful ineffective

**Exercise 6 Translate the text into Azerbaijani or Russian**

**Black Economy**

Illegal or semilegal goods and services, ranging from endangered animals and foreign currencies to prostitution and drugs, are traded every day on the world's black markets. They will spring up wherever a good or service is prohibited or severely controlled. In some countries, black markets

are tolerated with little or no police interference. In countries where currencies are artificially controlled, the black market rates usually indicate the true market price. When the official rate has nothing to do with the real value of a currency, people start trading outside official market. In Brazil, this was tolerated to the point that the blackmarket rates were published as parallel exchange rates in the newspapers. The black economy consists of those underground transactions that, because of their illegality, go unreported.

The world economy is also full of semilegal or “gray market” activities such as transfers and deposits of legally earned but undeclared funds that have to be hidden from the authorities at home. For example, normally law-abiding Italian, French, and Latin American citizens have often transferred money to bank accounts abroad during periods of domestic economic instability and exchange restrictions.

### **It is necessary to know for economists**

#### **Economy**

- a system according to which the money, industry, and trade of a country or region are organized.
- a country's economy is the wealth that it gets from business and industry.
- careful spending or the use of things in order to save money.
- large-size packages of goods which are cheaper than the normal sized packages on sale.

#### **Economic**

- concerned with economics and with the organization of the money, industry, and of a country, region, or social group.
- relating to services, businesses, etc. that produce a profit.

#### **Economical**

- something that is economical does not require a lot of money to operate.
- using the minimum amount of time, effort, language, etc. that is necessary.

#### **Economics**

- the study of the production of wealth and the consumption of goods and services in a society, and the organization of its money, industry, and trade.

#### **Economist**

- an expert or student of economics.

#### **Economize**

- save money by spending it very carefully and not buying expensive things.

#### **Economic Institution**

- a physical or mental structure that significantly influences economic decisions.

#### **Economic policy**

- an action (or inaction) taken, usually by government, to influence economic events.

#### **Economic model**

- simplified representation of reality.

#### **Positive Economics**

- the study of what is, and how the economy works.

#### **Normative Economics**

- the study of how the economy should be, from society's standpoint.

## LESSON 2 MICROECONOMICS

Microeconomics deals with supply and demand, and with the way they interact in various markets. Microeconomic analysis lies at the center of most of the recognized subfields of economics. Labor economics, for example, is based largely on the analysis of the supply and demand for labor of different types. The field of industrial organization deals with the different mechanisms (monopoly, cartels and different types of competitive behavior) by which goods and services are sold. International economics worries about the demand and supply of individual traded commodities, as well as of a country's exports and imports taken as a whole. It also deals with the demand for and supply of foreign exchange. Agricultural economics deals with the demand and supply of agricultural products, and of farmland, farm labor, and the other factors of production involved in agriculture.

Public finance looks at how the government enters the scene. Traditionally, its focus was on taxes, but more recently, public finance has reached into the expenditure side as well, attempting to analyze the costs and benefits of different public programs. Applied welfare economics deals with the costs and benefits of just about anything – public projects, taxes on commodities, taxes on factors of production (corporation income taxes, payroll taxes), agricultural programs (like price supports and acreage controls), tariffs on imports, foreign exchange controls, different forms of industrial organization (like monopoly and oligopoly), and various aspects of labor market behavior (like minimum wages, the monopoly power of labor unions, and so on).

At the root of everything is supply and demand. In this market process people try to get the most from what they have to sell, and to satisfy their desires as much as possible. In other words, people are maximizing their personal “utility,” or

welfare. This process helps them to decide what they will supply and what they will demand. The competitive supply price represents value as seen by suppliers, and competitive demand price represents value as seen by demanders.

### VOCABULARY

<b>Microeconomics</b>	mikrogkonomika	mikroekonomika
<b>Deals (with)</b>	иметь дело (с кем- либо, с чем-либо)	nə iləsə, kimləsəişi olmaq
<b>Supply</b>	поставки, запас; поставлять	çatdırma, əlavə, çatdırma,
<b>Interact</b>	взаимодействовать	qarşılıqlı fəaliyyət
<b>Subfield</b>	зд.составляющая отрасли	ayrı-ayrısahələr

<b>Labor</b>	труд, рабочая сила, трудовые ресурсы	əmək, işçi qüvvəsi, əmək resursları
<b>Cartel</b>	Картель	saziş, müqavilə
<b>Commodity</b>	товар, продукт, сырье	sənaye məhsulu mal, əmtəə
<b>Exchange</b>	обмен; обменивать(ся)	
<b>Farmland</b>	обрабатываемые земельные угодья	kolxoz yerlərinin becərmək
<b>Finance</b>	финансы; финансовый	maliyyə
<b>Scene</b>	сцена, место действия	səhnə, fəaliyyət yeri
<b>Benefit</b>	прибыль, выгода; приносить прибыль, выгоду	gəlir, mənfəət, mənfəət gəlir gətirmək
<b>Tax</b>	налог; облагать налогом	vergi, vergi qoymaq
<b>Expenditure</b>	расходы, затраты	xərclər, məsrəflər
<b>Applied</b>	прикладной	tətbiqi
<b>Welfare</b>	благополучие, богатство	rifah, hal
<b>Income</b>	доход	gəlir
<b>Payroll</b>	платежная ведомость, список	qaimə, işçinin

	работающих	siyahısı
<b>Acreage</b>	площадь земли в акрах, посевная площадь	akr ilə torpaq sahəsi, əkilən sahə
<b>Wages</b>	Зарплата	əmək haqqı
<b>Satisfy</b>	Удовлетворять	qane etmək
<b>Competitive</b>	конкуретный, конкурентоспособный	rəqabət qabiliyyəti olmaq
<b>Demander</b>	потребитель	istehlakçı
<b>Taken as a whole</b>	взятый целиком, полностью	tam şəkildə götürülən
<b>Foreign exchange</b>	обмен валюты, рынокиностранный валюты	valyuta bazarı
<b>Costs and benefits</b>	издержки и прибыль	xərclər və mənfəət
<b>Factors of production</b>	факторы производства	istehsal amilləri
<b>Tariff on imports</b>	тарифы на импорт	mədaxil, idxal tarifləri
<b>Supply price</b>	цена предложения	təklif olunan qiymət
<b>Demand price</b>	цена спроса	alış qiyməti

### Exercise 1. Answer the Questions:

1. What does microeconomics deal with?
2. What is labor economics based on?
3. What does international economics worry about?
4. Who deals with the demand for and supply of foreign exchange?
5. What factors of production does the agricultural economics deal with?
6. What was traditionally public finance interested in?
7. What is public finance trying to analyze now?
8. What is applied welfare economics?
9. What lies at the root of everything in microeconomics?

### Exercise 2. Buraxılmış sözləri mətndən tapıb yerinə qoyun: Заполните пробелы словами из текста:

1. Microeconomics deals with the way supply and demand \_\_\_\_\_ in various markets.
2. This type of analysis lies at the center of most of the recognized \_\_\_\_\_ of economics.
3. Labor economics is based largely on the \_\_\_\_\_ of the supply and demand for labor of different types.
4. The field of industrial organization deals with the different \_\_\_\_\_ by which goods and services are sold.
5. International economics worries about the demand and supply of individual traded \_\_\_\_\_.
6. International economics \_\_\_\_\_ a country's exports and imports taken as a whole.
7. Who deals with the demand for and supply of \_\_\_\_\_ exchange?
8. Agricultural economics worries about the demand and supply of \_\_\_\_\_ products.
9. What factors of production are \_\_\_\_\_ in agriculture?
10. Public finance looks at how the government \_\_\_\_\_ the scene.

### Exercise 3. Mətdən götürülmüş söz və ifadələri tərcümə edin. Дайте перевод слов и выражений из текста.

1. поставки;
2. взаимодействовать;
3. личный;
4. товар;
5. импортировать;
6. налог;
7. расходы;
8. выгода;
9. список работающих;
10. удовлетворять;
11. издержки и прибыль;
12. потребитель;
13. профсоюз;
14. цена продавца;
15. цена покупателя.

1. çatdırma; 2. qarşılıqlı fəaliyyət; 3. şəxsi; 4. əmtəə, mal; 5. idxal etmək; 6. vergi; 7. xərc; 8. mənfəət; 9. işçilərin siyahısı; 10. qane etmək; 11. xərclər və gəlirlər; 12. istehlakçı; 13. həmkarlar ittifaqı; 14. satış qiyməti; 15. alış qiyməti.

#### Exercise 4. Match the definitions of the words

- |                       |   |
|-----------------------|---|
| 1. <b>interact</b>    | a. list of people employed by a company showing the amount of money to be paid to each of them        |
| 2. <b>monopoly</b>    | b. the act of spending or using money; an amount of money spent                                       |
| 3. <b>involve</b>     | c. a list of fixed prices that are charged by a company for a particular service                      |
| 4. <b>expenditure</b> | d. if one thing interacts with another or two things interact, then they have an effect on each other |
| 5. <b>tariff</b>      | e. an act of giving smth to smb. or doing smth for smb. and receiving smth in return                  |
| 6. <b>demand</b>      | f. to make smb. take part in smth.  |
| 7. <b>payroll</b>     | g. the complete control or use of smth; a thing that belongs only to one person                       |
| 8. <b>exchange</b>    | h. a person who has needs for goods or services   |

#### Exercise 5. Give the Russian and Azerbaijan equivalents of the phrases

1. to deal with supply and demand
2. to recognize subfields of economics
3. to worry about sth.
4. public finance
5. to analyze costs and benefits of sth.

6. applied welfare economics
7. taxes on commodities
8. foreign exchange controls
9. different forms of industrial organization
10. various aspects of labor market behavior
11. the monopoly power of labor unions
12. to satisfy smb's desire

#### Exercise 6. Цч вариантдан (а, б, ж) дцэци оланы сечин: Из трех вариантов продолжения предложения (а, б, с ) выберите правильный:

1. Labor economics is based largely on the analysis of a) public finance; b) the supply and demand for labor of different types; c) foreign exchange controls.

2. Agricultural economics deals with a) the competitive supply price; b) various aspects of labor market behavior; c) factors of production involved in agriculture.

3. At the root of everything is a) supply and demand; b) foreign exchange controls; c) this market process.

4. The competitive supply price represents a) value as seen by demanders; b) the costs and benefits of different public programs; c) value as seen by suppliers.

5. International economics worries about a) taxes on commodities; b) public projects; c) a country's exports and imports taken as a whole.

#### Exercise 7. Cümlələri İngilis dilinə tərcümə edin Переведите предложения на Английский язык

1. Микроэкономика занимается проблемами предложения и спроса, а также вопросами их взаимодействия на различных рынках.

2. Экономика труда основана в значительной степени на анализе предложения и спроса различных типов рабочей силы.

3. Международная экономика озабочена вопросами предложения и спроса во сфере экспорта и импорта.

4. Экономика сельского хозяйства имеет дело с различными факторами сельскохозяйственного производства.

5. Традиционно, интерес экономики государственных финансов лежал в сфере налогообложения.

6. В основе всего лежит предложение и спрос.

7. Экономика сельского хозяйства занимается вопросами контроля зарплатами посевных площадей и Контролем ценообразования.

8. Конкурентная цена поставщика представляет стоимость так, как ее видит поставщик, конкурентная цена покупателя представляет стоимость так, как ее видит покупатель.

\*\*\*

1. Mikroiqtisadiyyat tələb və təklif problemləri ilə, həmçinin müxtəlif bazarlarda onların qarşılıqlı təsir məsələləri ilə məşğul olur.

2. Əməyin iqtisadiyyatı müxtəlif növ işçi qüvvəsinin tələb və təklifinin müəyyən dərəcədə təhlilinə əsaslanır.

3. Beynəlxalq iqtisadiyyat idxal və ixrac sferasında tələb və təklif məsələlərinin qayğısına qalır.

4. Kənd təsərrüfatı iqtisadiyyatının kənd təsərrüfatının müxtəlif istehsal amilləri ilə əlaqəsi olur.

5. Ənənəvi olaraq, dövlət maliyyəsinin iqtisadi marağı vergiqoyuluşu sferasının öhdəsinə düşür.

6. Hər şeyin əsasında tələb və təklif durur.

7. Kənd təsərrüfatının iqtisadiyyatı əkin sahələrinin ölçüsünə nəzarət məsələləri və qiymətməmələgəlməyə nəzarətlə məşğul olur.

8. Tədarükçünün (mal göndərəninin) rəqabət qiyməti dəyəri tədarükçünün gördüyü kimi təqdim edir, alıcının rəqabət qiyməti, dəyəri alıcının gördüyü kimi təqdim edir.

### Exercise 8 Translate the text

#### Businesspeople and business leaders

Businesspeople and entrepreneurs

A **Businessman, businesswoman** or **businessperson** is someone who works in their own business or as a manager in an organization.

As **entrepreneur** is someone who starts or founds or establishes their own company. Someone who starts a company is its founder. An entrepreneur may found a series of companies or start-ups.

**Entrepreneurial** is used in a positive way to describe the risk-taking people who do this, and their activities. Some entrepreneurs leave the companies they found, perhaps going onto found more companies. Others may stay to develop and grow their business.

#### Leaders and leadership

A large company mainly owned by one person or family is a **business empire**. Successful businesspeople, especially heads of large organizations, are **business leaders** or, in journalistic terms, **captains of industry**.

There is a lot of discussion about whether people like this are born with **leadership skills**, or whether such skills can be learned.

Magnates, moguls and tycoons

People in charge of big business empires may be referred to, especially by journalists, as **magnats, moguls or tycoons**. These words often occur in combinations such as these:

Media, press, shipping, oil magnate.

Movie, media, sipping mogul.

Property, software tycoon.

### **It is necessary to know for economists**

1. **Economics** is the study of how people, individually and collectively, allocate their limited resources to try to satisfy their unlimited wants.

2. **Scarcity** occurs because human wants exceed the production possible with our limited time and resources.

3. A **good** is any item or service that satisfies a human want and, in so doing, adds to human happiness.

4. **Production** entails using technology to apply energy to materials in ways that make the materials more valuable, or that otherwise help satisfy human wants.

5. **Labour** resources are the physical and mental talents that people can make available for production.

6. **Opportunity** cost is the value of the best alternative surrendered when a choice is made.

7. **Absolute** prices are prices in terms of some monetary unit.

8. **Relative** prices are the prices of goods or resources in terms of each other, and are computed by dividing their absolute prices by one another.

9. **Economic** efficiency is achieved when we produce the combination of outputs with the highest attainable total value, given our limited resources.

10. **Inputs** are resources used in the production process, such as labour and raw or semifinished materials.

11. **Outputs** are transformed materials; the results of production.

12. **Demand** is the quantity of a specific good that people are willing and able to buy during a specific period, given the choices available.

13. **Supply** refers to the quantity of a specific good that sellers will provide under alternative conditions during a given period.

14. **Market** equilibrium occurs at the price-quantity combination where the quantities demanded and supplied are equal.

15. A **surplus** is the excess of the quantity supplied over quantity demanded when the price is above equilibrium.

16. **Gross Domestic Product (GDP)** is the total market value of goods and services produced within a country during some period, usually one year.

17. **Gross National Product (GNP)** is the value of all output produced by resources owned by the citizens of a country.

18. **Economic** growth is a positive quantitative change in an economic system; occurs when a society acquires greater productive capacity that can be used for consumption or investment.

19. **Capital** is all physical improvements made to natural resources that facilitate production, including buildings and all machinery and equipment.

20. **Wealth** is the value of the assets owned by an individual or a group of individuals.

### **Jokes about Economics and Economists**

1. An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.

2. A study of economics usually reveals that the best time to buy anything is last year.

3. An economist is someone who sees something working in practice and asks whether it would work in principle.

4. How can you tell when an economist is lying? His lips are moving.

5. A party of economists was climbing in the Alps. After several hours they became hopelessly lost. One of them studied the map for some time, turning it up and down, sighting on distant landmarks, consulting his compass, and finally the sun.

Finally he said, "OK, see that big mountain over there?" "Yes", answered the others eagerly.

"Well, according to the map, we're standing on top of it."

## LESSON 3 MARKETING

In modern terms, *marketing* is defined as the movement of goods and services from manufacturer to consumer in order to satisfy the customer and to achieve the company's objectives. It can be considered as dynamic field that involves a wide variety of activities.

The ABC of marketing is the so-called *marketing mix*. It includes four P's: *product, price, placement, and promotion*.

*Product* (service) is often connected with development of a new product or service, searching the potential markets, and, finally, introduction it to the market. *Target market* selection is the most important task for any firm. A target market is a group of individuals who will probably buy the product. That involves the development of a *marketing strategy*. A successful marketing mix depends on the knowledge about consumers and their buying habits, gained through *market research* as well as correct identification of the target market.

*Price* is the most changeable element of all the four P's. Its definition is exchange of something of value for something else. There are three pricing options the company may take: *above, with or below* the prices its competitor are charging. For example, if the average price for blue jeans is \$ 50, a company that charges \$ 50, has priced with the market, a company that charges \$ 47 has priced below the market, and a company that charged \$ 53 has priced above the market. Most companies price with the market, selling their goods and services for average prices established by major producers in the industry known as *price leaders*.

*Placement* involves getting the product or service to the customer. This takes place through the *channels of distribution*. A common channel of distribution is:

Manufacturer → wholesaler → retailer → customer.

*Promotion* includes all kinds of communication with individuals, groups, or organizations to directly or indirectly facilitate exchange by informing and persuading them to accept an organization product or service. There are two major ways promotion occurs: through personal selling, as in a store; and through advertising, as in a newspaper. One should distinguish *advertising campaign* which can be developed by personnel within the firm or in conjunctions with advertising agencies, and *publicity*. That is the means of communication transmitted through a mass media at no charge.

All marketing activities must be oriented toward creating and sustaining satisfying exchanges. Both the buyer and the seller must be satisfied. The first should be satisfied with goods, services or ideas obtained in the exchange. The seller should receive something of value, usually financial reward. All marketing variables are highly interrelated.

Marketing helps companies generate profit, the lifeblood of economy. About half of each consumer dollar is spent on marketing activities.

### VOCABULARY

<b>Customer</b>	клиент	müştəri
<b>Consumer</b>	потребитель	İstehlakçı
<b>Objective</b>	задача , цель	tapşırıq
<b>Marketing strategy</b>	маркетинговая стратегия	bazar strategiyası
<b>Marketing research</b>	исследование рынка	bazaar tədqiqatı
<b>Option</b>	Выбор	seçim
<b>Competitor</b>	конкурент	rəqib
<b>Retailer</b>	розничный торговец	xırda ticarətçi
<b>Advertising</b>	реклама (платная)	ödənişli reklam
<b>Publicity</b>	реклама (бесплатная)	ödənişsiz reklam
<b>Satisfy</b>	Удовлетворять	qaneetmək
<b>Charge</b>	назначать цену	qiyməttəyin etmək
<b>Determine</b>	Определять	müəyyən etmək
<b>Distinguish</b>	Различать	fərqləndirmək
<b>Take place</b>	происходить	baş vermək
<b>Persuade</b>	убеждать	inandırmaq

<b>Transmit</b>	передавать	ötürmək
<b>Target market</b>	целевой рынок	məqsədli, müəyyən məqsəd üçün olan bazar
<b>Promotion</b>	продвижение товара или услуги	mal və xidmətlərin irəli çəkilməsi
<b>Advertising campaign</b>	рекламная кампания	reklam kompaniyası
<b>Communicate</b>	передавать информацию	məlumat ötürmək
<b>Placement</b>	размещение	yerləşdirmək

### Exercise 1 Answer the Question

1. What is marketing?
2. What are the elements of market?
3. What are three pricing options that a company may take?
4. What does placement involve?
5. What is the difference between advertising and publicity?

### Exercise 2. Give the Azerbaijan and Russian equivalents of the phrases.

1. the movements of goods
2. from manufacturer to consumer
3. to satisfy the customer
4. to achieve the company's objectives
5. to involve a wide variety of activities
6. to search the potential markets
7. to introduce product or service to the market
8. to depend on the knowledge about consumers
9. market research
10. changeable element
11. price above the market
12. channels of distribution
13. advertising campaign
14. to transmit through a mass media
15. to spend on marketing activities

### Exercise 3. Remember the explanations of the words in English

<b>Marketing mix</b>	The combination of four P's
<b>Option</b>	Choice
<b>Objective</b>	Goal
<b>Competitor</b>	Rival, opponent
<b>Channel of distribution</b>	The path goods take when moving from manufacturer to customer
<b>Wholesaler</b>	One who sells in large amounts to retailers
<b>Retailer</b>	One who sells in small amounts to customers
<b>Promotion</b>	Communication between buyer and seller
<b>Satisfy</b>	Please
<b>Charge</b>	Set at a price
<b>Price with the market</b>	Charge an average price
<b>Persuade</b>	Convince
<b>Take place</b>	Occur, happen
<b>Personal</b>	Private, relating to an individual

### Exercise 4. Choose the correct words

#### 1. Identification / identify

- A. Market analysts \_\_\_\_\_ the target market for a particular product.
- B. When travelling, one must not forget taking his or her \_\_\_\_\_.

#### 2. Promotion / promoted

- A. Advertising agencies are concerned with the \_\_\_\_\_ of a product.
- B. Last week the boss \_\_\_\_\_ me because of my efficient work.

### 3. Competitor/compete

- A. In the marketplace, business \_\_\_\_\_ with each other.  
B. Sony is a major \_\_\_\_\_ of General Electric.

### 4. determination/determines

- A. The combination of the four P's \_\_\_\_\_ the marketing mix.  
B. An analyst makes an accurate \_\_\_\_\_ of the company's target markets.

### Exercise 5. Translate the following sentences into English

1. Маркетинг связан с движением товаров и услуг от производителя к потребителю.
2. Цель маркетинга \_\_\_\_\_ удовлетворить клиента и выполнить задачи своей фирмы.
3. Четыре элемента \_\_\_\_\_ товар, цена, размещение и промоуши составляют основу маркетинга.
4. Выбор целевого рынка и маркетинговой стратегии важен на первом этапе.
5. Фирма может устанавливать цены на уровне, ниже и выше среднего уровня цен на рынке.
6. Обычный канал сбыта включает движение товара от производителя к оптовику, далее к розничному торговцу и, наконец, к потребителю.
7. Процесс передачи информации от продавца к покупателю называется промоушн.
8. Различают платную и бесплатную рекламу.
9. Обсуждающих маркетинга \_\_\_\_\_ покупатель и продавец \_\_\_\_\_ должны быть удовлетворены.
10. В ходе маркетинговых операций создается прибыль.

1. Маркетинг mal və xidmətlərin istehsalçıdan istehlakçıya çatdırılması ilə əlaqədardır.
2. Маркетинг məqsədi müştərini razı salmaq və firmanın tapşırıqlarını yerinə yetirməkdir.
3. Dörd element – mal, qiymət, yerləşdirmə və bölüşdürmə marketingin əsasını təşkil edir.
4. Məqsədlə bazarın və marketing strategiyasının seçimi birinci mərhələdə vacibdir.
5. Firma bazardakı orta qiymət səviyyəsindən aşağı və yuxarı qiymət təyin edə bilər.
6. Satışın adı kanalına malların istehsalçıdan topdanasatana, sonra xırda ticarətçiyə və nəhayət istehlakçıya çatdırılması daxildir.
7. İnformasiyanın satıcıdan alıcıya ötürülməsi prosesi reklam adlanır.
8. Ödənişli və ödənişsiz reklam fərqlənirlər.
9. Bazarı təşkil edən hər iki tərəf – satıcı və alıcı razı qalmalıdır.
10. Marketing əməliyyatının gedişini gəlir təşkil edir.

### Exercise 6. Translate the text

#### Marketing Research: Key Players

The major actors in a company's microenvironment are the company itself, suppliers, market intermediaries, customers and competitors. Let us consider the roles of each of them.

**The company.** All the departments within a company (e.g. production, finance, personnel) have an impact on the marketing department's plans and actions.

**The suppliers.** Changes in the supplier environment, such as prices and availability of raw materials, have a considerable impact on a company's marketing operations.

**The market intermediaries.** Middlemen such as agents, wholesalers and retailers, are powerful actors. In some cases

they can dictate terms and even bar the manufacturer from certain markets.

**Customers.** The marketer needs to know what people are involved in the buying decision and what role each person plays. For many products, it is not difficult to identify the decision – maker. Men normally choose their own shoes and women choose their own make-up. However, some products and especially new ones may involve more than one person in decision-making.

**Competitors.** A company's marketing system is greatly influenced by a host of competitors. The best way for a company to grasp the full range of its competition is to take the viewpoint of a buyer.

There are four steps in the market research process: 1. defining the problem, 2. developing the research plan, 3. implementing the plan, and 4. interpreting and presenting the findings.

### **It is interesting to know.**

#### **Which word? Buyer/consumer/customer/client clientele/purchaser**

Buyer buys smth. Expensive such as a house, company, or painting, usually from another person.

Consumer buys smth. (a formal word): consumer demand/choice/rights

Customer buys goods from a particular shop, restaurant, or company

Client uses services or advice of a professional person or organization and pays for it

Clientele (AmE) The people, especially rich people, who regularly use a shop or restaurant or the services of a professional person.

Purchaser (AmE) buys and uses goods or services.

## **LESSON 4 FREE MARKET**

Free market is a summary term for a set of exchanges that take place in society. Each exchange is undertaken as a voluntary agreement between two people or between groups of people represented by agents. These two individuals (or agents) exchange two economic goods, either tangible commodities or nontangible services. Thus, when I buy a newspaper from a newsdealer for fifty cents, the newsdealer and I exchange two commodities: I give up fifty cents, and the newsdealer gives up the newspaper. Or if I work for a corporation, I exchange my labor services, in a mutually agreed way, for a monetary salary; here the corporation is represented by a manager (an agent) with the authority to hire.

Both parties undertake the exchange because each expects to gain from it. Also, each will repeat the exchange next time (or refuse to) because his expectation has proved correct (or incorrect) in the recent past. Trade, or exchange, is engaged in precisely because both parties benefit; if they did not expect to gain, they would not agree to the exchange.

How can both parties benefit from an exchange? Each one values the two goods or services differently, and these differences set the scene for an exchange. I, for example, am walking along with money in my pocket but no newspaper but is anxious to acquire money. And so, finding each other, we strike a deal.

Two factors determine the terms of any agreement: how much each participant values each good in question, and each participant's bargaining skills. How many cents will exchange for one newspaper, depends on the participants in the newspaper market – on how much each one values the newspaper as compared to the other goods he could buy. These terms of exchange, called “prices” (of newspapers in terms of money), are ultimately determined by how many newspapers are available on

the market in relation to how favorably buyers evaluate these goods. In shorthand, by the interaction of their supply with the demand for them.

The modern market is a highly complex, interacting latticework of exchanges. In primitive societies, exchanges are all barter or direct exchange. But as a society develops, the process of mutual benefit creates a situation in which one or two broadly useful and valuable commodities are chosen on the market as a medium of indirect exchange. This money – commodity, generally but not always gold or silver, is then demanded not only for its own sake, but even more to facilitate a reexchange for another desired commodity.

The modern market is made possible by the use of money. Each person engages in specialization, or a division of labor, producing what he or is best at. Production begins with natural resources, and then various forms of machines and capital goods, until finally; goods are sold to the consumer. At each stage of production from natural resource to consumer good, money is voluntarily exchanged for capital goods, labor services, and land resources. At each step of the way, terms of exchange, or prices, are determined by the voluntary interactions of suppliers and demanders. This market is “free” because choices, at each step, are made freely and voluntarily.

The free market and the free price system make goods from around the world available to consumers. The free market also gives the largest possible scope to entrepreneurs, who risk capital to allocate resources so as to satisfy the future desires of the mass of consumers as efficiently as possible. Saving and investment can then develop capital goods and increase the productivity and wages of workers, thereby increasing their standard of living. The free competitive market also rewards and stimulates technological innovation that allows the innovator to get a head start in satisfying consumer wants in new and creative ways.

## VOCABULARY

<b>Tangible</b>	материальный	hiss olunan, maddi
<b>Participant</b>	участник	iştirakçı
<b>Evaluate</b>	оценивать	qiymətləndirmək
<b>Interaction</b>	взаимодействие	qarşılıqlı
<b>Latticework</b>	сеть	Şəbəkə
<b>Medium</b>	посредник	Posrednik
<b>Prove correct</b>	доказывать верность, точность	dəqiqliyi sübut etmək
<b>Be engaged in</b>	быть вовлеченным в	aludə olmaq
<b>Set the scene</b>	обстоятельства, устанавливать сцену	şərait yaratmaq, səhnə quraşdırmaq
<b>Strike a deal</b>	заключать сделку	saziş bağlamaq
<b>Good in question</b>	товар, который имеется в виду	üzdə olan mal, əldə olan mal
<b>In shorthand</b>	короче букв. стенографически	qısaca (hərflər stenoqrafiyanındır)
<b>For its own sake</b>	ради себя самого	öz xatirinə
<b>Be best at</b>	быть лучшим в чем-либо	nədə isə yaxşı olmaq
<b>At each step</b>	на каждом шагу	hər addımda

### Exercise 1. Answer the Questions:

1. What is free market?
2. What do participants expect to gain from the deal they strike?
3. What factors determine each agreement in the market?
4. What commodities are demanded to facilitate the reexchange of all other commodities in a developed society?
5. What makes a market free?
6. How does the free market enhance the international exchange of commodities?

**Exercise 2. Give the Azerbaijan and Russian equivalents of the phrases.**

1. A set of exchanges
2. a voluntary agreement
3. economic goods
4. tangible commodities
5. to walk along with money
6. participant's bargaining skills
7. to be available on the market
8. to evaluate the goods
9. mutual benefit
10. to create the situation
11. valuable commodity
12. as a medium of indirect exchange
13. free price system
14. to allocate resources
15. to develop capital goods

**Exercise 3. Mətnə aşağıdakılara uyğun söz və ifadələri tapın:**

**Найдите в тексте слова и выражения, соответствующие следующим:**

1. ... либо материальные товары, либо нематериальные услуги...
2. ... на основе совместного соглашения ...
3. ... представленного менеджером, уполномоченным принимать на работу
4. ... обе стороны получают выгоду ...
5. ... они бы не согласились на обмен ...
6. ... найдя друг друга, мы заключаем сделку ...
7. ... умение каждого участника вести торги ...
8. ... насколько благоприятно покупатели оценивают эти товары ...

9. ... выбран в качестве посредника непрямого обмена ...

10. ... делает товары со всего мира доступными для покупателя...

... ya mallar, ya da qeyri-maddi xidmətlər ...

... birgə razılıq əsasında ...

... menecer tərəfindən səlahiyyətəndirilmiş işə qəbulun təqdim edilməsi

... hər iki tərəf mənfəət götürür ...

... onlar işə dəyişməyə razı olmadılar ...

... biri-birimizi tapan kimi, biz müqavilə imzalayırıq ...

... hər bir iştirakçının alver etmək bacarığı ...

... o qədər əlverişlidir ki, alıcılar bu malları qiymətləndirirlər ...

... vasitəçi qismində qapalı mübadilə ilə seçilib ...

... alıcı üçün bütün dünya mallarını ucuz edir ...

**Exercise 4. Match the definitions of the words**

- |                       |   |
|-----------------------|---|
| 1. <b>tangible</b>    | a. the opportunity or ability to do or achieve smth                               |
| 2. <b>undertake</b>   | b. a structure that is made of strips of wood or metal that cross over each other |
| 3. <b>participant</b> | c. that can be clearly seen to exist  |
| 4. <b>latticework</b> | d. to exchange goods property, services for other goods without using money       |
| 5. <b>barter</b>      | e. to agree or promise that you will do smth                                      |
| 6. <b>scope</b>       | f. a person who is taking part in an activity or event                            |

**Exercise 5. Cümlələri İngilis dilinə tərcümə edin**  
**Переведите предложения на Английский язык**

Обе стороны предпринимают этот обмен поскольку каждая ожидает, что получит от этого выгоду. Также каждая сторона повторит обмен в следующий раз (или откажется от него), поскольку в недавнем прошлом была подтверждена правильность ее ожиданий (или не подтверждена). Торговля или обмен существуют именно потому, что обе стороны получают что-либо, они бы не согласились на обмен.

Как обе стороны могут выиграть от обмена? Каждая оценивает два товара или две услуги по-разному, и эти различия определяют условия обмена. Я, например, хожу с деньгами в кармане, но без газеты. Газетчик, с другой стороны, имеет массу газет, но озабочен тем, чтобы получить деньги. И таким образом, находя друг друга, мы заключаем сделку.

\*\*\*

Hər iki tərəf bu mübadiləni qəbul edir, çünki hər kəs bundan mənfəət götürəcəyini gözləyir. Həmçinin hər bir tərəf gələn dəfə də bu mübadiləni təkrar edəcək (yaşud ondan imtina edəcək), çünki yaxın keçmişdə onun ümidlərinin doğruluğu təsdiq olunmuşdu (yaşud təsdiq olunmamışdı). Ticarət və mübadilə ona görə möcuddular ki, hər iki tərəf ondan mənfəət götürür. Əgər onlar nəyi isə olacaqlarını gözləməsəydilər mübadiləyə razı olmazdılar.

Hər iki tərəf mübadilədən necə qazana bilər? Hər biri iki malı yaşud xidməti müxtəlif cür qiymətləndirir və bu fərqlər mübadilənin şərtlərini müəyyən edir. Mən, məsələn cibimdə pulla gəzirəm, ancaq qəzetim yoxdur. Qəzetçinin isə bir top qəzeti vardır, ancaq pul olmağın qaygısını çəkir. Belə ki, biri – birimizi tapıb saziş bağlayırıq.

**Exercise 6. Translate the text**

**MARKETING MIX AND THE FOUR P'S**

**Marketing** is the process of planning, designing, pricing, promoting and distributing ideas, goods and services, in order to satisfy customer needs, so as to make profit. Companies point out how the special characteristics or features of their products and services possess particular benefits that satisfy the needs of the people who buy them. Non – profit organizations have other social goals such as persuading people not to smoke, or to give money to people in poor countries, but these organizations also use the techniques of marketing. In some places, even organizations such as government departments are starting to talk about, or at least think about their activities in terms of the marketing concept.

The four P's are :**product**- deciding what to sell **place**-deciding how it will be distributed and where people will buy **price**- deciding what prices to charge **promotion**- deciding how the product will be supported with advertising, special activities, etc.

A fifth P which is sometimes added is packaging: all the materials used to protect and present a product before it is sold.

The four P's are a useful summary of the marketing mix, the activities that you have to combine successfully in order to sell. The next four units look at these activities in detail.

To market a product is to make a plan based on this combination and put it into action. A marketer or marketer is someone who works in this area. Marketers often talk about market orientation: the fact that everything they do is designed to meet the needs of the market. They may describe themselves as market- driven, market –led or market-oriented.

### **It is necessary to know for economists.**

#### **Advertising**

- communication intended both to inform and persuade.

#### **Ad**

- an informal word meaning an advertisement

#### **Advert**

- the same as ad

#### **Advertisement**

- an announcement in mass media about a product, event, job vacancy, etc.

#### **Advertiser**

- a person or company that pays for a product or service to be advertised

#### **Adman**

- a person whose profession is advertising

#### **Commercial**

- an advertisement on television or radio

#### **Advertising campaign**

- a planned series of advertisement intended to advertise a product or service

### **Jokes about Economics and Economists**

1. A merchant teaches his son the secrets of the trade: “When you charge a customer \$ 100, and he pays you by mistake \$ 200, you have an ethical dilemma – should you tell your partner?”

2. There were two grocers, Smith and Jones, in the same street. Smith had a sign in his window, “Avocados, 20 pence a pound”. A woman goes in and asks for some. “Sorry, love”, said Smith, “I haven’t got any in just now; come back on Wednesday”.

So she goes on up the street to Jones. But his avocados are 2 pounds-fifty a pound! But at least he has them in stock.

“That’s bit steep, isn’t it? Smith’s are only 20 pence a pound”. “Yeah”, says Jones, “and when I haven’t got in stock, mine also are only 20 pence a pound!”

3. Shopkeeper Smith was alarmed when a new business, much like his own, opened in the storefront to the left of him. A huge sign was installed, reading BEAST DEALS.

Mr. Smith was troubled a second time when another competitor leased the building on his right, and erected a much larger sign, reading LOWEST PRICES.

At this point Smith was really depressed; however, he came up with an idea. He put the biggest sign of all over his own shop ... it read MAIN ENTRANCE.

## LESSON 5 CORPORATIONS

Corporations as a form of enterprises arose as an alternative to partnerships, limited partnerships, or such rarely used forms as business trust or an unincorporated Joint stock company.

Within the partnership the investors directly manage their own money, rather than entrust that task to others. Partners are “mutual agents” and each is able to sign contracts that are binding on all the others. Such an arrangement is unsuited for strangers or those who are suspicious about each other’s integrity or business capacities. Hence the transfer of partnership interests is subject to restrictions.

In a corporation, by contrast, the shareholders do not personally manage their money. Instead, a corporation is managed by directors and officers who need not be investors. Because managerial authority is concentrated in the hands of directors and officers, shares are freely transferable in the hands of directors and officers, shares are freely transferable unless otherwise agreed. They can be sold or given to anyone without placing other investors at the mercy of a new owner’s poor judgment. The splitting of management and ownership into distinct functions is the main corporate feature.

Shareholders receive voting rights to elect the board of directors, and the directors, in turn, elect the officers.

When a corporation is created, its officers, directors, and shareholders usually are the same people. They elect themselves or their nominees to the board of directors and then elect themselves as corporate officers. When the corporation later goes public, the founders usually prefer to retain control because they value the additional capital and because they expect to continue to control a majority of votes on the board and thus to direct the company’s future policy and growth.

That the board of directors is dominated by “insiders” makes sense. The founders are the first directors; later, their places on the board are filled by the executives that will succeed them. This arrangement does not injure new shareholders. As outside investors they buy shares of common stock because they discover corporations whose record of performance indicates a competent managerial system. They do not want to interfere with it or dismantle it; on the contrary, they willingly entrust their savings to it. They know that the best safeguard for their investments if they become dissatisfied with the company’s performance is their ability to sell instantly their shares of a publicly traded corporation.

To differentiate it from a partnership, a corporation should be defined as a legal and contractual mechanism for creating and operating a business for profit, using capital from investors that will be managed on their behalf by directors and officers.

The crucial corporate feature is the limited liability. It means that the corporation, as an entity, contracts debts in “its” own name, not “theirs” (the shareholders), so they are not responsible for its debts. By incorporating and then by using the symbols “Inc.” (incorporated) or “Corp.,” shareholders are warning potential creditors that they do not accept unlimited personal liability, that creditors must look only to the corporation’s assets for satisfaction of their claims.

### VOCABULARY

<b>Trust</b>	доверие, трест; доверять	inam, inanmaq
<b>Bind</b>	связывать	əlaqələndirmək
<b>Unsuited</b>	неподходящий	uyğun olmayan
<b>Stranger</b>	незнакомец, посторонний	yad, qərib, gəlmə
<b>Suspicious</b>	подозрительный	şübhəli
<b>Transfer</b>	преобразовывать,	yenidən yaratmaq,

	переводить	köçürmək
<b>Subject</b>	предмет	fənn
<b>Restriction</b>	ограничение	məhdudiyət
<b>Transferable</b>	переводимый, преобразуемый	yenidən yaradıla bilən, köçürülə bilən
<b>Split</b>	разбивать, разделять	parçalamaq, bölmək
<b>Distinct</b>	ясный, четкий	aydın, dəqiq
<b>Vote</b>	голос, право голоса; голосовать	səs, səs hüququ, səs vermək
<b>Officer</b>	служащий	qulluqçu
<b>Nominee</b>	кандидат, лицо, выдвинутое на должность	namizəd
<b>Founder</b>	основатель	əsasınıqoyan
<b>Dominate</b>	доминировать	dominatlıq etmək
<b>Executive</b>	администратор	icraçı
<b>Succeed</b>	наследовать, продолжать дело	işi davam etdirmək, nail olmaq, müvəffəq olmaq
<b>Injure</b>	рана, вред; ранить, вредить	yara, zərər, yaralamaq, zəhər vermək
<b>Interfere</b>	вмешиваться	müdaxilə etmək
<b>Dismantle</b>	разоружать, разбирать, ликвидировать	sökmək, soymaq, arəşdırmaq
<b>Willingly</b>	с желанием	istəyərkədən
<b>Contractual</b>	контрактный, договорный	müqavilə ilə, razılaşma ilə
<b>Entity</b>	сущность, экономическая единица	məğz, subyekt, iqtisadi vahid
<b>Warn</b>	предупреждать	xəbərdarlıq etmək
<b>Claim agreed</b>	претензия, требование ином	iddia, tələb razılaşdırılmayıbsa
<b>Retain control</b>	сохранять контроль	nəzarətdə saxlamaq
<b>Make sense</b>	иметь смысл	məna, əhəmiyyət kəsb etmək
<b>Go public</b>	стать публичной, открытой акционерной компанией	açıq səhmdar kompaniyası

<b>Common stock</b>	обыкновенные акции	adi səhmlər
<b>Record of performance</b>	показатели хозяйственной деятельности	kənd təsərrüfatı fəaliyyətinin göstəriciləri
<b>Publicly traded corporation</b>	открытое акционерное общество	açıq tipli səhmdar cəmiyyəti
<b>On behalf</b>	по поручению, от лица	kiminsə adından, kiminsə mənafeyinə
<b>Contract debt</b>	брать на себя по договору долговое обязательство	borc məsuliyyətini üz ərinə götürmək

### Exercise 1. Answer the Questions:

1. Why is the transfer of partnership interests restricted?
2. What is the main corporate feature?
3. What do shareholders receive voting rights for?
4. Why do the founders of a corporation usually prefer to retain control when the corporation goes public?
5. In what cases do outside investors willingly entrust their savings to a corporation?
6. What is the definition of a corporation?
7. What is limited liability?
8. What assets of a corporation can creditors satisfy their claims with?

### Exercise 2 Give the Azerbaijan and Russian equivalents of the phrases

1. as a form of enterprises
2. joint-stock company
3. business capacity
4. to manage one's money
5. managerial authority
6. to elect the board of directors

7. to control a majority of votes
8. to dissatisfy with the company's performance
9. to differentiate sth. from sth.
10. to warn potential creditors
11. to accept unlimited personal liability

**Exercise 3. Mətdə aşağıdakılara uyğun söz və ifadələri tapın:  
Найдите в тексте слова и выражения,  
соответствующие следующим:**

1. ... важнейшая черта корпорации – ограниченная ответственность...
2. ... эта организация не ущемляет новых Владельцев акций ...
3. ...управленческие полномочия сконцентрированы в руках директоров
4. ...разделение управления и владения на две отличные друг от друга функции ...
5. ... корпорация ствновится открытой ...
6. ... возникла как альтернатива товариществам ...
7. ... он будет управляем от их имени директорами и служащими...
8. ... подобная организация не подходит для посторонних ...
9. ...они с радостью доверяют ей свои сбережения ...
10. ...служащие, директора и владельцы акций обычно – одни и те же люди ...

\*\*\*

1. korporasiyanın mühüm xüsusiyyəti – məhdud məsuliyyətdir...
2. bu təşkilat səhmlərin yeni sahiblərini sıxışdırmır ...
3. idarəetmə səlahiyyətləri direktorların əlində cəmləşdirilib ...

4. idarəetmə və sahibkarlıq biri-birindən fərqlənən iki funksiyalardır...
5. korporasiya açıq forma alır ...
6. yoldaşlığa alternativ kimi yarandı
7. o, direktor və qulluqçular adından idarə olunacaq ...
8. oxşar təşkilatlar kənar adamlara yaraşmır ...
9. onlar həvəslə öz əmanətlərini ona etibar edirlər ...
10. səhmlərin qulluqçu, direktor və sahibkarları adətən eyni adamlardır.

**Exercise 4. Buraxılmış sözləri mətdən tapıb yerinə qoyun:  
Заполните пробелы предложениями и наречиями:**

1. Corporations as a form of enterprises arose as an alternative \_\_\_\_\_ partnerships.
2. Each partner is able to sign contracts that are binding \_\_\_\_\_ all the others.
3. Such an arrangement is unsuited \_\_\_\_\_ strangers.
4. They are suspicious \_\_\_\_\_ each other's integrity or business capacities.
5. The transfer of partnership interests is subject \_\_\_\_\_ restrictions.
6. In a corporation, \_\_\_\_\_ contrast, the shareholders do not personally manage their money.
7. Instead, a corporation is managed \_\_\_\_\_ directors and officers who need not be investors.
8. Managerial authority is concentrated \_\_\_\_\_ the hands of directors and officers.
9. The splitting of management and ownership \_\_\_\_\_ two distinct functions is the main corporate feature.
10. They expect to continue to control a majority of votes \_\_\_\_\_ the board.
11. That the board of directors is dominated \_\_\_\_\_ "insiders" makes sense.
12. They do not want to interfere \_\_\_\_\_ it or dismantle it.

13. The best safeguard \_\_\_\_\_ their investments are their ability to sell their shares.

14. The corporation, as an entity, contracts debts \_\_\_\_\_ "its" own name.

15. Shareholders receive voting rights to elect the board of directors, and the directors, \_\_\_\_\_ turn, elect the officers.

### Exercise 5. Match the definitions of the words

- |                       |  |
|-----------------------|--|
| 1. <b>fraction</b>    | a. to think that smb/smth is good, acceptable or suitable                                      |
| 2. <b>insulate</b>    | b. a relationship between two people, organizations  |
| 3. <b>facilitate</b>  | c. a small part or amount of smth  |
| 4. <b>approved</b>    | d. good enough to be sold  |
| 5. <b>saleable</b>    | e. to protect smth with a material that prevents heat, sound, electricity from passing through |
| 6. <b>partnership</b> | f. to make an action or a process possible or easier   |

### Exercise 6. Cümlələri İngilis dilinə tərcümə edin Переведите предложения на Английский язык

Внутри товарищества инвесторы непосредственно управляют своим капиталом, а не поручают эту задачу другим. Партнеры – взаимозаменяемые агенты управления, и каждый имеет право подписывать контракты, которые являются обязательными для другого. Подобный тип организации не подходит для посторонних или для тех, кто сомневается в честности или деловых способностях других партнеров. Поэтому передача партнерских прав подлежит ограничениям.

В корпорации, напротив, акционеры не управляют своими деньгами лично. Вместо этого корпорацией управляют директора и служащие, которым необязательно быть инвесторами. Поскольку управленческие полномочия сконцентрированы в руках директоров и служащих, акции свободно передаются из рук в руки, если иное не предусмотрено договоренностью. Они могут быть проданы или переданы любому лицу, и это не означает, что прочие инвесторы попадают в зависимость от способности нового владельца принимать верные решения. Разделение управления и владения на две отличные друг от друга функции есть важнейшая черта организации корпорации.

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Yoldaşlıq daxilində investorlar öz kapitallarını özləri idarə edirlər, bu işi başqalarına həvalə etmirlər. Partnyorlar – idarəetmədə bir-birini əvəz edən agentləridir və hər kəsin başqaları üçün vacib olan kontraktı imzalamağa hüququ vardır. Eyni tipli təşkilatlar kənar adamlara yaramır yaxud digər partnyorların işgüzarlıq qabiliyyətinə, düzgünlüyünə şübhələnir. Buna görə də partnyorluq hüququ məhduddur.

Korporasiyada, əksinə, səhmdarlar şəxsən öz pullarını özləri idarə etmirlər. Bunun əvəzinə korporasiyanı direktor və qulluqçular idarə edir, onların investor olması çox da vacib deyildir. Çünki idarəçilik səlahiyyətləri direktor və qulluqçuların əlində cəmləşib, əgər müqavilədə başqası nəzərdə tutulmayıbsa səhmlər sərbəst surətdə əldən-ələ keçir. Onlar hər hansı şəxsə satıla və verilə bilər, ancaq bu o demək deyildir ki, başqa investorlar düzgün qərar çıxarmaq üçün yeni sahibkardan asılı olurlar. İdarəetmə və sahibkarlığın bir-birindən fərqlənən iki anlayışa bölünməsi korporasiyanın mühüm xüsusiyyətlərindən biridir.

## **Exercise 7. Translate the text Corporations**

The purpose of a business is making profit. It is operated by individuals. Their shares are represented by stock certificates. A person who owns a stock certificate is called a stockholder.

There are several advantages of the corporate form of ownership.

First is the ability to accumulate financial resources. The second advantage \_\_\_ the corporation can raise a large amount of capital and invest in plants, equipment and research. And the third, a corporation can offer higher salaries and thus attract talented managers and specialists.

The privately owned business corporations are one type of corporations. There are some other types too. Educational, religious, charity institutions can also incorporate. Usually such corporations do not issue stocks and are nonprofit. If there is a profit, it is reinvested in the institution rather than distributed among the private stockholders.

In some western countries federal government and special agencies can establish government corporations. A few examples of these are state universities, state hospitals and city owned utilities. Governmental corporations are non-profit as a rule and do not issue stock certificates.

### **It is necessary to know for economists.**

#### **Market**

- a place where goods and services are bought and sold.

#### **Black market**

- the system by which people illegally buy and sell goods, or foreign currency.

#### **Buyer's market**

when there are more goods for sale than there are people wanting to buy them.

#### **Seller's market**

- a market characterized by excess demand in which buyers consequently experience difficulty in buying.

#### **Marketable**

- able or fit to be sold

#### **Marketing**

- the part of business which is concerned with the way in which a product is sold.

### **Jokes about Economics and Economists**

1. Mr. Brown had just been hired as the new CEO of a large high tech corporation. The CEO who was stepping down met with him privately and presented him with three numbered envelopes.

“Open these if you run up against a problem you don't think you can solve,” he said.

Well, things went along pretty smoothly, but six months later, sales took a downturn and he was really catching a lot of heat. About at his wit's end, he remembered the envelopes. He went to his drawer and took out the first envelope. The message read, “Blame your predecessor”. The new CEO called a press conference and tactfully laid the blame at the feet of the previous CEO. Satisfied with his comments, the press – and Wall Street – responded positively, sales began to pick up and the problem was soon behind him.

About a year later, the company was again experiencing slight dip in sales, combined with serious product problems. Having learned from his previous experience, the CEO quickly opened the second envelope. The message read, “Reorganize.” This he did, and the company quickly rebounded.

After several consecutive profitable quarters, the company once again fell on difficult times. The CEO went to his office, closed the door and opened the third envelope. The message said, “prepare three envelopes.”

2. The president of a large corporation opened his directors' meeting by announcing. “All those who are opposed to the plan I am about to propose will reply by saying, ‘I resign.’”

## LESSON 6 PRIVATIZATION

Privatization is the process by which the production of goods or services is removed from the government sector of the economy. This can be done either by the public sale of shares in a previously state – owned enterprise, or by the use of private business to do government work under contract.

The leader in this strategy was the Thatcher government of Great Britain from 1979 to 1990. Previous governments had tried limited denationalization (the restoration of nationalized enterprises to their previous owners), but with limited success. Privatization involved totally new owners. In some cases the state enterprises that were “privatized” had never been in the private sector.

Because state – owned companies have no profit motive, they have no incentive to produce goods that consumers want, and to do so at low cost. In addition, even if they want to satisfy consumer demands, they have no idea of what consumers want.

The result is misallocation of resources. Management responds to political, rather than to commercial, pressures. The capital assets of state businesses are often of poor quality because the governments are not interested in the renewal of capital equipment.

Before the British water industry was privatized in 1989, it was undercapitalized by over \$11 billion. As a result the water supply failed to meet European standards for quality and safety. Similarly, the post office had cut back its services. First telegrams disappeared, then Sunday collection, then Saturday second delivery. These changes made life easier for producers at the expense of service to consumers. Most serious of all, the losses of state industries consume funds that are needed for private investment.

The British privatization of nearly four dozen major businesses and several hundred small ones was a success. Privatized British industries outperformed the market average once they entered the private sector, and the privatized stocks rose in value faster than the stock market average.

### VOCABULARY

<b>Privatization</b>	приватизация	özəlləşmə
<b>Remove</b>	удалять, передвигать, переносить	silmək, köçürmək, aradan götürmək
<b>Share</b>	доля, доля собственности, акция	pay, mülkiyyət hüququ, səhm
<b>Previously</b>	ранее, до этого	qabaqcadan, hal- hazıra qədər
<b>Strategy</b>	стратегия	strategiya
<b>Limit</b>	предел, ограничивать	hədd, məhdudlaşdırmaq
<b>Denationalization</b>	денационализация	milliləşdirməni ləğv etmə
<b>Restoration</b>	восстановление	bərpa, bərpaetmə, yenidənqurma
<b>Nationalize</b>	национализировать	milliləşdirmək
<b>Success</b>	успех	uğur
<b>Totally</b>	полностью	tamamilə
<b>Cost</b>	издержки	xərc, məsrəf
<b>Misallocation</b>	неправильное распределение	səhv bölgü, bölüşdürmə
<b>Respond</b>	отвечать, реагировать	cavab vermək, reaksiya vermək
<b>Assets</b>	активы, капитал, фонды	aktivlər, kapital, fondlar
<b>Renewal</b>	возобновление	təzələnmə, yeniləşmə
<b>Undercapitalized</b>	недокапитализированный	kapitallaşmayan
<b>Fail</b>	терпеть неудачу	uğursuzluğa düçar olmaq
<b>Dozen</b>	дюжина	düjün (12 ədəd)
<b>Outperform</b>	обгонять по производственным	istehsal göstəricilərini

	показателям	keçmək
<b>Stock</b>	имущество, капитал, акции	kapital, sərmayə, sərvət
<b>Public sale</b>	открытая распродажа	açıq satış
<b>State – owned</b>	находящийся в собственности государства	dövlətin mülkiyyətində olan
<b>Under contract</b>	по контракту	müqaviləyə əsasən
<b>At low cost</b>	с низкими издержками	aşağı xərclərlə
<b>No idea of ...</b>	никакого представления о...	heç bir məlumatı olmadan
<b>Rather than</b>	скорее чем	gözləniləndən də əvvəl
<b>Capital assets</b>	капитальные фонды	sərmayə fondları
<b>Poor quality</b>	низкое качество	aşağı keyfiyyət
<b>Meet standards for</b>	удовлетворять стандартам	standartlara cavab vermək
<b>Quality and safety</b>	качества и безопасности	keyfiyyət və təhlükəsizlik
<b>Cut back</b>	сокращать	ixtisar etmə
<b>Sunday collection</b>	зд. воскресная выемка писем	məktublارın bazar günündə çıxarılması
<b>Saturday second delivery</b>	вторая субботная доставка почты	poçtun ikinci şənbə çatdırılması
<b>At the expense</b>	за счет	hesabına
<b>Market average</b>	средний показатель рынка	bazarın orta göstəricisi
<b>Rise in value</b>	расти в цене, стоимости	qiymətdə artım
<b>Stock market average</b>	средние показатели фондового рынка	fond bazarının orta göstəricisi

### Exercise 1. Answer the Questions:

1. Where is the production of goods or services removed from by means of privatization?
2. How can a government remove the production of goods and services from the government sector of the economy?

3. Who was the leader in this strategy in the years from 1979 to 1990?

4. Why don't state-owned companies have incentives to produce goods that consumers want, and to do so at low cost?

5. What pressures does the management of the state-owned companies respond to?

6. In what way had the British post office cut back its services?

7. How many major businesses were privatized in Britain in the Thatcher's years?

8. How did the privatized industries perform on the market?

### Exercise 2. Məndən götürülmüş söz və ifadələri tərcümə edin. Дайте перевод слов и выражений из текста.

1. приватизация 2. доля 3. ограничивать 4. восстановление 5. успех 6. привлекать 7. удовлетворять 8. давление 9. капитал 10. национализировать 11. передвигать 12. терпеть неудачу 13. с низкими издержками 14. капитальные фонды 15. низкое качество

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1. özəlləşmə 2. pay 3. məhdudiyət qoymaq 4. bərpa 5. uğur 6. cəlb etmək 7. qane etmək 8. təzyiq 9. kapital 10. milliləşdirmək 11. köçürmək, tərətmək 12. uğursuzluğa dözmək 13. aşağı xərclərlə 14. kapital fondu 15. aşağı keyfiyyət

### Exercise 3. Match the definitions of the words

1. **privatization** a. to give a spoken or written answer to smb/ smth
2. **share** b. not to be successful in achieving smth
3. **denationalize** c. to divide smth. between two or more people
4. **respond** d. the fact of owing smth

5. **fail** e. not to be owned by the government  
 6. **ownership** f. denationalization

**Exercise 4. Buraxılmış sözləri mətndən tapıb yerinə qoyun:**  
**Заполните пробелы словами из текста:**

1. Goods or services are removed from the \_\_\_\_\_ sector of the economy.
2. The government sells shares in a previously \_\_\_\_\_ enterprise.
3. We use \_\_\_\_\_ business to perform government work under contract.
4. The leader in this \_\_\_\_\_ was the Thatcher government of Great Britain.
5. Previous governments had tried \_\_\_\_\_ denationalization, but with limited success.
6. Because state – owned companies have no \_\_\_\_\_ motive, they have no incentive to produce goods.
7. Even if they want to \_\_\_\_\_ consumer demands, they have no idea of what consumers want.
8. Management \_\_\_\_\_ to political, rather than to commercial, pressures.
9. The capital \_\_\_\_\_ of state businesses are often of poor quality.
10. The governments are not interested in the \_\_\_\_\_ of capital equipment.

**Exercise 5. Give the Azerbaijan and Russian equivalents of the phrases**

1. the production of goods and services
2. government sector of the economy
3. . public sale of shares
4. to do government work under contract
5. to limit denationalization
6. to have profit motive
7. to have an idea about sth.
8. misallocation of resources
9. to be interested in sth.
10. political pressure
11. the capital assets of state businesses
12. the renewal of capital equipment

**Exercise 6. Translate the text**  
**Privatization**

**Privatization** is the incidence or process of transferring ownership of business from the public sector (government) to the private sector (business) . In the broader sense, privatization refers to transfer of any government function to the private sector including governmental functions like revenue collection law enforcement.

The term “privatization” also has best used to describe two unrelated transactions. The first is a buyout, by the majority owner, of all shares of a public corporation or holding company’s stock, privatizing a publicly traded stock. The second is a mutualization of a mutual organization or cooperative to form a joint stock company.

In Ancient Greece, the government contracted out almost everything to private sector.

In Roman Republic, private individuals and companies supplied nearly everything, including tax collection, supply the army, religious sacrifices and construction. However, Roman Empire created state-owned enterprises. For example, much of the grain was eventually produced on estates owned by the Emperor. Scholars suggest that the cost of bureaucracy was one of the reasons for the fall of Roman Empire.

Churchill's government privatized British steel industry in the 1950s. West Germany's government started a large-scale privatization, including selling its Volkswagen majority share to small investors in a public share offering in 1961.

There are three main methods of privatization:

- Share issue privatization (SIP)-selling shares on the stock market
- Assetsale privatization- selling the entire firms or part of it to a strategic investor, usually by auction.
- Voucher privatization- shares of ownership are distributed to all citizens usually for free or at a very low price.

Share issue privatization is the most common type of privatization.

As a result of higher political and currency risk deterring foreign investors, asset sales are more common in developing countries.

Voucher privatization has mainly been used in the transition economies of General and Eastern Europe, such as Russia, Poland, Czech Republic, and Slovakia.

**It is necessary to know for economists.**

**Account**

- a detailed record of all the money that a person receives and spends.

**Accountant**

- a person whose job is to inspect or keep accounts

**Accounting**

- the system that measure business activities, processes that information into reports and communicates these findings to decision makers.

**Accountancy**

- the theory and practice of keeping and inspecting accounts.

**Audit**

- the inspection of an organization's annual accounts.

**Auditor**

- a person who carries out an audit.

**LESSON 7**  
**PRIVATIZATION ( continue)**

Following the collapse of communism in eastern and central Europe, first Poland, Hungary, and Czechoslovakia, then Romania and several of the former Soviet republics began to privatize. The problems in these economies were very different from those faced by the advanced economies. Decades of low wages meant that little wealth was available for investment, and no stock markets existed on which to make sales. Very often, there were no laws to protect or even permit private ownership, much less the supporting infrastructure of contract law and financial support services such as banks and accountants.

For this reason the formerly socialist economies found themselves forced to blaze a new trail of privatization, sometimes using the distribution of “coupons” to the population as a means of spreading ownership. Very often some degree of “informal” privatization was permitted, in which management effectively expropriated what had been state property. Unlike Britain, which had about 10 percent of its economy in state hands and had sold three-fifths of it over ten years, the socialist countries were now faced with privatizing 60 to 80 percent of their economies within half that time.

Still new capitalist countries learned from the experience of their early leaders. These included the techniques of writing off past debts, allocating shares to workers, splitting monopolies into competing elements, and establishing new regulatory agencies to calm public fears about the behavior of the newly privatized operations.

By restoring market incentives and commercial reality, privatization revived state-owned industries. It diverted billions of dollars from the support of loss-making government concerns into expansion of wealth-creating private businesses.

**VOCABULARY**

<b>Collapse</b>	крушение, падение; падать, рушиться	emmə, yıxılma, süqut
<b>Face</b>	лицо; стать лицом к лицу; номинальная (стоимость)	üz, üz-üzə durmaq, üzləşmək
<b>Advance</b>	наступление, выдвижение вперед; выдвигаться вперед авансировать;	irəliləmə, sıçrayış, qabağa getmə
<b>Advanced</b>	передовой, «продвинутый»	qabaqcıl
<b>Decade</b>	декада, десятилетие	ongünlük, dekada
<b>Wealth</b>	богатство	var – dövlət, sərvət
<b>Exist</b>	существовать	mövcud olmaq
<b>Protect</b>	защищать	müdafiə etmək
<b>Ownership</b>	собственность, владение	sahibkarlıq
<b>Support</b>	поддержка; поддерживать	arxa, dayaq olmaq
<b>Infrastructure</b>	инфраструктура	infrastruktur
<b>Accountant</b>	бухгалтер	mühasib
<b>Former</b>	предыдущий	əvvəlki, keçmiş, səbiq
<b>Formerly</b>	ранее	erkən, əvvəl
<b>Force</b>	сила; принуждать силой	güc, gücə ehtiyacı olmaq
<b>Trail</b>	путь, тропа	yol
<b>Coupon</b>	купон, ваучер	kupon, vauçer
<b>Means</b>	средства	vasitə
<b>Spread</b>	распределять, распространять	yaumaq
<b>Effective</b>	эффективный	təsirli, effektiv, səmərəli
<b>Expropriate</b>	экспроприировать	mülkiyyətdən məhrum etmək
<b>Technique</b>	техника, технология	texnika, texnologiya

<b>Split</b>	разбивать на части, фрагменты	hissələrə bölmək
<b>Monopoly</b>	монополия	monopoliya, bir nəfərdə cəmləşmək
<b>Regulatory</b>	регулирующие	idarəedici
<b>Behavior</b>	поведение	davranış
<b>Restore</b>	восстанавливать	yenidən qurmaq, tikmək, bərpa etmək
<b>Revive</b>	возродить	qarşı olmaq, zidd olmaq, əks çıxmaq
<b>Divert</b>	отклонять (ся), отвлекать(ся)	cəlb etmək, fikrini dağıtmaq
<b>Concern</b>		koncern
<b>Expansion</b>	распространение	inkişaf, artırma, genişləndirmə
<b>Contract law</b>	контрактное право	müqavilə hüququ
<b>Financial support</b>	служба финансового	maliyyə yardımı
<b>Make sales</b>	производить продажу	satışı təşkil etmək
<b>Blaze a new trail</b>	прокладывать новую тропу	yol açmaq
<b>Half that time</b>	половина того времени	həmin vaxtın yarısı
<b>Write off past debts</b>	списывать старые долги	köhnə borcları silmək
<b>Loss-making</b>	убыточный	itkili
<b>Wealth-creating</b>	прибыльный, создающий богатство	gəlirlə, sərvət gətirən

### Exercise 1. Answer the Questions:

1. What countries began to privatize after the collapse of communism in eastern and central Europe?
2. Why didn't these countries have enough wealth available for investment?
3. How do advanced economies protect private ownership?
4. How did governments spread ownership in the former socialist countries?

5. How did the management behave in “informal” privatization?

6. What did the new capitalist countries learn from the experience of their early leaders?

7. How can governments calm public fears about the behavior of the newly privatized operations?

### Exercise 2. Buraxılmış sözləri mətdən tapıb yerinə qoyun: Заполните пробелы словами из текста:

1. The problems in these economies were very different from those faced by the \_\_\_\_\_ economies.

2. Decades of low wages meant that little \_\_\_\_\_ was available for investment.

3. There were no laws to \_\_\_\_\_ or even permit private ownership.

4. There was no supporting \_\_\_\_\_ of contract law either.

5. The formerly socialist economies blazed a new \_\_\_\_\_ of privatization.

6. Sometimes they used the \_\_\_\_\_ of “coupons” to the population as a means of spreading ownership.

7. In “informal” privatization management effectively \_\_\_\_\_ what had been state property.

8. New capitalist countries learned from the \_\_\_\_\_ of their early leaders.

9. We used the techniques of writing \_\_\_\_\_ past debts.

10. By restoring market incentives privatization \_\_\_\_\_ state-owned industries.

**Exercise 3. Give the Russian and Azerbaijan equivalents of the phrases**

1. The collapse of communism
2. to begin to privatize
3. to make sales
4. to permit private ownership
5. financial support
6. a new trail of privatization
7. to distribute coupons to the population
8. to spread ownership
9. to face with sth.
10. to learn from one's experience
11. to write off past debts
12. to calm public fears
13. to restore market incentives

**Exercise 4. Match the definitions of the words**

- |                          |  |
|--------------------------|--|
| 1. <b>collapse</b>       | a. a small piece of printed paper that you can exchange for smth   |
| 2. <b>infrastructure</b> | b. to take smb's property and use it without permission            |
| 3. <b>coupon</b>         | c. a sudden failure of smth  |
| 4. <b>monopoly</b>       | d. a person whose job is to keep or check financial accounts       |
| 5. <b>expropriate</b>    | e. the basic systems and services that are necessary for a country |
| 6. <b>accountant</b>     | f. the complete control or use of smth.                            |

**Exercise 5. Cümlələri İngilis dilinə tərcümə edin  
Переведите предложения на Английский язык**

1. Вслед за крахом коммунизма в Восточой и Центральной Европе Польша, Румыния, Венгрия, Чехословакия и Россия начали работу по приватизации.

2. Десятилетия, на протяжении которых люди получали низкую заработную плату, привели к тому, что у них оказалось очень мало средств для инвестирования.

3. Очень часто не было законов, чтобы защитить или даже разрешить частную собственность.

4. Не было вспомогательной инфраструктуры контрактного права и финансовых служб, таких как банки и система бухгалтерского учета.

5. Иногда они использовали распределение ваучеров среди населения как средство распределения собственности.

6. Тем не менее новые капиталистические страны использовали опыт своих ранних предшественников.

7. Они включали в себя списывание старых долгов, распределение акций среди работников, разделение монополий на конкурирующие элементы.

8. Восстановив рыночные мотивации и коммерческие реалии, приватизация возродила государственные отрасли.

\*\*\*

1. Kommunizm iflasa uğradıqdan sonra Şərgi və Mərkəzi Avropada Polşa, Rumıniya, Macarıstan, Çexoslovakiya və Rusiyada özəlləşdirmə üzrə işlər başlandı.

2. Onilliklər ərzində insanların aldıkları aşağı əmək haqqı ona gətirib çıxardı ki, onların kapital qoyuluşu üçün vəsaitləri az idi.

3. Xüsusi mülkiyyəti müdafiə etmək yaxud həll etməkdən ötrü qanunlar yox idi.

4. Bank və mühasibat uçotu kimi maliyyə xidmətləri və kontrakt huququnun yardımçı infrastrukturu yox idi.

5. Hərdən onlar mülkiyyətin bölüşdürülməsi vəsaiti kimi əhali arasında vəucərlərin paylanmasından istifadə edirdilər.

6. Buna baxmayaraq yeni kapitalist ölkələri öz əvvəlki sələflərinin təcrübəsindən istifadə edirdilər.

7. Onlar özlərinə köhnə borcların silinməsini, səhmlərin işçilər arasında bölüşdürülməsini, inhisarın rəqabət edən elementlərini daxil edirdilər.

8. Bazar mafiyasını (inhisarını) və kommərsiya reallığını bərpa edərək, özəlləşdirmə dövlət sahələrini canlandırdı.

### **Exercise 6. Open the brackets putting the verbs in the correct active and passive form: History of Russian Money**

The first Russian coins (to mint ) when Russian was converted to Christianity. The gold and silver coins of Kievan Rus were first made under Grand Duke Vladimir Sviatoslavich in the late 10 th – early 11 th century. After a long “coinless” period , minting (to resume) in the 1380s, under Grand Duke Dmitry Donskoy of Muskovy.

The Russian monetary system, which laid the foundations of national accounting and even the present – day rouble, (to take) shape in the early 16 th century. Then, the chief currency unit was the silver kopeck with a depiction of a horseman with a lance (kopye in Russian), which was Russian’s emblem and the symbol of grand – ducal power. The kopeck’s emergence (to connect ) with the 1535 – 1538 reform of Yelena Glinskaya, who managed to create a single monetary system for the centralized Russian state, with the rouble containing 100 kopecks.

But by the 17 th century, the Russian monetary system, based on just one type of coin, the one – kopeck piece, (to become) something of an anachronism, lagging behind the more convenient European arrangement. Peter the Great (to bring) into circulation coins of various denominations: one –

rouble, fifty – kopeck, ten – kopeck, and other coins. The drastic change also (to involve) the minting metal, with gold and copper coins being produced in addition to the traditional silver pieces, and machine – minted coins taking the places of the hand – made ones.

The reform of finance minister Count Kankrin (1839 - 1843) was the first step towards tuning paper banknotes into money backed by precious metal reserves. The silver rouble (to recognize) as the principal monetary unit.

During finance minister Sergei Witte’s tenure in office, paper banknotes (to back) by gold reserves worth 1,5 billion roubles, and a new monetary economy was set up on the basis of scientifically computed paper money emission rates. Thanks to Witte’s reform, Russia finally (to manage) to close the age – old gap between itself and Europe and to integrate into the global financial system. The rouble (to become) convertible.

In the post – 1917 period the paper banknotes of Soviet Russia (to issue). The monstrous hyperinflation of the first years of Soviet power went down once the New Economic Policy was in place and the gold reserves in the country rebuilt. The chervonets, as the new unit equivalent to 10 pre – revolutionary roubles was known, (to help) revive the Russian monetary system founded by Witte. It stayed in circulation until 1928. With the first 5 – year plan in operation, when the Government resumed its practice of high emission rates, inflation (to return) and the Soviet rouble became an exclusively domestic legal tender. Now the Russian rouble (to become) an international currency.

### **It is interesting to know.**

#### **Describing food.**

Food and drink are described as bitter, sweet, salty, sour or spicy. An amount of a food prepared in a particular way and served at a meal is called a dish.

#### **Describing people**

People (or human beings) are male or female adults or children. They, their behavior or their attitude could be friendly, bad-tempered, aggressive, honest, dishonest, sincere, calm, anxious, nervous, pleasant, unpleasant, intelligent, stupid, polite or rude.

The way or manner in which somebody does something may be important.

People do things deliberately or on purpose (=they mean to do it) or accidentally or by mistake (=they do not mean to do it)

Somebody may have or show a quality or feeling such as respect, interest, pleasure, skill, emotion, excitement, enthusiasm, sympathy, courage or determination. Or they may show a lack of one at these qualities or a desire to do something.

### **Jokes about Economics and Economists**

1. An economist is someone who didn't have enough personality to become an accountant.

2. An economist is someone who knows 100 ways to make love, but doesn't know any women.

3. Economics is extremely useful as a fopm of employment for economists.

4. An economist, a philosopher, a biologist, and architect were arguing about what was God's real profession.

The philosopher said, "Well, first and foremost, God is a philosopher because he created the principles by which man is to live."

"Ridiculous!" said the biologist. "Before that, God created man and woman and all living things. So, clearly, he was a biologist."

"Wrong," said the architect. "Before that, he created the heavens and the earth. Before the earth, there was only complete confusion and chaos!"

"Well," said the economist, "where do you think the chaos came from?"

## LESSON 8 ENTREPRENEURSHIP

An entrepreneur organizes an enterprise. He also takes the risk of a business in return for the profits. He buys the workers' products (their labor services). The workers receive wages in return for their work. An entrepreneur also introduces new products or processes. He identifies markets and sources of supply.

In many cases, owners delegate decisions to managers. Is a salaried manager an entrepreneur, too? Some people think that owners very seldom delegate a key decision to managers, because owners do not trust them. But in practice many subordinates have incentives to maintain the company's well-being because their promotion depends upon it. In this sense, both owners and managers can be entrepreneurs. So, an entrepreneur is either an owner or a manager who shows judgment in decision making.

### VOCABULARY

<b>Entrepreneurship</b>	предпринимательство	sahibkarlıq
<b>Entrepreneur</b>	предприниматель	sahibkar, müəssisə sahibi
<b>Enterprise</b>	предприятие	müəssisə
<b>Profit</b>	прибыль	gəlir, qazanc
<b>Product</b>	продукт	məhsul
<b>Labor</b>	труд, рабочая сила	əmək, işçi qüvvəsi
<b>Service</b>	услуга, обслуживание	xidmət
<b>Wage</b>	заработная плата	əmək haqqı
<b>Introduce</b>	вводить, внедрять, представлять	təqdim etmək, buraxmaq
<b>Process</b>	процесс	hadisənin gedişi inkışafı
<b>Identify</b>	определять	müəyyənləşdirmək
<b>Source</b>	источник	mənbə
<b>Supply</b>	поставки, поставлять	təchiz, təchiz etmək

<b>Own</b>	владеть	sahib olmaq, yiyələnmək
<b>Owner</b>	владелец	sahibkar, sahib
<b>Delegate</b>	передавать, делегировать	göndərmək, nümayəndə göndərmək
<b>Manage</b>	управлять	idarə etmək
<b>Salary</b>	оклад	maaş, məvacib
<b>Salaried</b>	находящийся на окладе	maaş alan
<b>Key</b>	ключ; ключевой	əsas; vasitə, yol
<b>Trust</b>	доверять	inanmaq
<b>Subordinate</b>	подчиненный	təbə edilmiş, təbə olan
<b>Incentive</b>	побуждение, мотивация	arzu, niyyət; dəlillər
<b>Maintain</b>	поддерживать	dəstəkləmək
<b>Promotion</b>	продвижение (работника) по службе, продвижение (товара) на рынке	xidmətdə irəli çəkmə, malın bazara çıxarılması
<b>Judgment</b>	суждение, решение, способность к самос- тоятельному суждению и принятию решений	mühakimə, qərar müstəqil mülahizə yürütmək və qərar əbul etmək bacarığı
<b>Take the risk</b>	брать на себя риск	risk etmək, riski öz üzərinə götürmək
<b>In return</b>	взамен, вместо	əvəzində
<b>Workers' products</b>	продукт, предостав- ляемый рабочими	fəhlələrin buraxdığı məhsul
<b>Key decision</b>	ключевое решение	əsas qərar
<b>In practice</b>	на деле, на практике	təcrübədə, həyatda
<b>Well – being</b>	благополучие	rifah, firavanlıq
<b>In this sense...</b>	В этом смысле...	bu mənada ....
<b>Decision making</b>	процесс принятия решения	qərar qəbul etmə prosesi

### Exercise 1. Answer the Questions:

1. Does an entrepreneur organize an enterprise?
2. Does he take the risk of a business?
3. Does an entrepreneur buy the workers' products?
4. Do the workers receive wages in return for their work?

5. Does an entrepreneur introduce new products or processes?

6. Does he identify markets and sources of supply?

7. Do managers delegate decisions to owners?

8. Do subordinates have incentives to maintain the company's well – being?

### Exercise 2. Give the synonyms of these words

Entrepreneur; entrepreneurship; to take the risk; in return for; to buy; product; wages; to identify; to supply; incentive; to trust; to maintain; to manage; labor; enterprise; market; profit

### Exercise 3. Agree or disagree with the following statements.

1) Entrepreneur sets up a company. 2) Entrepreneur makes business deals. 3) Entrepreneur risks his neck in order to make a profit. 4) Entrepreneur introduces new types of legal techniques. 5) Entrepreneur leads his company to a slow growth of labour productivity. 6) Entrepreneur must not be doubtful or ignorant. 7) Investment is the money that people or organizations have put into a company, business, or bank in order to get a profit, or to make a business activity successful. 8) Labour productivity is the rate at which goods are produced, compared with the work, time, and money needed to produce them.

### Exercise 4. Match the definitions of the words.

- |                        |   |
|------------------------|---|
| 1. <b>entrepreneur</b> | a. to choose smb. to do smth.   |
| 2. <b>wage</b>         | b. smth. that encourages you to do smth                                   |
| 3. <b>supply</b>       | c. activities done in order to increase the sales of a product or service |

4. **delegate**

d. a regular amount of money that you earn

5. **incentive**

e. a person who makes money by starting or running business

6. **promotion**

f. to provide sb. with smth. they need or want

### Exercise 5. Mətndən götürülmüş söz və ifadələri tərcümə edin.

Дайте перевод слов и выражений из текста.

1. предприниматель; сащибкар 2. ключевое решение; ясас гярар 3. принятие решения; гярар гябул етмяк 4. организовывать; тяшкил етмяк 5. определять; мцяййян етмяк 6. ключевой; ясас 7. суждение; мщцакима 8. побуждение; арзу, ниййят 9. рынок; базар 10. брать на себя риск; риски юз цзяриня эютцрмяк 11. источник; мянбя 12. поставки; тяжщиз 13. делегировать; нцмайяндя эюндярмяк 14. решение; гярар 15. возвращать; гайтармаг 16. прибыль; эялир 17. рабочая сила; ишчи гцввяси 18. обслуживание; хидмят 19. поддерживать; дястяклямяк 20. продвижение; иряли чякмя (чякилмя)

### Exercise 6. Buraxılmış sözləri mətndən tapıb yerinə qoyun:

Заполните пробелы словами из текста:

1. An entrepreneur \_\_\_\_\_ an enterprise.
2. He takes the risk of a business in \_\_\_\_\_ for the profits.
3. He buys the workers' \_\_\_\_\_ services.
4. The workers receive \_\_\_\_\_ in return for their work.
5. An entrepreneur \_\_\_\_\_ new products or processes.
6. He identifies \_\_\_\_\_ and sources of supply.
7. Owners delegate decisions to \_\_\_\_\_.

8. Owners very seldom \_\_\_\_\_ a key decision to managers.

9. Many subordinates have \_\_\_\_\_ to maintain the company's well – being.

10. A manager shows \_\_\_\_\_ in decision making.

### **Exercise 7. Translate the phrases into Russian and Azerbaijan.**

1. To take risk in return for the profit;
2. To buy the worker's labor services;
3. To receive wages in return for the work;
4. To introduce new products into the market
5. To delegate decisions to managers,

### **Exercise 8. Translate the text Educating Tomorrow's Entrepreneurs**

Over the past two decades there has been a growing debate about how well education systems prepare young people for adult life in general and “enterprise” in the world of work in particular. This debate recognizes the need for societies, organizations and individual citizens to improve their capacity to cope with an increasingly competitive, uncertain and complex role involving higher rates of innovation and change. While the concept of “enterprise” is ambiguous enough to embrace a wide range of educational initiative \_\_ including industry awareness, business management, and new venture creation, and the development of personal and social skills, among others \_\_ there is an increasing awareness of entrepreneurship as a distinct educational challenge that needs to be addressed.

There is a world wide potential to built more entrepreneurial approaches around existing schools (colleges or universities) . Existing programs that can be “entrepreneurially enhanced” include those focused upon;

- creating a much greater economic awareness among young people of all ages;

- creating a wider understanding of industry, business and management;

- development understanding of small business and its management systems;

- introducing the concept of new venture development via simulation exercise in schools to the young people;

- developing transferable skills as communication, presentation, negotiation, problem solving, as well as information technology competence;

- opening gateways to better career planning

- providing work experience for students and teachers; and

- creating business partnerships between schools and colleges and individuals or groups of firms.

The above list underlines the potential role of business in partnering education with entrepreneurship. If it is successful, then care must be taken to find clear concepts and objectives so that the challenges of entrepreneurship education are clearly recognised. There needs to be new kinds of partnerships between schools and business. Overall, business will need to reappraise its own role in designing new ways of preparing young people for the entrepreneurial challenge of the 21-st century.

### **It is necessary to know for economists**

1. A compensation package for an executive leaving a company is also known as a **golden goodbye, golden handshake or golden parachute.**

2. Compensation for someone leaving a company may be referred to as a **compensation payment, compensation payout, compensation payoff.**

3. These payments may form part of a **severance package.**

## LESSON 9 ENTREPRENEURSHIP (continue)

4. Severance payments can be the subject of complex negotiations when an executive leaves, or is **ousted**: forced to leave

5. When executives are ousted, people may talk about companies giving them the **golden boot**.

6. When talking about executive pay, **compensation** can refer, confusingly, to two different things: what top executives get for running a company and what they get on leaving a company.

7. Apart from salary, an executive's **compensation package** can include **bonuses** (extra payments, sometimes, but not always, related to the firm's performance) and **benefits and perks** (ranging from **share options**, the right to buy the company's shares at an advantageous price, to a chauffeur-driven car).

8. **Remuneration** is also used to talk about executives' salary and benefits.

9. Middle managers are those in the hierarchy between senior management and **front-line managers or line managers**, the people managing employees.

10. Organizations say that they are eliminating **middle** levels of their hierarchies so as to empower ordinary workers and employees.

11. The process of **empowerment** is designed to give them the authority to make decisions that were previously taken by middle managers.

12. When people lose their jobs, they are **dismissed or made redundant**.

13. **Outplacement** is when a company helps people it is making redundant find new jobs in other organizations.

Judgment helps to make successful decisions. An entrepreneur needs judgment to speculate on future price movements, as well as to deal with the novel situations.

The demand for entrepreneurs rises in times of political, social, and environmental change. Supply usually matches demand, so more people give up other careers and become entrepreneurs. They have incentives to do so by the higher expected rewards, and also by increases in the social status of entrepreneurs.

The supply of entrepreneurs depends also on their personality, culture, and life experience.

To identify profitable opportunities the entrepreneur synthesizes information from different sources. A good education and wide – ranging practical experience help the entrepreneur to interpret information. Sociability also helps the entrepreneur to make contact with people he works with – both customers and colleagues.

### VOCABULARY

<b>Need</b>	нужда; нуждаться	ehtiyacı olmaq, ehtiyac
<b>Speculate</b>	размышлять, подсчитывать	fikirləşmək, möhtəkirlik etmək
<b>Movement</b>	движение	hərəkət
<b>Deal</b>	иметь дело	işi olmaq, iş
<b>Demand</b>	спрос, требование	tələb, tələbat, tələb etmək
<b>Environmental</b>	имеющий отношение к окружающей среде	ətraf mühit (adj)
<b>Match</b>	соответствовать, подходить	uyğun gəlmək
<b>Reward</b>	вознаграждение	mükafat

<b>Personality</b>	личность, индивидуальность	şəxsiyyət, fərdi
<b>Profitable</b>	прибыльный	mənfəətli
<b>Opportunity</b>	возможность	imkan
<b>Synthesize</b>	синтезировать	sintez etmək
<b>Interpret</b>	интерпретировать	şərh etmək, mənasını açmaq
<b>Sociability</b>	общительность	ünsiyyətçi
<b>Customer</b>	потребитель, покупатель	klient, alıcı, müşəri
<b>Give up</b>	бросать, оставлять	tərk etmək, atmaq
<b>Life experience</b>	жизненный опыт	həyat təcrübəsi
<b>Wide – ranging</b>	широкомасштабный, разнообразный	geniş çeşidli müxtəlif
<b>Make contact</b>	устанавливать контакты	əlaqə saxlamaq

### Exercise 1. Answer the Questions:

1. What does an entrepreneur need to speculate on future price movements?
2. When does the demand for entrepreneurs rise?
3. What usually matches demand?
4. Why do people give up other careers and become entrepreneurs?
5. What does the entrepreneur do to identify profitable opportunities?
6. What helps the entrepreneur to interpret information?
7. Who does he make contact with?

### Exercise 2. Give the synonyms of the words

To help; to speculate; deal; demand; to match; personality; opportunity; customer; experience

### Translate the phrases into Russian and Azerbaijan.

1. To make decision
2. To need judgement
3. Price movements
4. To have incentive to do sth.
5. To interpret information

### Exercise 3. Birinci sütündə verilmiş cümlələrin davamını sol tərəfdən tapın.

В правом столбике найдите продолжение предложений, данных в левом:

- |                                |   |
|--------------------------------|---|
| 1. Judgment helps to make      | a) information from different sources.                          |
| 2. An entrepreneur needs       | b) careers and become entrepreneurs rises in entrepreneurs.     |
| 3. The demand for              | c) contact with people  |
| 4. People give up other        | d) judgment to speculate on to do so by future price movements. |
| 5. They have incentives        | e) successful decisions.  |
| 6. The supply of               | f) the higher expected rewards                                  |
| 7. An entrepreneur synthesizes | g) wide - ranging practical experience helps the entrepreneur   |
| 8. A good education and        | h) customers and colleagues. entrepreneur to make               |
| 9. Sociability also helps the  | i) entrepreneurs depends also on their personality              |
| 10. It helps him to work with  | j) times of change  |

#### Exercise 4. Match the definitions of the words

1. **speculate** a. a time when a particular situation makes it possible to do or achieve smth
2. **environmental** b. the act of spending time with other people
3. **opportunity** c. that makes or is likely to make money
4. **sociability** d. to form an opinion about smth. without knowing all the details or facts
5. **customer** e. connected with the environment
6. **profitable** f. a person or an organization that buys smth from a shop/store or business

#### Exercise 5. Cümlələri İngilis dilinə tərcümə edin

##### Переведите предложения на Английский язык

1. Предприниматель берет на себя риск, связанный с бизнесом, надеясь на получение прибыли.
2. Рабочие получают зарплату в обмен на свою работу.
3. Предприниматель также выводит на рынок новые продукты.
4. Во многих случаях владельцы делегируют менеджерам право принятия решений.
5. Владельцы не доверяют менеджерам.
6. Предпринимателю необходимы способности к самостоятельному суждению чтобы предвидеть будущие изменения цен.
7. Спрос на предпринимателей возрастает во времена политических перемен.
8. Предложение обычно соответствует спросу.
9. Их мотивация – более высокое ожидаемое вознаграждение.

10. Чтобы определить приносящие выгоду возможности, предприниматель синтезирует информацию из различных источников.

\*\*\*

1. Sahibkar mənfəət (gəlir) əldə etmək ümidi ilə bizneslə əlaqədar riski öz üzərinə götürür.
2. İşçilər öz əməyi müqabilində əmək haqqı alırlar.
3. Sahibkar bazara yeni məhsullar çıxarır.
4. Bir çox hallarda sahibkarlar menecerlərə qərar qəbul etmək hüququ verirlər.
5. Sahibkarlar menecerlərə etibar etmirlər.
6. Sahibkara gələcəkdə qiymətlərin dəyişəcəyini qabaqcadan görmək üçün müstəqil fikir söyləmək qabiliyyəti olması vacibdir.
7. Siyasi dəyişikliklər dövründə sahibkarlara tələbat artır.
8. Təklif adətən tələbə uyğun gəlir.
9. Onların sübutları (əsasları) – ən yüksək mükafatdır. Mənfəət (qazanc) gətirən imkanları müəyyən etmək üçün sahibkar müxtəlif mənbələrdən olan informasiyanı sintezləşdirir

#### Exercise 6. Translate the text Careers InBusiness

Business is an increasingly important activity throughout the world today. Consequently, the opportunities for a business career have grown in variety and number. There are now five broad fields of business that often exciting careers:

- Management (general manager, personnel manager, production manager);
- Marketing (researcher, advertiser, buyer, seller, distributor);

- Accounting (bookkeeper, public accountant, private accountant, auditor);
- Finance (banker, financial analyst, stockbroker);
- Computers and data processing (computer operator, computer programmer, systems analyst).

Within each of these fields there are specific jobs in which one can specialize. For example, a person working in computers and data processing may specialize in computer programming, computer operating, and systems analysis. The definitions of the five business fields may be as follows:

**Management** \_\_\_ the activities guiding a company to reach its objectives.

**Marketing** \_\_\_ the movement of goods and services from manufacturer to customer to satisfy the customer and achieve the company's goals.

**Accounting** \_\_\_ the measurement and communication of financial information.

**Finance** \_\_\_ the acquisition and utilization of capital to start up, operate, and expand a business.

**Data Processing** \_\_\_ the handling of large amounts of information concerning business operations.

Business today is full of risk and opportunity. Many people need to plan, prepare, and practice to create a successful business. The task is to minimize risks and make the most of opportunities. But many people entering the business world lack adequate training in such areas as leadership, communicating requirements and ideas, and working successfully as a member of a team. Employees must be skilled in allocating time, money and other resources needed to carry out a job. They are to be able to evaluate and use new information. They must understand how one task may affect the others. Finally, they have to be able to learn new skills and adapt to changing technology.

## It is necessary to know

### The following are used a very large number of times:

- etc. = and other things of the same sort. For example, if you say that something is used in books, news papers etc, you mean that you are also including magazines and journals.

- "particular" is used to emphasize that you are referring to one individual person, thing or type of thing and not others.

- "especially" is used to give the most common or typical example of something for example, the meaning of the verb "to train is shown as" to prepare yourself for a particular activity, especially a sport.

## Jokes about Economics and Economists

1. Economics is the only field in which two people can get a Nobel Prize for saying exactly the opposite thing.

2. Question: What do economists and computers have in common?

Answer: You need to punch information into both of them.

3. Santa Claus, a fairy, an economist, and an old drunk walk down the street together when they simultaneously spot a hundred dollar bill. Who gets it?

The old drunk, of course, because the other three are mythological creatures.

## LESSON 10 PROPERTY RIGHTS

The fundamental requirement of a market economy is a strong system of property rights. A property right is the exclusive authority to determine how to use and service a resource. Thus, for example, the owner of an apartment with complete property rights to the apartment has the right to determine whether to rent it out or to live in it himself. He has the right to determine which tenant to rent the apartment to. He can also use it in any other peaceful way. If the owner rents out the apartment, he also has the right to all the after-tax rental income from the property.

A private property right includes the right to delegate, rent, or sell any portion of the rights by exchange or gift at the price the owner determines. If I am not allowed to buy some rights from you and you therefore are not allowed to sell rights to me, private property rights are reduced. Thus, the three basic elements of private property are (1) exclusivity of rights to the choice of use of a resource, (2) exclusivity of rights to the services of a resource, and (3) rights to exchange the resource at mutually agreeable terms.

### VOCABULARY

<b>Requirement</b>	требование	tələbat
<b>Property</b>	собственность	xüsusi mülkiyyət
<b>Exclusive</b>	исключительный, эксклюзивный	istisna, əlavə
<b>Authority</b>	власть, право	səlahiyyət, hakimiyyət
<b>Determine</b>	определять	müəyyunlaşdırmaq
<b>Resource</b>	ресурс, источник	resurs
<b>Tenant</b>	постоялец, квартиросъемщик	kirayənişin
<b>Rental</b>	арендная	kirayə, icarə
<b>Include</b>	включить	daxil etmək

<b>Portion</b>	часть, порция	hissə, pay
<b>Exchange</b>	обмен; обменивать (ся)	dəyişmək, mübadilə
<b>Gift</b>	подарок, дар	hədiyyə
<b>Be allowed</b>	иметь разрешение	icazəsi olmaq
<b>Reduced</b>	сокращенный, урезанный	azalmış, ixtisar olunmuş
<b>Exclusivity</b>	исключительность	istisnalıq
<b>Mutually</b>	совместно	birgə, birlikdə
<b>Agreeable</b>	согласный, полученный в результате соглашения	razılaşmış, razılıq (nəticəsində) əldə olunmuş
<b>Rent out</b>	сдавать в аренду	kirayə vermək
<b>Rent to</b>	сдавать в аренду ( <i>кому-нибудь</i> )	kirayə vermək (kiməsə)
<b>After-tax</b>	после уплаты налогов	vergi ödədikdən sonra

### Exercise 1. Give the synonyms of the words.

Requirement; strong; to determine; owner; completely; apartment; income; to exchange; gift; portion; to allow; therefore; private; to reduce; choice; to agree; exclusive

### Exercise 2. Buraxılmış sözləri mətdən tapıb yerinə qoyun: Заполните пробелы словами из текста:

- The fundamental \_\_\_\_\_ of a market economy is a strong system of property rights.
- A property right is the \_\_\_\_\_ authority to determine how to use service a resource.
- The owner of an apartment has the right to \_\_\_\_\_ whether to rent it out or to live in it.
- He has the right to determine which \_\_\_\_\_ to rent the apartment to.
- He can also use it in any other \_\_\_\_\_ way.
- If the owner \_\_\_\_\_ out the apartment, he also has the right to all the income.

7. A private property right \_\_\_\_\_ the right to sell any portion of the rights.

8. If you are not allowed to sell rights to me, private property right are \_\_\_\_\_.

9. One of the three basic elements of \_\_\_\_\_ property is exclusivity of rights.

10. Another element is the \_\_\_\_\_ of rights to the services of a resource.

### Exercise 3. Mətnədən götürülmüş söz və ifadələri tərcümə edin.

Дайте перевод слов и выражений из текста.

1. фундаментальные; 2. требование 3. определять; 4. полный, 5. включить, 6. обмен, 7. совместно, 8. квартиросъемщик, 9. власть, 10. доход, 11. условия, 12. собственность, 13. порция, 14. мирный, 15. таким образом

1. (bünovrə) əsaslı 2. tələb 3. bölmək 4. tam 5. yandırmaq, açmaq 6. dəyişmə 7. birgə 8. kirayənişin 9. hakimiyyət 10. gəlir 11. şərt 12. xüsusi 13. hissə, pay 14. dünyəvi 15. bu halda

### Exercise 4. Match the definitions of the words

- |                       |   |
|-----------------------|---|
| 1. <b>requirement</b> | a. a person who pays rent for the use of a room or land |
| 2. <b>authority</b>   | b. felt or done equally by two or more people           |
| 3. <b>tenant</b>      | c. smth. That you need or want                          |
| 4. <b>resource</b>    | d. the power to give orders to people                   |
| 5. <b>mutually</b>    | e. to allow smb. To use smth. That you own              |
| 6. <b>rent out</b>    | f. a supply of smth. That a country has and can use     |

### Exercise 5. Birinci sütünda verilmiş cümlələrin davamını sol tərəfdən tapın.

В правом столбике найдите продолжение предложений, данных в левом:

- The fundamental requirement**
  - the after-tax rental income.Of a market economy is
  - it out or to live in it himself.
- A property right is**
  - the exclusive authority to
- The owner of an apartment has determine how to use a resource.**
- The owner can determine**
  - you, private property rights whether to rent are educed.
- He can also use it in**
  - mutually agreeable terms.
- He also has the right to all**
  - the choice of use of a resource.
- A private property right**
  - a strong system of includes the right to sell property rights
- If I am not allowed to buy**
  - complete property rights to some rights from the apartment..
- Owners have exclusive rights to**
  - any portion of the rights.
- We can exchange the resource at**
  - any other peaceful way

### Exercise 6 Translate the text

#### The Concept Of Business

Business is a word that is commonly used in many languages. Traditionally, business simply meant exchange or trade for things people wanted or needed. Nowadays, the concept and activities of business have increased. One definition of business

is production, distribution, and sale of goods or services for a profit. To examine this definition, let us look at its different parts.

First, production is the creation of services or processing of materials into products. Example is the conversion of iron ore into metal car parts. Next, these products need to be moved from the plant to the marketplace. This is known as distribution. A car might be moved from a plant in Germany to a car dealership in Poland. Third is the sale of goods and services. Sale is the exchange of a product or service for money. A car is sold to someone in exchange for money

Goods are products that people either need or want; for example, cars can be classified as goods. Services, on the other hand, are activities that a person or group perform for another person or organization. For example, an auto mechanic performs a service when he repairs a car. A barber renders a service when he cuts your hair.

Business, then, is a combination of all these activities: production, distribution, and sale. However, there is another important factor, i. e., creation of profit or economic surplus. A major goal in the functioning of any business company is making a profit. Profit is the money that remains after all the expenses are paid. Creating an economic surplus or profit is, therefore, a primary goal of business activity.

The three traditional forms of business are the sole proprietorship, the partnership, and the corporation. The sole proprietorship means going into business for oneself. All one needs is some knowledge about the business, start-up capital and knowledge of regulations. The partnership is an association of two or more people involved in business under a written partnership agreement. The corporation is the legal entity having a right to issue stock certificates. The people who own such stock certificates (or shares) are called stockholders/ shareholders. They in fact own the corporation.

## **LESSON 11** **PROPERTY RIGHTS(continue)**

The market values of property reflect the preferences and demands of the rest of society. This interesting paradox: although property is “private”, owners make private decisions in accordance with public, or social, evaluation of their property. Thus one cannot sell his or her house at a price which is higher than the market price. The fundamental purpose of property rights is that they eliminate destructive competition for control of economic resources. Well-defined and well-protected property rights replace competition by violence with competition by peaceful means.

Private property rights do not conflict with human rights. They are human rights. Private property rights are the rights of humans to use specified goods and to exchange them. Private property rights protect individual liberty.

Under socialism private property rights are reduced. Here government agents control resources. The rights of these agents to make decisions about the property they control are highly restricted. People cannot put the resources to more valuable uses by purchasing the rights because the rights are not for sale at any price. As socialist managers neither gain when the values of the resources they manage increase, nor lose when the values fall, they have little incentive to work. Consider, in this case, the socialist managers of a collective farm. If he works every night for one week, he can make, say, 1 million roubles of additional profit for the farm by arranging to transport the farm’s wheat to the city before it rots. But if neither the manager nor those who work on the farm can keep even a portion of this additional profit, the manager is more likely to go home early and let the crops rot.

## VOCABULARY

Value	ценность, потребительская стоимость	dəyər
Reflect	отражать	əks etdirmək
Preference	предпочитение	üstünlük
Rest	остальное	qalan
Create	создавать	yaratmaq
Paradox	парадокс	hami tərəfindən qəbul olunmuş doğru fikirlərə ziddolan qəribə fikir, inanılmaz şey
Evaluation	оценка	qiymətləndirmə
Purpose	цель	məqsəd
Eliminate	отменять, уничтожать	məhv etmək, aradan qaldırmaq
Destructive	разрушительный	dağıcı
Competition	соревнование	rəqabət
Define	определять	təyin etmək, müəyyən etmək
Well – defined	ясно определенные	yaxşı təyin olunma
Protect	защищать	müdafiə etmək
Well-protected	хорошо защищенные	yaxşı müdafiə olunmuş
Replace	заменять, замещать	əvəz etmək
Violence	жестокость, агрессия	qəddarlıq, zorakılıq
Specify	определять	müəyyənləşdirmək
Liberty	свобода	azadlıq
Restrict	ограничивать	məhdudlaşdırmaq
Valuable	ценный	dəyərli
For sale	на продажу, для продажи	satış üçün
Increase	увеличивать (ся)	artırmaq, qaldırmaq
Consider	считать, обдумывать	hesab etmək
Arrange	организовывать	təşkil etmək
Wheat	пшеница	buğda, taxıl
Rot	гнить	çürümək
Crops	урожай	məhsul

### Exercise 1. Answer the Questions:

- Whose preferences and demands do the market values of property reflect?
- In accordance with what do owners make private decisions?
- Why cannot one sell his or her house at a price higher than the market price?
- What is the fundamental purpose of property rights?
- What sort of competition of economic resources do they replace with competition by peaceful means?
- Why don't private property rights conflict with human rights?
- Under what system are private property rights reduced?
- Who controls resources under socialist system?
- Why cannot people put the resources to move valuable uses by purchasing the rights under the socialist system?
- Why don't socialist managers have incentives to work?

### Exercise 2. Give the synonyms of the words

Preferences; to create; in accordance with; to evaluate; fundamental; purpose; to eliminate; competition; to protect; liberty; to restrict; value; replace; to increase; to consider; to arrange

### Exercise 3. Buraxılmış sözləri mətndən tapıb yerinə qoyun: Заполните пробелы словами из текста:

- The market values of property reflect the \_\_\_\_\_ of the rest of society.
- Owners make private decisions in \_\_\_\_\_ with public evaluation of their property.

3. Thus one cannot sell his or her house at a \_\_\_\_\_ which is higher than the market price.

4. The purpose of property rights is that they \_\_\_\_\_ destructive competition.

5. Well-defined property rights \_\_\_\_\_ competition by violence with competition by peaceful means.

6. Private property rights do not conflict with \_\_\_\_\_ rights.

7. Private property rights \_\_\_\_\_ individual liberty.

8. \_\_\_\_\_ socialism private property rights are reduced.

9. Socialist managers do not \_\_\_\_\_ when the values of the resources they manage increase.

10. They have little \_\_\_\_\_ to work.

#### **Exercise 4. Give the Russian and Azerbaijan equivalent of the phrases.**

1. market value of property
2. to reflect the preferences and demands
3. to create an interesting paradox
4. to make private decision
5. to evaluate one's property
6. to sell sth. at higher price than the market price
7. well defined and well-protected property rights
8. the rights of humans
9. to use specified goods
10. to protect individual liberty
11. to have little incentive to work
12. to transport the farm's wheat to the market
13. to be likely to let the crops rot

#### **Exercise 5. Match the definitions of the words**

1. **preference** a. physical or emotional force and energy
2. **evaluation** b. to limit the size, amount or range of smth
3. **violence** c. a greater interest in smth/smb than Smb/smith else
4. **destructive** d. to make sure that smb/smith is not harmed, injured
5. **restrict** e. causing destruction or damage
6. **protect** f. appreciation of smth.

#### **Exercise 6. Cümlələri İngilis dilinə tərcümə edin Переведите предложения на Английский язык**

1. Сильная система прав частной собственности – базовое требование рыночной экономики.

2. Право собственности есть исключительное право определять способ использования ресурса.

3. Я имею право определять, какому жильцу сдавать свою квартиру.

4. Я также могу использовать это любым другим мирным способом.

5. Я имею права на весь доход, оставшийся после уплаты налогов.

6. Я имею право передать любую часть своих прав собственности путем обмена или дарения.

7. Рыночная цена собственности отражает предпочтения и спрос, сформировавшиеся в обществе.

8. Хотя собственность и «частная», владельцы принимают решения в соответствии с ее оценкой обществом.

9. Я не могу продать машину выше рыночной цены.

10. Права частной собственности отменяют разрушительную конкуренцию.

1. Xüsusi mülkiyyətin güclü hüquq sistemi – bazar iqtisadiyyatının əsas tələbidir.

2. Mülkiyyət hüququ resurslardan istədiyini kimi istifadə etmək üsulu deməkdir.

3. Mənim öz mənzilimi hansı sakinə icarəyə verməyi müəyyənləşdirməyə hüququm vardır.

4. Mən həmçinin bunu hər hansı bir üsulla dinc üsulla istifadə edə bilərəm.

5. Mənim vergini ödədikdən sonra qalan bütün gəlirə (qazanca) hüququm vardır.

6. Mənim mübadilə və bağışlama yolu ilə öz mülkiyyətimin hər hansı bir hissəsini vermək hüququm var.

7. Mülkiyyətin bazar qiyməti cəmiyyətdə formalaşmış üstünlük və tələbi əks etdirir.

8. Hərçənd ki, mülkiyyət və «xüsusi»-ni sahibkar onun cəmiyyət tərəfindən qiymətləndirilməsinə uyğun qərar kimi qəbul edirlər.

9. Mən məşını bazar qiymətindən yuxarı sata bilmərəm.

10. Xüsusi mülkiyyət hüququ dağıdıcı rəqabəti ləğv edir.

### **It is interesting to know.**

#### **Which word? Above /over**

Above and over can both be used to describe a position higher than something:

“They built a new room above / over the garage”

When you are talking about movement from one side to the other, you can only use over.

For ex. They jumped over the stream,

Over can also mean “covering”

For ex. He put a blanket over the sleeping child.

Above and over can also mean “more than”.

Above is used in relation to a minimum level or a fixed point.

For ex. 2000 feet above sea level.

Temperature will not rise above zero tonight.

Over is used with numbers, ages, money and time.

For ex. He’s over 50; It costs over 100

He waited over 2 hours.

### **Jokes about Economics and Economists**

1. Two men are flying in a balloon. The wind is strong, they come away from their course and they have no idea where they are.

So they go down to 20 m above the ground and ask a passer – by, “Could you tell us where we are?”

“You are in a balloon.”

So the one pilot says to the other, “The answer is perfectly right and absolutely useless. The man must be an economist.”

“Then you must be businessmen”, answers the man.

“That’s right! How do you know?”

“You have such a good view from where you are and yet you don’t know where you are!”

2. A totalitarian head of state asks for an economist with one arm to advise the government. Why?

Because he is tired of economists who say: “Well on the one hand ... But on the other hand ...”

3. In Canada there is a small radical group that refuses to speak English and no one can understand them. They are called separatists.

In our country we have the same kind of group. They refuse to speak Russian, and are called economists.

## LESSON 12 COMPETITION

Competition permeates economic life. Prices, wages, methods of production, types and quantities of products, the size and organization of business firms, the distribution of resources, and people's incomes – all result from competitive processes.

Consider market prices for consumer goods. The baker has on hand a stock of bread, a valuable good for which consumers are willing to compete by offering the baker a price. The baker wants to get the highest price possible, but he is constrained. If he sets his price too high, customers will not buy all that the baker has produced. They will buy from another baker, or they will buy pizza or potatoes instead. So the baker sets a price that he thinks will “clear the market”. That price is determined by the willingness of customers to compete for his product, and by the willingness of rivals to compete for his customers.

An identical process occurs with producer goods. A steel plant has on hand a supply of steel, for which automobile companies, appliance makers, and equipment manufacturers are competing. The firm wants to get as much revenue as it can, taking into account the willingness of its customers to pay and the threat of lower offers from its rivals. The customers want to pay as little as possible, taking into account that rival customers may outbid them. This two – sided competition will again set a price that “clears the market.” The market – clearing price represents the lowest price that buyers of steel must pay, and the highest price that sellers of steel can receive, each without being outbid by rivals.

## VOCABULARY

<b>Permeate</b>	проникать, пропитывать	nüfuz etmək
<b>Quantity</b>	количество	miqdar, say
<b>Distribution</b>	распределение	bölgü
<b>Result</b>	происходить (из), результативать	baş vermək, nəticələnmək
<b>Competitive</b>	состязательный, конкурентно способный	Rəqabət davamlı
<b>Consumer</b>	потребитель	alıcı, istehlakçı, müştəri
<b>Occur</b>	случаться, происходить	baş vermək
<b>Appliance</b>	приспособление	cihaz, Alət
<b>Equipment</b>	оборудование	Ləvazimat
<b>Manufacturer</b>	производитель	İstehsalçı
<b>Revenue</b>	выручка, приход, доход	Gəlir
<b>Stock</b>	запас, фонд, фонды, акции подобный	ehtiyat, fond, səhm
<b>Valuable</b>	ценный	Qiyətli
<b>Will</b>	желать ( <i>вспомогательный глагол будущего времени</i> )	arzu etmək, istəmək
<b>Constrained</b>	сдерживаемый	Saxlanılmış
<b>Rival</b>	соперник, конкурент	Rəqib
<b>Identical</b>	идентичный	cyni, oxşar
<b>Account</b>	счет, расчет; объяснять, отчитываться	hesab, izah etmək, Hesablaşmaq
<b>Threat</b>	угроза, угрожать	qorxu, hədə, hədələmək
<b>Outbid</b>	перебивать цену	qiyməti aşağı salmaq
<b>On hand</b>	на руках	Əldə
<b>Consumer goods</b>	потребительские товары	istehlak malları
<b>Set price</b>	устанавливать цену	qiymət qoymaq
<b>Clear the market</b>	добиться равно весия цены, спроса и предложения	qiymət, tələb və təklif tarazlığına nail olmaq
<b>Producer goods</b>	промышленные товары	istehsal malları
<b>Taking into account</b>	принимая во внимание	nəzərə almaq
<b>Without being outbid by rivals</b>	без того, чтобы конкуренты перебили цену	rəqiblər tərəfindən qiymətin öldürülməsi

### Exercise 1. Answer the Questions:

1. What results from competitive processes?
2. How do consumers compete for the baker's good?
3. What price does the baker want to get?
4. What will happen if the baker sets his price too high?
5. Who competes for steel?
6. What does the firm take into account?
7. How much is the customer willing to pay?
8. What is the market-clearing price?

### Exercise 2. Give the synonyms of the words

Competition; wage; method; to organize; to distribute; income; consumer; to result; to offer; to produce; to will; rival; producer goods; manufacturer; revenue; to offer; to take into account; possible; represent; to pay; evaluation

### Exercise 3. Mətnədən götürülmüş söz və ifadələri tərcümə edin.

Дайте перевод слов и выражений из текста.

1. проникать 2. распределение 3. потребитель 4. акции  
5. вместо 6. соперник 7. случаться 8. приспособление 9.  
производитель 10. выручка 11. счет 12. угроза 13.  
перебивать цену 14. потребительские товары 15. принимая  
во внимание

1. nüfuz etmək, 2. bölüşdürmək, 3. istehsalçı, 4. aksiya,  
səhm, 5. əvəzində, 6. rəqib, 7. baş vermək, 8. uyğunlaşdırma,  
9. istehsalçı, 10. əmək haqqı, 11. hesab, 12. hədə, qorxu, 13.  
qiyməti aşağı salmaq, 14. istehlak malları, 15. diqqətə cəlb  
etmək

### Exercise 4. Match the definition of the words.

- |                 |  |
|-----------------|--|
| 1. rival        | a. a similar in every detail   |
| 2. distribution | b. a person or a company that produces goods in large quantities     |
| 3. identical    | c. to offer more money than smb. else in order to buy smth.          |
| 4. appliance    | d. a person who competes with another in sport, business             |
| 5. outbid       | e. a machine that is designed to do a particularly thing in the home |
| 6. manufacture  | f. the act of giving or delivering smth. to a number of people       |

### Exercise 5. Buraxılmış sözləri mətnədən tapıb yerinə qoyun:

Заполните пробелы словами из текста:

1. Competition \_\_\_\_\_ economic life.
2. All result from \_\_\_\_\_ processes.
3. The baker has on \_\_\_\_\_ a stock of bread.
4. Consumers are willing to \_\_\_\_\_ for the baker's product.
5. The baker wants to get the highest \_\_\_\_\_ possible.
6. The baker sets a price that will "\_\_\_\_\_ the market."
7. That price is \_\_\_\_\_ by the willingness of customers to compete for his product.
8. The customers want to pay as little as \_\_\_\_\_.
9. The firm wants to get as much \_\_\_\_\_ as it can.
10. The market – clearing price \_\_\_\_\_ the lowest price that buyers must pay.

**Exercise 6. Give the Russian and Azerbaijan equivalent of the phrases.**

1. permeate economic life
2. methods of production
3. quantities of products
4. distribution of resources
5. market prices for consumer goods
6. to get the highest price
7. to set a price
8. to clear the market
9. to determine the willingness of customers and rivals
10. to get much revenue
11. to represent the lowest price

**Exercise 7 Translate the text  
Perfect Competition**

When economists analyze the production decisions of a firm, they take into account the structure of the market in which the firm is operating. The structure of the market is determined by four different market characteristics: the number and size of the firms in the market, the ease with which firm may enter and exit the market, the degree to which firms' products are differentiated, and the amount of information available to both buyers and sellers regarding prices, product characteristics, and production techniques.

Economists distinguish among four different **market structures**, which they refer to as **perfect competition, monopoly, monopolistic competition, oligopoly**. This section considers the case of a firm operating in perfectly competitive market structure, while the next two sections consider the behavior of firm operating under the other three types of market structures.

**Conditions of Perfect Competition**

Four characteristics or conditions must be present for a perfectly competitive market structure to exist. First, there must be many firms in the market, none of which is large in terms of its sales. Second, firms should be able to enter and exit the market easily. Third, each firm in the market produces and sells a nondifferentiated or homogeneous product. Fourth, all firms and consumers in the market have complete information about prices, product quality, and product techniques.

**MONOPOLY**

In a perfectly competitive market, there are many firms, none of which is large in size. In contrast, in a **monopolistic market** there is only one firm, which is large in size. This one firm provides all of the market's supply. Hence, in a monopolistic market, there is no difference between the firm's supply and market supply.

**Conditions of Monopoly**

These conditions characterize a monopolistic market structure. First, as mentioned above, there is only one firm operating in the market. Second, there are high barriers to entry. These barriers are so high that they prevent any other firm from entering the market. Third, there are no close substitutes for the good the monopoly firm produces. Because there are no close substitutes, the monopoly does not face any competition.

**LESSON 13**  
**COMPETITION (continue)**

Competition also determines incomes and allocates goods. Competition acts as both stick and carrot in economic life. If the worker does not keep his hands to the machine, his employer will replace him. If the employer does not treat his employee as well as other employers would, the employee quits and goes somewhere else. If the manufacturer does not run his shop efficiently, his customers will go where they can find better service at the same price or equal service at a lower price. All of us, as producers, can be replaced by those who are able and willing to do the job better or cheaper.

On the other side, if we do our jobs well, we are more likely to get a good reward. The successful manufacturer has more customers and increases his revenues. The productive worker gets higher wages and more responsibility.

Market creates competition. Competition creates incentives. Incentives create better skills and higher productivity. Productivity creates higher profits for manufacturers and higher rewards for workers. Thus, competent work is better rewarded in market economies than in planned or bureaucratic ones. This is why competence is higher in countries with market economy. Now, when firms in the parts of Germany can openly compete, the Wartburg and Trabant have out to Opel and Volkswagen.

**VOCABULARY**

<b>Allocate</b>	размешать	yerləşdirmək
<b>Act</b>	действовать	fəaliyyət göstərmək
<b>Stick</b>	палка, прут	çubuq, dəyənək
<b>Employ</b>	нанимать на работу	işə götürmək
<b>Employer</b>	наниматель	işə götürən
<b>Employee</b>	(наемный) работник	işçi
<b>Quit</b>	прекращать, бросать	tərk etmək, atmaq
<b>Efficient</b>	эффективный, успешный	təsirlı, uğurlu
<b>Responsibility</b>	ответственность	məsuliyyət
<b>Skill</b>	навык, мастерство	ustalıq, bacarıq, qabiliyyət
<b>Competent</b>	компетентный, умелый	bacarıqlı, ağıllı çalışqan
<b>Competence</b>	компетенция, навыки, умения	bacarıq
<b>Treat</b>	обращаться (с кем- либо )	kimləsə davranmaq
<b>Stick and carrot</b>	кнул и пряник	qamçı və dəyənək
<b>Keep hands to</b>	работать не покладая рук	əlini bulamadan işləmək
<b>Run shop (factory)</b>	управлять цехом/магазином/ фабрикой	sexi idarə etmək
<b>On the other side</b>	с другой стороны	digər tərəfdən

**Exercise 1. Answer the Questions:**

1. What else does competition determine?
2. Why does competition work as both stick and carrot in economic life?
3. What will the customers do if the manufacturer does not run his shop efficiently?
4. Who will replace us if we don't do our job well?
5. What creates competition?
6. Why does competition create?
7. Where is competent work better rewarded?

8. How is competent work rewarded in planned or bureaucratic economies?

**Exercise 2. Buraxılmış sözləri mətndən tapıb yerinə qoyun:**  
**Заполните пробелы словами из текста:**

1. Competition also determines incomes and \_\_\_\_\_ goods.
2. Competition acts as both stick and \_\_\_\_\_ in economic life.
3. If the worker does not \_\_\_\_\_ his hands to the machine, his employer will replace him.
4. If the employer does not \_\_\_\_\_ his employee well, the employee quits.
5. If the manufacturer does not run his shop \_\_\_\_\_ his customers will go to another producer.
6. All of us, as \_\_\_\_\_ can be replaced.
7. If we do our jobs well, we are more likely to get a good \_\_\_\_\_.
8. The \_\_\_\_\_ manufacturer has more customers and increases his revenues.
9. The productive worker gets higher \_\_\_\_\_ and more responsibility.
10. Market \_\_\_\_\_ competition.

**Exercise 3. Give the Russian and Azerbaijan equivalents of the phrases.**

1. To determine incomes
2. to keep hands to do sth.
3. to treat smb. well
4. to run a business efficiently
5. to do one's jobs well
6. to be likely to get a good reward
7. a successful manufacturer
8. a productive worker
9. to create competition

10. to reward smb.
11. competent work
12. countries with market economy

**Exercise 4 Match the definitions of the words.**

- |                          |   |
|--------------------------|---|
| 1. <b>employee</b>       | a. a duty to help or take care of smb. Because of your job, position. |
| 2. <b>employer</b>       | b. having enough skill or knowledge to do smth. well                  |
| 3. <b>responsibility</b> | c. a person who is paid to work for smb.                              |
| 4. <b>competent</b>      | d. to stop doing smth   |
| 5. <b>quit</b>           | e. to do smth without wast  |
| 6. <b>efficient</b>      | f. a person or company that pays people to work for them              |

**Exercise 5. Cümlələri İngilis dilinə tərcümə edin**  
**Переведите предложения на Английский язык**

1. Конкуренция определяет доходы и распределение товаров.
2. Конкуренция действует как кнут и пряник экономической жизни.
3. Все мы как работники можем быть заменены теми, кто способен и желает работу лучше или с меньшими затратами.
4. Если мы делаем нашу работу хорошо, мы, всего вероятнее, получим хорошее вознаграждение.
5. Успешный производитель имеет больше потребителей и увеличивает свою прибыль.
6. Продуктивный рабочий получает более высокую зарплату и несет большую ответственность.
7. Рынок создает конкуренцию.
8. Конкуренция создает мотивацию.

9. Производительность труда создает более высокие прибыли для производителя и более высокое вознаграждение для работников.

10. Поэтому уровень компетенции выше в странах с рыночной экономикой.

\*\*\*

1. Rəqabət mənfəəti və malların bölüşdürülməsini təyin edir.

2. Rəqabət qamçı və pryanik kimi iqtisadi həyata təsir edir.

3. Biz bir işçi kimi qabiliyyətli, xərci az olan işi yaxşı bacaran işçilərlə əvəz edilə bilərik.

4. Əgər biz öz işimizi yaxşı görərixə, yəqin ki, yaxşı mükafat alarıq.

5. Müvəffəqiyyətli istehsalçının çoxlu istehlakçısı var və o, öz gəlirini artırır.

6. Məhsuldar işçi daha yüksək əmək haqqı alır və böyük məsuliyyət daşıyır.

7. Bazar rəqabət yaradır.

8. Rəqabət motivasiya yaradır.

9. Əməyin məhsuldarlığı istehsalçı üçün daha yüksək gəlir, işçilər üçün isə daha yüksək mükafat yaradır.

10. Ona görə də bazar iqtisadiyyatlı ölkələrdə peşəkarlıq səviyyəsi yüksəkdir.

### **Exercise 6 Translate the text.**

### **Monopolistic Competition and Oligopoly**

Perfect competition and pure monopoly represent two extreme possibilities for a market's structure. The structure of almost all markets, however, falls somewhere between these two extremes. This section considers two market structures, **monopolistic competition** and **oligopoly**, which lie between

the extreme cases of perfect competition and monopoly. According to its name, monopolistic competition is more closely related to perfect competition than to monopoly. Oligopoly is also a combination of monopoly and competition, but it is more closely related to monopoly than to perfect competition.

### **Conditions for Monopolistically Competitive Market**

Three conditions characterize a monopolistically competitive market. First, the market has many firms, none of which is large. Second, there is free entry and exit into the market; there are no barriers to entry or exit. Third, each firm in the market produces a differentiated product. This last condition is what distinguishes monopolistic competition from perfect competition. Examples of monopolistically competitive firms include restaurants, retail clothing stores, and gasoline service stations.

### **Conditions for Oligopolistic Market**

Oligopoly is the least understood market structure; consequently, it has no single, unified theory. Nevertheless, there is some agreement as to what constitutes an oligopolistic market. Three conditions for oligopoly have been identified. First, an oligopolistic market has only a few large firms. This condition distinguishes oligopoly from monopoly, in which there is just one firm. Second, an oligopolistic market has high barriers to entry. This condition distinguishes oligopoly from perfect competition and monopolistic competition in which there are no barriers to entry. Third, oligopolistic firms may produce either differentiated or homogeneous products. Examples of oligopolistic firms include automobile manufacturers, oil producers, steel manufacturers, and passenger airlines.

**It is interesting to know.**

## **II. Describing objects and substances.**

The definition might refer to the “shape” and or “size” of an object. Make sure that you know what the following words mean: round, square, circular, solid, broad, narrow.

Other features of the object might be mentioned:

appearance: simple, plain, complicated, decorative, rough, smooth, pointed.

color: dark, light, pale, bright, colored, colorless.

According to its function, the object might be a container, device, instrument, machine, mechanism or tool.

It might be made of fabric or cloth (including cotton, wool, fur, silk); metal (including iron, steel, gold, silver) or glass.

Material is a general word that means anything that something is made of. For example a cushion is a fabric bag filled with soft material; and adobe is mud that is ...used as a building material.

Matter is any substance that physically exists, used especially when defining more technical words. For example a technical meaning of suspension is a liquid with very small pieces of solid matter floating in it.

A substance may be liquid or solid or it may be a gas.

Remember a vehicle could be a car, lorry/truck van or train. An aircraft could be a plane or a helicopter.

## **Jokes about Economics and Economists**

1. **Socialism**: You have two cows. State takes one and gives it to someone else.

**Communism**: You have two cows. State takes both of them and gives you milk.

**Fascism**: You have two cows. State takes both of them and shoots you.

**Bureaucracy**: You have two cows. State takes both of them, kills one and spills the milk in system of sewage.

**Capitalism**: You have two cows. You sell one and buy a bull.

2. Three economists and three mathematicians were going for a trip by train. Before journey mathematicians bought 3 tickets (they could count to three) and economists only one.

Mathematicians were glad their stupid colleagues were going to pay a fine.

However when the conductor was approaching their compartment, all three economists went to the nearest toilet. Conductor noticing that somebody is in the loo knocked at the door and in reply saw a hand with the ticket. He checked it and economists saved 2/3 of the ticket price.

Next day mathematicians decided to use the same strategy – they bought only one ticket, but economists did not buy tickets at all. When mathematicians saw conductor they went to the loo, and when they heard knocking they handed out the ticket. They did not get it back. Why?

The economists took it and went to the other toilet.

## LESSON 14 SUPPLY

The most basic laws in economics are those of supply and demand. Indeed, almost every economics event is the product of the interaction of these two laws. The law of supply states that the quantity of a good supplied rises as the market price rises, and falls as the price falls. Conversely, the law of demand says that the quantity of a good demanded falls as the price rises, and vice, versa.

One function of markets is to find “equilibrium”, or “market-clearing” prices that balance the supplies of and demands for goods and services. An equilibrium price is the one at which each producer can sell all he wants to produce and, each consumer can buy all he demands. Naturally, producers always would like to charge higher prices. But even if they have no competitors, they are limited by the law of demand: if producers insist on a higher price, consumers will buy fewer units. The law of supply puts a similar limit on consumers. They always would prefer to pay a lower price than the current one. But if they successfully insist on paying less (say, through price controls), suppliers will produce less and some demand will go unsatisfied.

Economists often talk of supply “curves” and demand “curves”. A demand curve traces the quantity of a good that consumers will buy at various prices. As the price rises, the number of units demanded declines. That is because everyone’s resources are finite; as the price of one good rises, consumers buy less of that and more of other goods that now are relatively cheaper. Similarly, a supply curve traces the quantity of a good that sellers will produce at various prices. As the price falls, so does the number of units supplied. Equilibrium is the point at which the demand and supply curves intersect – the single price

at which the quantity demanded and the quantity supplied are the same.

Markets in which prices can move freely are always in equilibrium or moving toward it. For example, if the market for a good is already in equilibrium and producers raise prices, consumers will buy fewer units than they did in equilibrium, and fewer units than producers have available for sale. In that case producers have two choices. They can reduce price until supply and demand return to the old equilibrium, or they can cut production until supply falls to the lower number of units demanded at the higher price. But they cannot keep the price high and sell as many units as they did before.

### VOCABULARY

<b>Event</b>	событие, факт	hadisə, fakt
<b>Interaction</b>	взаимодействие	qarşılıqlı fəaliyyət
<b>State</b>	устанавливать	göstərmək, təyin etmək, müəyyən etmək
<b>Quantity</b>	количество	miqdar, say
<b>Converse</b>	обратный	geri, əks, zidd
<b>Equilibrium</b>	равновесие	bərabərlik, tarazlıq, müvazinət
<b>Clearing</b>	клиринг, клиринговый	klirinq (dövlətlər arasında banklar vasitəsilə nəgd pulsuz haqq-hesab
<b>Balance</b>	баланс; балансировать	balans, müvazinət, tarazlıq saxlamaq
<b>Insist (on)</b>	настаивать	təkid etmək
<b>Current</b>	настоящий, текущий	cari, hazırki, indiki
<b>Currently</b>	в настоящее время, на текущий момент	cari vaxt, hazırki vaxt, hal hazırda
<b>Unsatisfied</b>	неудовлетворенный	təmin olunmamış
<b>Curve</b>	дуга, кривая (линия)	əyri, qövsvari

<b>Trace</b>	проследивать	güdmək, izləmək, təqib etmək
<b>Decline</b>	падение, снижение; падать, снижаться	enmə, azalma, enmək, azalmaq
<b>Finite</b>	конечный, ограниченный	son, qurtarmış, bitmiş
<b>Relative</b>	относительный	nisbi
<b>Relatively</b>	относительно, сравнительно	nisbətən
<b>Point</b>	точка	nöqtə, məntəqə, dərəcə
<b>Intersect</b>	пересекаться	kəsmək, kəsişmək, qabağını kəsmək
<b>Move</b>	движение; двигать(ся)	hərəkət, hərəkət etmək, irəliyə getmək
<b>Available</b>	доступный, имеющийся в наличии	əldə olan, mövcud olan
<b>Reduce</b>	сокращать	ixtisar etmək, azaltmaq
<b>Charge</b>	назначать (цену)	qiymət təyin etmək, müəyyən etmək
<b>Conversely</b>	наоборот	çevrilən, geri, əksinə
<b>Vice versa</b>	лат. наоборот	(latınca) geri, əksinə
<b>Market-clearing</b>	обеспечивающая равновесие спроса и предложения на рынке	bazarda tələb və təklifin tarazlığını yaratmaq, təmin etmək
<b>Put a limit</b>	ставить ограничение	məhdudiyə qoymaq
<b>Go unsatisfied</b>	оставаться неудовлетворенным	təmin, qane olunmamış qalmaq

### Exercise 1. Answer the Questions:

1. What are the basic laws of economics?
2. What does the law of supply state?
3. What does the law of demand say?

4. What is the equilibrium price?
5. What prices would the producers like to charge?
6. What is a “demand curve”?
7. What does the “supply curve” trace?
8. Where do the demand and supply curves intersect?
9. What happens if producers raise prices in the market which is already in equilibrium?
10. What happens if the producer supplies more goods than is demanded by customers?

### Exercise 2. Buraxılmış sözləri mətndən tapıb yerinə qoyun: Заполните пробелы словами из текста:

1. The most basic laws in economics are \_\_\_\_\_ of supply and demand.
2. Every economic event is the product of the \_\_\_\_\_ of the laws of supply and demand.
3. The law of demand says that the \_\_\_\_\_ of a good demanded falls as the price rises.
4. One function of markets is to find “\_\_\_\_\_” prices that balance the supplies of and demands for goods and services.
5. An equilibrium price is the one at which each \_\_\_\_\_ can sell all he wants to produce and each consumer can buy all he demands.
6. Producers always would like to \_\_\_\_\_ higher prices.
7. If producers insist on a higher price, \_\_\_\_\_ will buy fewer units.
8. The law of supply puts a similar \_\_\_\_\_ on consumers.
9. Consumers always would prefer to pay a lower price than the current one.
10. Economists often talk of supply “\_\_\_\_\_” and demand “\_\_\_\_\_”.

**Exercise 3. Give Azeri and Russian equivalents of the phrases**

1. basic laws in economics
2. the quantity of a good supplied
3. market clearing prices
4. an equilibrium price
5. to be limited the law of demand
6. the law of supply
7. to put a limit on sth. or smb.
8. to pay a lower price
9. to insist on doing sth.
10. supply and demand curves
11. to buy sth. at various prices
12. to decline the number of units demanded
13. goods that are relatively cheaper
14. the demand and supply curves intersect
15. the producers raise the prices
16. the products that are available for sale

**Exercise 4. Match the definitions of the words**

- |                       |   |
|-----------------------|---|
| 1. <b>converse</b>    | a. a supply of smth. that a country or a person has and can use         |
| 2. <b>equilibrium</b> | b. to ask an amount of money for goods or a service                     |
| 3. <b>resource</b>    | c. the opposite or reverse of a fact or goods or a service              |
| 4. <b>intersect</b>   | d. a state of balance, especially between opposing forces or influences |
| 5. <b>charge</b>      | e. a line or surface that bends gradually                               |
| 6. <b>curve</b>       | f. to divide an area by crossing it                                     |

**Exercise 5. Cümlələri İngilis dilinə tərcümə edin  
Переведите предложения на Английский язык**

1. Самые основные законы экономики – это законы предложения и спроса.
2. Любое событие в экономике есть результат взаимодействия этих двух законов.
3. Количество предлагаемого товара растет с ростом рыночной цены и падает со снижением цены.
4. Закон спроса говорит, что количество требуемых товаров уменьшается по мере роста цены, и наоборот.
5. Одна из функций рынка – найти «равновесную» цену.
6. «Равновесные» цены балансируют поставки товаров и услуг и спрос на них.
7. «Равновесная» цена – это цена, по которой каждый производитель может продать все, что он хочет продать, а каждый покупатель – купить все, что ему требуется.
8. Естественно, производители всегда хотят назначать более высокие цены.
9. Но, даже если у них нет конкурентов, они ограничены законом спроса.
10. Если производитель будет настаивать на более высоких ценах, покупатель приобретает меньшее количество единиц продукции.

\*\*\*

1. İqtisadiyyatın əsas qanunları – tələb və təklif qanunlarıdır.
2. İqtisadiyyatda hər bir hadisə bu iki qanunun qarşılıqlı təsirinin nəticəsidir.
3. Təklif olunan malın sayı bazar qiyməti artdıqca artır və qiymət aşağı düşdükcə düşür.
4. Tələb qanunu deyir ki, qiymətin artma dərəcəsi ilə tələb olunan malların sayı azalır, yaxud əksinə.

5. Bazarın funksiyalarından biri – «bərabərçəkili» qiymətin tapılmasıdır.

6. «Bərabərçəkili» qiymətlər malların tədarük və xidmətlərini və onlara olan tələbi tarazlayır.

7. Təbiidir ki, istehsalçılar həmişə daha yüksək qiymət təyin etmək istəyirlər.

8. Əgər onların rəqibləri yoxdursa onlara tələb qanununu ilə məhdudiyət qoyulur.

9. Əgər istehsalçı daha yüksək qiymət qoymağı təkid edərsə, alıcı daha az miqdarda məhsul vahidi alır.

#### **Exercise 6. Üç variantdan (a, b, c) düzgün olanı seçin:**

**Из трех вариантов продолжения предложения (a, b, c) выберите правильный:**

1. A demand curve traces a) as the price of one good rises; b) the quantity of a good that consumers will buy at various prices; c) as the number of units demanded declines.

2. A supply curve traces a) the point at which the demand and supply curves

Intersect; b) everyone's resources; c) the quantity of a good that sellers will produce at various prices.

3. Markets in which prices can move freely a) will buy fewer units than they did in equilibrium; b) keep the price high and sell as many units as they did before; c) are always in equilibrium or moving toward it.

#### **Exercise 7 Translate the following text**

##### **Supply**

The buyers' demand for goods is not the only factor determining market prices and quantities. The sellers' supply of goods and services also play a role in determining market prices and quantities. According to the law of supply, a direct relationship exists between the price of a good and the quantity supplied of that good. A change in supply is not caused by a change in the price of the good being supplied; that would

induce a change in the quantity demanded. A change in supply is caused by other factors, including:

1. Changes in the prices for other goods. Suppliers are often able to switch their production processes from one type of good to another. For example, farmers might decide to grow less corn and more wheat on the same land if the price of wheat rises relative to the price of corn.

2. Changes in the prices of inputs: The prices of the raw materials or inputs used to produce a good also cause supply to change. An increase in the prices of a good's inputs will raise costs to suppliers and cause them to supply less of that good at all prices.

3. Changes in technology: Advances in technology often have the effect of lowering the costs of production, allowing suppliers to supply more goods at all prices. For example, the development of pesticides has reduced the amount of damage done to certain crops and therefore has reduced the cost of farming. The result has been an increase in the supply of these crops at all prices.

## LESSON 15 MONEY SUPPLY

Money supply in most countries comprises currency – bills and coins issued by the Central Bank and/or the Treasury – and various kinds of deposits held by the public at commercial banks and other depository institutions such as savings and loans and credit unions. In the USA, for example, on June 30, 1990, the money supply, measured as the sum of currency and checking account deposits, totaled \$ 809 billion. Including some types of savings deposits, the money supply totaled \$ 3,272 billion. An even broader measure totaled \$ 4,066 billion.

The definition of money has varied. For centuries physical commodities, most commonly silver or gold, served as money. Later, when paper money and checkable deposits were introduced, they were convertible into commodity money. The abandonment of convertibility of money into a commodity made paper money the main financial instrument around the world. To regulate the national economy and influence the world trade national monetary authorities have the power to issue paper money without legal constraints.

Because money is used in all economic transactions, it has a powerful effect on economic activity. An increase in the supply of money puts more money in the hands of consumers, making them feel wealthier, thus stimulating increased spending. Business firms respond to increased sales by ordering more raw materials and increasing production. The spread of business activity increases the demand for labor and raises the demand for capital goods. In a booming economy, stock market prices rise and firms issue equity and debt. If the money supply continues to expand, prices begin to rise, especially if output growth reaches capacity limits. As the public begins to expect inflation, lenders insist on higher interest rates to offset an expected decline in purchasing power over the life of their loans.

Opposite effects occur when the supply of money falls, or when its rate of growth declines. Economic activity declines and either disinflation (reduced inflation) or deflation (falling prices) results.

The most important determinant of the money supply is the Central Bank.

### VOCABULARY

<b>Coin</b>	Монета	dəmir pul (20 abbasılıq)
<b>Treasury</b>	Казначейство	xəzinə
<b>Deposit</b>	депозит, вклад; вкладывать	xəzinə, əmanət, xəzinəyə qoymaq
<b>Depository</b>	депозитарный	□man□t e'tibar olunmuş ş□xs
<b>Measure</b>	мера, измерение	ölçü, ölçmək
<b>Checking</b>	текущий ( <i>счет</i> )	cari (hesab)
<b>Definition</b>	определение, дефиниция	müəyyən etmə, tarif, şərh
<b>Vary</b>	разниться, меняться	dəyişmək
<b>Serve</b>	служить, обслуживать	xidmət etmək
<b>Convertible</b>	конвертируемый, обращаемый	çevrilə bilən
<b>Abandonment</b>	Отмена	ləğv, ləğv etmə
<b>Regulate</b>	регулировать, управлять	idarə etmək, tənzimləmək
<b>Monetary</b>	монетарный, денежный	Pul
<b>Authorities</b>	власти, администрация	hökumət, administrasiya
<b>Constraint</b>	Ограничение	Məhdudiyət
<b>Transaction</b>	сделка, (торговая, финансовая) операция	saziş, razılaşma (ticarət, maliyyə).əməliyyat
<b>Stimulate</b>	Стимулировать	stimullaşdırmaq, təkan vermək, həvəsləndirmək
<b>Equity</b>	Акция	səhm
<b>Debt</b>	долг, долговое	borc

	обязательство	
<b>Capacity</b>	мощность, способность, объем	tutum, həcm
<b>Offset</b>	компенсировать, возмещать	kompensasiya ödəmək, vermək
<b>Decline</b>	падение, упадок	enmə
<b>Loan</b>	Заем	istiqraz, borc (pul)
<b>Disinflation</b>	снижение уровня инфляции	inflasiya səviyyəsinin enməsi, aşağı düşməsi
<b>Reduced</b>	Сокращенный	ixtisar edilmiş
<b>Deflation</b>	Дефляция	inflasiyanın azalması
<b>Determinant</b>	определитель; тот, кто сораг китабы, определяет	təyin edən şəxs
<b>Money supply</b>	денежная масса	pul təchizatı
<b>Hold a deposit</b>	размещать депозит	depozit yerləşdirmək
<b>Depository</b>	депозитарные	depozit müəssisələri
<b>Institutions</b>	институты (организации)	(təşkilat)
<b>Credit union</b>	кредитный союз	kredit birliyi (ittifaqı)
<b>Checking account</b>	текущий счет	cari hesab
<b>Physical commodities</b>	физические товары	fiziki mal, əmtəə
<b>Commodity money</b>	товарные деньги	əmtəə, mala sərf olunan pul

### Exercise 1. Answer the Questions:

1. What institutions issue currency?
2. What physical commodities were used for money?
3. What made paper money the main financial instrument around the world?
4. How does the increase in the money supply affect the economy?
5. What is the difference between disinflation and deflation?
6. What happens when the money supply falls?

7. What institution determines the money supply?

### Exercise 2. Agree or disagree with the following statements.

1) Money is a medium of communication. 2) The idea of money as a universal equivalent is unfamiliar to us. 3) Money has five functions. 4) Money is used in exchange for goods and services. 5) Money is used for the discharge of defendant. 6) Money is used for the discharge of agreements. 7) Money acts as a trustee. 8) Money makes the operation of the price system impossible. 9) Money ensures the basis for keeping accounts. 10) Money counts cost, profit, and loss. 11) Money is exercised as a standard of deferred payments. 12) Money serves as the unit in which borrowings are made. 13) Money serves as the unit in which futures are fixed. 14) Money provides a store of material values.

### Exercise 3. Buraxılmış sözləri mətndən tapıb yerinə qoyun: Заполните пробелы словами из текста:

1. Various kinds of deposits are held by the public at commercial banks and other depository \_\_\_\_\_ such as savings and loans and credit unions.
2. In the USA, on June 30, 1990, the money supply, measured as the \_\_\_\_\_ of currency and checking account deposits, totaled \$ 809 billion.
3. The \_\_\_\_\_ of money has varied.
4. When paper money and checkable deposits were introduced, they were \_\_\_\_\_ into commodity money.
5. The abandonment of convertibility of money into a commodity made \_\_\_\_\_ money the main financial instrument around the world.
6. National monetary authorities have the power to issue paper money without \_\_\_\_\_ constraints.

7. An increase in the supply of money puts more money in the hands of consumers, making them feel wealthier, thus \_\_\_\_\_ increased spending.

8. The spread of business activity increases the demand for labor and raises the demand for \_\_\_\_\_ goods.

9. If the money supply continues to \_\_\_\_, prices begin to rise.

10. Economic activity declines and either \_\_\_\_\_ or deflation results.

#### Exercise 4. Match the definitions of the words

- |                       |   |
|-----------------------|---|
| 1. <b>deposit</b>     | a. a thing that limits or restricts smth.   |
| 2. <b>abandonment</b> | b. a reduction in the amount of money in a country's economy so that prices fall or remain the same |
| 3. <b>constraint</b>  | c. a general rise in the prices of services and goods in a particular bounty                        |
| 4. <b>equity</b>      | d. the act of leaving a person, thing or place with no intention of returning                       |
| 5. <b>inflation</b>   | e. a person who determines smth   |
| 6. <b>deflation</b>   | f. a sum of money that is paid into a bank  |
| 7. <b>determinant</b> | g. the value of a company's shares in a company which don't pay a fixed amount of interest          |

#### Exercise 5. Give Russian and Azeri equivalents of the phrases.

1. various kinds of deposits
2. depository institutions
3. checking account deposits
4. types of savings deposits
5. definition of money

6. physical commodities
7. to be convertible into commodity money
8. the abandonment of convertibility of money into a commodity

9. to regulate the national economy
10. national monetary authorities
11. an increase in the supply of money
12. money in the hands of consumers
13. to order more raw materials
14. business activity increases the demand for labor
15. to raise the demand for capital goods

#### Exercise 6. Cümlələri İngilis dilinə tərcümə edin Переведите предложения на Английский язык

1. Население держит вклады в различных депозитарных организациях, таких

2. Как коммерческие банки, сберегательные и кредитные союзы.

3. Денежная масса, измеряемая как сумма валюты и вкладов по текущим счетам, составляет всего 900 миллиардов долларов.

4. Эта сумма включает некоторые виды сберегательных депозитов.

5. В течение столетий физические товары, чаще всего золото и серебро, служили в качестве денег.

6. Позднее, когда были введены бумажные деньги, они могли быть обращены в товарные деньги.

7. В целях регулирования национальной экономики национальные финансовые органы наделяются полномочиями по выпуску бумажных денег.

8. Так как деньги используются во всех экономических операциях, они оказывают мощное воздействие на экономическую деятельность.

9. Компании отвечают на рост объема продаж, заказывая большее количество сырья.

10. Рост деловой активности увеличивает спрос на рабочую силу и поднимает спрос на основные фонды.

11. В экономике, переживающей подъем, цены фондового рынка растут, и компании выпускают акции и облигации.

\*\*\*

1. Əhali öz əmanətlərini kommersiya, əmanət bankları və kredit ittifaqları kimi depozit təşkilatlarında saxlayır.

2. Valyuta məbləği və cari hesab üzrə əmanətlər kimi ölçülən pul kütləsi cəmi 900 milyard dollar təşkil edir.

3. Bu məbləğə əmanət depozitlərinin bir neçə növü daxildir.

4. Yüzdəliklər ərzində fiziki mallar, çox vaxt qızıl və gümüş pul qismində xidmət edirdilər.

5. Sonralar kağız pul daxil olan zaman onlar əmtəlik pula çevrilə bilirdilər.

6. Milli iqtisadiyyatı tənzimləmək məqsədilə milli maliyyə orqanları kağız pullar buraxılışı üzrə səlahiyyətlərini bölüşdürürlər.

7. Belə ki, pul bütün iqtisadi əməliyyatlarda iştirak edir, onlar iqtisadi fəaliyyətə güclü təsir edir.

8. Kompaniyalar çoxlu sayda xammal sifariş verərək satış həcminin artmasına cavabdehlik daşıyırlar.

9. İşgüzar fəaliyyətin yüksəlməsi işçi qüvvəsinə tələbi artırır və əsas fondlara tələbi çoxaldır.

10. İnkişaf hissi keçirən iqtisadiyyatda fond bazarı qiymətləri artır, kompaniyalar da səhm və istiqrazlar buraxırlar.

**Exercise 7. Цч вариантдан (а, б, ж) дцээн оланы сечин: Из трех вариантов продолжения предложения (а, б, с) выберите правильный:**

1. For centuries physical commodities, most commonly silver or gold, a) is the Central Bank; b) decline in purchasing power over the life of their loans; c) served as money.

2. The abandonment of convertibility of money into a commodity made paper money a) issue paper money without legal constraints; b) the main financial instrument around the world; c) convertible into commodity money.

3. As the public begins to expect inflation, lenders insist on higher interest rates a) to offset an expected decline in purchasing power over the life of their loans; b) \$ 4,066 billion; c) to issue paper money without legal constraints.

**Exercise 8 Translate the text  
Equilibrium**

Earlier we have examined the demand decision of buyers and the supply decisions of sellers, separately. However, in the market for any particular good, the decisions of buyers interact simultaneously with the decisions of sellers. When the demand for a good equals the supply of the good, the market for the is said to be in equilibrium. Associated with the market equilibrium will be an equilibrium quantity and an equilibrium price.

**Elasticity**

In addition to understanding how equilibrium prices and quantities change as demand and supply change, economists are also interested in understanding how demand and supply change in response to changes in prices and incomes. The responsiveness of demand and supply to changes in prices or incomes is measured by the elasticity of demand or supply.

If the percentage change in quantity demanded is greater than the percentage change in price, demand is said to be price elastic, or very responsive to price changes. If the percentage change in quantity demanded is less than percentage change in price, demand is said to be price inelastic, or not very responsive to price change. Similarly, supply is price elastic when the percentage change in quantity supplied is greater than the percentage change in price, and supply is price inelastic when the percentage change in quantity supplied is less than the percentage in price. The price elasticity of demand or supply will differ among goods.

## LESSON 16 DEMAND

The concept of demand is one of the most important building blocks of economic analysis. When economists refer to demand, they usually have in mind not just a single quantity demanded, but what is called a demand curve. A demand curve traces the quantity of a good or service that is demanded at successively different prices.

The most famous law in economics is the law of demand. This law states that when the price of a good rises, the amount demanded falls, and when the price falls, the amount demanded rises.

It is not just price that affects the quantity demanded. Income affects it too. As real income rises, people buy more of some goods (which economists call normal goods) and less of what are called inferior goods. Urban mass transit and railroad transportation are classic examples of inferior goods. The usage of both of these modes of travel declined dramatically in the US as postwar incomes were rising and more people could afford automobiles.

Another influence on demand is the price of substitutes. When the price of Toyota Tercels rises, all else being equal, demand for Tercels falls and demand for Nissan Sentras, a substitute, rises. Also important is the price of complements, or goods that are used together. When the price of gasoline rises, the demand for cars falls.

## VOCABULARY

<b>Concept</b>	концепция, концепт	konsepsiya, anlayış
<b>Refer</b>	Относиться	aid olan, əlaqədar
<b>Successively</b>	последовательно	ardıcılıqla, məntiqi surətdə
<b>Affect</b>	оказывать воздействие	təsir göstərmək
<b>Inferior</b>	второстепенный	ikinci dərəcəli, aşağı keyfiyyətli
<b>Urban</b>	Городской	şəhərli, şəhər sakini
<b>Mass</b>	масса; массовый	kütlə, kütləvi
<b>Transit</b>	Перевозки	daşıma, daşınma (miniklə)
<b>Transportation</b>	транспортировка	göndərmə, nəql etmə, daşıma
<b>Usage</b>	Использование	istifadə
<b>Dramatically</b>	резко, внезапно	birdən, qəfildən, nəzərə çarpmadan
<b>Afford</b>	позволять себе(что-либо приобрести)	cəhd etmək, səy göstərmək
<b>Influence</b>	влияние; оказывать влияние	təsir, təsir göstərmək
<b>Substitute</b>	аналог; заменитель; заменять на нечто аналогичное	bənzər, oxşar, əvəzedici, dəyişdirmək
<b>Gasoline</b>	Бензин	benzin
<b>Have in mind</b>	иметь в виду	nəzərdə tutmaq
<b>Normal goods</b>	«обычные товары» (товары и услуги, имеющие безусловную потребительскую стоимость)	gündəlik istifadə olunan mallar
<b>Inferior goods</b>	«второстепенные товары» (товары и услуги, потребительская стоимость которых зависит от внешних обстоятельств)	ikinci dərəcəli mallar
<b>All else being equal</b>	при прочих равных условиях	başqa, bərabər şərtlərlə

### Exercise 1. Answer the Questions:

1. What do economists have in mind when they refer to demand?
2. What does the demand curve trace?
3. What does the law of demand state?
4. Apart from the price, what else affects the quantity demanded?
5. What happens when income rises?
6. What is “normal goods”?
7. What goods are called “inferior”?
8. What happened to the people’s incomes in the postwar America?
9. In what way do substitutes influence the demand?
10. How does the price of complements affect the demand?

### Exercise 2. Give the Azerbaijan and Russian equivalents of the phrases

1. blocks of economic analysis
2. refer to demand
3. a demand curve
4. the quantity of a good or service
5. a law of demand
6. classic examples of inferior goods
7. postwar income
8. the price of complements
8. the demand for cars falls

**Exercise 3. Buraxılmış sözləri məndən tapıb yerinə qoyun:**  
**Заполните пробелы словами из текста:**

1. The concept of demand is one of the most important building \_\_\_\_\_ of economic analysis.
2. When economists refer to demand, they usually have in \_\_\_\_\_ a demand curve.
3. A demand curve traces the quantity of a good at \_\_\_\_\_ different prices.
4. It is not just price that \_\_\_\_\_ the quantity demanded.
5. As real income rises, people buy more of \_\_\_\_\_ goods and less of inferior goods.
6. Urban mass transit and railroad \_\_\_\_\_ are classic examples of inferior goods.
7. The usage of these modes of travel \_\_\_\_\_ dramatically after the war.
8. As postwar incomes were rising, more people could \_\_\_\_\_ automobiles.
9. Another \_\_\_\_\_ on demand is the price of substitutes.
10. Also important is the price of \_\_\_\_\_, or goods that are used together.

**Exercise 4. Üç variantdan (a, b, c) düzgün olanı seçin:**  
**Из трех вариантов продолжения предложения (a, b, c) выберите правильный:**

1. When economists refer to demand, they usually have in mind a) just price that affects the quantity demanded; b) what is called a demand curve; c) railroad transportation.
2. This law states that when the price of a good rises a) the amount demanded falls; b) people buy more of inferior goods; c) it is demanded at successively different prices.

3. Also important is the price of complements, or a) the quantity demanded; b) classic examples of inferior goods; c) goods that are used together.

**Exercise 5. Match the definitions of the words**

- |                      |   |
|----------------------|---|
| 1. <b>affect</b>     | a. the power that smb/smth has to make smb/smth behave in a particular way            |
| 2. <b>inferior</b>   | b. a person or thing that you use or have instead of the one you normally use or have |
| 3. <b>transit</b>    | c. to make smb. do smth   |
| 4. <b>afford</b>     | d. a person or thing of you quality   |
| 5. <b>influence</b>  | e. to provide smb. with smth  |
| 6. <b>substitute</b> | f. the process of being moved or carried from one place to another.                   |

**Exercise 6. Cümlələri İngilis dilinə tərcümə edin**  
**Переведите предложения на Английский язык**

1. Концепция спроса – одна из наиболее важных составляющих теории экономического анализа.
2. Когда экономисты говорят о спросе, они имеют в виду то, что называется кривой спроса.
3. Кривая спроса отслеживает объем требуемого товара или услуги в отношении к последовательно меняющейся цене.
4. Не только цена оказывает воздействие на уровень спроса.
5. По мере роста реальных доходов люди покупают больше товаров.
6. Классические примеры подобных товаров – массовый общественный транспорт и железнодорожные перевозки.
7. Еще один источник воздействия на уровень спроса – цена на аналоги.

8. Когда поднимается цена на бензин, падает спрос на автомобили

\*\*\*

1. Tələb konsepsiyası – iqtisadi təhlil nəzəriyyəsinin ən mühüm tərkib hissələrindən biridir.

2. İqtisadçılar tələb barədə danışanda onlar yalançı tələbi nəzərdə tuturlar.

3. Yalançı tələb ardıcıl dəyişən qiymət haqqında tələb olunan mal və xidmətlərin həcmi izləyir.

4. Təkcə qiymət tələbin səviyyəsinə təsir etmir.

5. Adamlar real gəlirlərin artmasına uyğun olaraq çox mal alırlar.

6. Bu kimi malların klassik nümunəsi – kütləvi ictimai nəqliyyat və dəmir yol daşımalarıdır.

7. Tələbin səviyyəsinə təsir edən mənbələrdən biri də oxşar qiymətlərdir.

8. Benzinin qiyməti artdıqda avtomobilə olan tələb aşağı düşür.

### Exercise 7. Remember the explanations of the words in English

<b>Agency</b>	The organization that provides services
<b>Fee</b>	Money paid to professional people
<b>Take into account</b>	Take into consideration
<b>Monitor</b>	Watch closely
<b>Appropriately</b>	In the right way
<b>Revenues</b>	Incoming money
<b>Expenditures</b>	Outgoing money
<b>Quotation</b>	Estimate of how much something will cost
<b>Total</b>	Add together a set of numbers or objects
<b>Report</b>	Present data to someone(s)
<b>Procedure</b>	A formal way of doing something
<b>Process</b>	A series of transactions, changes, or functions that bring about a particular result
<b>Express</b>	Indicate by words and symbols
<b>Reflect</b>	Give a particular impression of something
<b>Detail</b>	Provide information item by item

### It is necessary to know for economists

#### Business

- work relating to the production, buying, and selling of goods and services;

- an organization which produces and sells goods, or which provides a service;

- important matters that you have to discuss or deal with.

#### Businessman, Businesswoman

- a person engaged in trade or commerce.

#### Business cycle

- process by which investment, output, and employment in an economy tend to fluctuate up and down in a regular pattern causing boom and depression, with recession and recovery as intermediate stages.

#### Organization

- a large group of people that has particular aims.

#### Organizer

- the person who makes all the arrangements for something and makes sure that happens as planned.

### Exercise 7. Translate the text

#### Demand

In every market, there are both buyers and sellers. The buyer's willingness, to buy a particular good (at various prices) is referred to as the buyers' demand for that good. The sellers' willingness to supply a particular good (at various prices) is referred to as the sellers' supply of that good.

## Reasons for a change in demand

It is important to keep straight the difference a change in quantity demanded, and a change in demand. There is only one reason for a change in the quantity demanded of some good: a change in its price; however, there are several reasons for a change in demand for the good, including:

1. Changes in the price of related goods: The demand for a good may be changed by increases in the prices of the other, related goods. These related goods are usually divided into two categories called substitutes (for ex., butter and margarine) and complements (for ex., shoes and shoelaces).

2. Changes in income: The demand for a good may also be affected by changes in the incomes of buyers. Normally, as incomes rise, the demand for a good will usually increase at all prices, and vice versa. Goods for which changes in demand vary directly with changes in income leads to a decrease in demand and a decrease in income leads to an increase in demand. Goods for which changes in demand vary inversely with changes in income are called inferior goods. For example, consider meat and bread. As incomes increase, people demand relatively more meat and relatively less bread, implying that meat may be regarded as a normal good, and bread may be considered an inferior good.

3. Changes in preferences: As people's preferences for goods and services change over time, the demand for these goods and services will also shift. For example, as the price for the gasoline has risen, automobile buyers have demanded more fuel-efficient, "economy" cars, and fewer gas-guzzling, "luxury" cars.

4. Changes in expectations: If buyers expect that they will have a job for many years to come, they will be more willing to purchase goods such as cars and homes that require payments over a long period of time. If buyers fear losing their jobs, perhaps because of an adverse economic climate, they will demand fewer goods requiring long-term payments.

## Jokes about Economics and Economists

1. I asked an economist for her phone number ... and she gave me an estimate.

2. Economists have forecasted 9 out of the last 5 recessions.

3. An economist returns to visit his old school. He's interested in the current exam questions and asks his old professor to show some. To his surprise they are exactly the same ones to which he had answered 10 years ago!

When he asks about this the professor answers: "The questions are always the same – only answers change!"

4. An econometrician and an astrologer are arguing about their subjects. The astrologer says, "Astrology is more scientific. My predictions come out right half the time. Yours can't even reach that proportion".

The econometrician replies, "That's because of external shocks. Stars don't have those".

## LESSON 17 ACCOUNTING

*Accounting* is frequently called the “language of business” because of its ability to communicate financial information about the organization. Various interested parties, such as managers, potential investors, creditors, and the government, depends on a company’s accounting system to help them make informed financial decisions. An effective accounting system, therefore, must include accurate collecting, recording, classifying, summarizing, interpreting, and reporting of information on the financial status of an organization.

In order to achieve a standardized system, the accounting process follows accounting principles and rules. Regardless of the type of business or the amount of money involved, common procedures for handling and presenting financial information are used. Incoming money (*revenues*) and outgoing money (*expenditures*) are carefully monitored, and transactions are summarized in financial statements, which reflect the major financial activities of an organization.

The work of accountants is rather sophisticated. People who specialize in the field of accounting are known as bookkeepers and accountants. *Bookkeepers* deal in taxes and different business *transactions* of the company. The *accountant’s* responsibility is to analyze and interpret the financial data and make it understandable for users. In the United States, accountants are usually classified as private, government, and public. Private accountants work solely for private companies or corporations that hire them to maintain financial records, and governmental accountants work for governmental agencies. Both private and governmental accountants are paid on a salary basis, whereas public accountants receive fees for the services. Public accountants

work independently and provide accounting services such as auditing and tax computation to companies and individuals.

Many accountants have special certificates after they pass examinations in Institute of Accountants. Certified accountants in England are called *chartered accountants*. In the USA the certified accountants are called *certified public accountants (CPA)*.

Through effective application of commonly accepted accounting systems, accountants provide accurate and timely financial information that is necessary for organizational decision-making. No expansion or reorganization is planned without them. New products and advertising campaigns are also prepared with the help of the accountant.

### VOCABULARY

<b>Accounting</b>	бухгалтерский учет	mühasibatüçotu
<b>Audit</b>	аудит	Audit
<b>Accountingsyn. Bookkeeper</b>	бухгалтер	Mühasib
<b>Asset</b>	актив	Aktiv
<b>Liability</b>	пассив	passiv
<b>Balance</b>	баланс , остаток	balans, qalıq
<b>Financialstatus</b>	финансовоеположение	maliyyə vəziyyəti
<b>Financialstatement</b>	финансовыйотчет	maliyyə hesabatı
<b>Revenue</b>	доходы	gəlir
<b>Expenditure</b>	расходы	xərc
<b>Payroll</b>	платежная ведомость	maaşcədvəli
<b>Salary</b>	зарплата	maaş (aylıq)
<b>Fee</b>	гонорар	gonorar
<b>Chartered accountant</b>	аудиторв Англии	auditor (İngiltərədə)
<b>Certified public accountant</b>	аудитор в США	auditor (Amerikada)
<b>Collect</b>	собирать	toplamaq
<b>Record</b>	регистрировать	qeydiyyatı almaq
<b>Summarize</b>	обобщать	yekunlaşdırmaq

<b>Interpret</b>	интерпретировать	şərhetmək
<b>Report</b>	отчитываться, докладывать	hesabat vermək
<b>Withdraw</b>	удерживать (из зарплаты)	tutmaq (maaşdan)
<b>Present</b>	представлять	təqdim etmək
<b>Sophisticated</b>	сложный	çətin
<b>Accurate</b>	точный	dəqiq
<b>Timely</b>	своевременный	vaxtında
<b>Solely</b>	только, единственно	yalnız, tək
<b>Independently</b>	независимо	müstəqil

### Exercise 1. Answer the Questions

1. Why is accounting called the “language of business” ?
2. What are revenues and expenditures ?
3. What is difference between a bookkeeper and an accountant ?
4. How are accountants classified in the USA ?
5. What kind of services do certified accountants provide ?
6. How are they called in Britain and the USA ?

### Exercise 2. Find the correct synonyms of words on the right hand

method	fee
charge for services	financial status
strict	corresponding
collect	complicated
appropriate	maintain
sophisticated	gather
financial condition	rigorous
Keep	Procedure

### Exercise 3. Choose and write the correct word

#### 1. information / inform

- A. You can get a lot of \_\_\_\_\_ about him in our company.  
 B. She must \_\_\_\_\_ us about the meeting of young people at our university.

#### 2. collecting/collection

- A. Primary data \_\_\_\_\_ calls for decisions about the research approaches.  
 B. The second step involves developing a plan for \_\_\_\_\_ the information.

#### 3. record / records

- A. A bookkeeper \_\_\_\_\_ all transactions of the company.  
 B. If you go in for sport you can break the \_\_\_\_\_ among the students of our republic.

#### 4. profit/profitable

- A. His father is busy with a \_\_\_\_\_ business.  
 B. A \_\_\_\_\_ and loss statement includes financial statements.

#### 5. monitored / monitoring

- A. The Board of Directors exercises \_\_\_\_\_ of the project.  
 B. The student's progress is being \_\_\_\_\_.

### Exercise 4. Remember the explanations of the words in English

<b>Fee</b>	Money paid to professional people
<b>Option</b>	Choice
<b>Revenues</b>	Incoming money
<b>Expenditures</b>	Outgoing money
<b>Quotation</b>	Estimate of how much something will cost
<b>Supervision</b>	Control of employee's performance, training and motivating
<b>Report</b>	Present data to someone
<b>Bookkeeper</b>	A person who does books
<b>Reflect</b>	Give a particular impression of something
<b>Detail</b>	Provide information item by item
<b>Agency</b>	The organization that provides services

### Exercise 5. Translate the word – combinations into Azerbaijan and Russian

1. to govern an organization
2. to run a company
3. to meet objectives
4. to attain goals
5. to perform functions
6. to centralize authority
7. to delegate authority
8. to achieve goals
9. to establish objectives
10. to perform tasks
11. to make changes
12. to respond to changes
13. to reach someone's potential abilities

### Exercise 6. Learn the dialogue

#### Accountancy in a Free –Market Economy

**Russian :** What is the role of accountancy in a free – market economy ?

**American :** Well, in a free – market environment, accounting provides sort of a vehicle for transmitting information about the performance of enterprises to those with an interest in it.

**R :** Would it be correct, in that case, to sum up the basic functions of accounting in a market economy as measuring economic activity of an enterprise and its profit, showing changes in its financial positions and ensuring that a fair report of the economic status and performance is made available to all those concerned.

**Am :** Yes, you are right. I'd like to add that these functions are performed at two different levels.

**R :** We know that your accountants communicate financial information to many people. What users need financial information ?

**Am :** I'm coming to the point. One branch of accounting, called managerial accounting, provides information that managers use in making decisions within the firm. Other accountants prepare financial reports for outside users. This branch of accounting is known as financial accounting.

**R :** Financial accounting is only making its first steps in our country and we are having lots of teething problems. How does your accounting meet the needs of the users ?

**Am :** Our accounting standards and objectives of financial statements fully meet the user's needs for useful information.

**R :** What basic principles ensure the provision of such information in the manner the market requires ?

**Am :** First of all, accounts must be prepared on a going – concern basis.

**R :** What exactly does it mean ?

**Am :** It means accounting is based on the assumption that the business in question will continue to operate. Besides, accounts must reflect the economic substance of the situation rather than simply its legal form.

**R :** What other characteristics make information useful for the users ?

**Am :** First of all, I'd single out relevance, timeliness, prudence, reliability, materiality, consistency, and comparability.

**R :** As far as I know, these concepts are recognized internationally. But users of information often fail to get a true and fair view of business operations.

**Am :** That depends on a number of factors. But I personally believe that in the present conditions, we all need to work harder to harmonize national accounting systems so as to make it easier for users to assess financial information.

**R :** I can't agree more, particularly taking into account growth of transnational corporations and increasing interdependence of financial markets.

## LRESSON 18 PROFITS

In a market economy, profits are the core aim of economic activities. Those who organize production efforts do so to maximize their income. Their search for profits is guided by the famous “invisible hand” of capitalism: the highest profits are to be found in producing the goods and services that potential buyer most want.

Capitalists earn a return on their efforts by providing three productive inputs. First, they are willing to delay their own personal gratification. Instead of consuming all their resources today, they save some of today’s income and invest those savings in activities (plant and equipment) that will yield goods and services in the future. When sold, these future goods and services will yield profits that can then be used to finance consumption or additional investment. Put bluntly, the capitalist provides capital by not consuming. Without capital much less production could occur. As a result some profits are effectively the “wages” paid to those who are willing to delay their own personal gratification.

Second, some profits are a return to those who take risks. Some investments make a profit and return what was invested plus a profit, but others don’t. When a savings and loan association or an airline goes broke, the investors in those firms lose their wealth and become poorer. Just as underground miners, who are willing to perform a dangerous job, get paid more than those who work in safer occupations, so investors who are willing to invest in risky ventures earn more than those who invest in less risky ones. On average those who take risks will earn a higher rate of return on their investments than those who invest more conservatively.

Third, some profits are a return to organizational ability, enterprise, and entrepreneurial energy. The entrepreneur, by inventing a new product or process, or by organizing the better

delivery of old product, generates profits. People are willing to pay the entrepreneur because he or she has invented a “better” mousetrap.

Economists use the word interest to mean the payment for delayed gratification, and use the word profits to mean only the earnings that result from risk taking and from entrepreneurship. But in everyday business language the owner’s return on his or her capital is also called profits. (In business language the lender’s return is called interest, even though most lending also entails some risks.)

Capitalism requires profits, and profits require ownership. Property ownership generates responsibility. Without ownership no one is really responsible for what is going on in the economy.

### VOCABULARY

<b>Core</b>	ядро, суть; главная, центральная	əsas, baş, mərkəz, mahiyyət
<b>Maximize</b>	оптимизировать	Səmərələşdirmək
<b>Guide</b>	гид, проводник; вести, направлять	bələdçi, aparmaq, istiqamətləndirmək
<b>Invisible</b>	Невидимый	Görünməyən
<b>Return</b>	возвращение, прибыль	qayıtma, gəlir
<b>Return on</b>	прибыль (с,от)	gəlir (dan <sup>2</sup> )
<b>Productive</b>	продуктивный, производственный	Məhsuldar
<b>Input</b>	ввод, вводимый ресурс фактор производства	daxili vəsait, ehtiyat
<b>Gratification</b>	вознаграждение	mükafat, mükafatlandırma
<b>Save</b>	спасать, экономить	qənaət etmək, xilas etmək
<b>Savings</b>	Сбережения	saxlama, yığma, toplama, qənaət
<b>Yield</b>	урожай, прибыль; получать прибыль	məhsul, gəlir, gəlir götürmək, əldə etmək
<b>Consumption</b>	Потребление	istehlak, işlətmə, sərf etmə
<b>Occur</b>	случаться, происходить	baş vermək

<b>Underground</b>	подземелье; подземный	Yeraltı
<b>Miner</b>	Шахтер	Şaxtaçı
<b>Safe</b>	безопасный	Təhlükəsiz
<b>Occupation</b>	занятие, профессия	profesiya, məşğuliyyət, vəzifə
<b>Venture</b>	рискованное предприятие	təhlükəli müəssisə
<b>Conservative</b>	консервативный	mühafizəkar (köhnəlik tərəfdarı)
<b>Invent</b>	изобретать	ixtira, icad etmək
<b>Delivery</b>	доставка, поставка	çatdırma, yetirmə
<b>Generate</b>	производить, вырабатывать	hasil etmək, yaratmaq, istehsal etmək
<b>Mousetrap</b>	мышеловка	tələ, siçan tələsi
<b>Interest</b>	интерес, процентная ставка; интересовать(ся)	faiz, faiz qoymaq
<b>Earning</b>	заработок	qazanc, əmək haqqı
<b>Lender</b>	заимодавец, кредитор	kreditor, borc verən
<b>Lending</b>	ссуда, заем, кредит	istiqraz, borc (pul), kredit
<b>Entail</b>	влечь за собой, вызывать	öz üzərinə götürmək
<b>Core aim</b>	центральная, главная цель	əsas məqsəd
<b>Invisible hand</b>	невидимая рука	görünməyən əl
<b>Put bluntly</b>	Грубо говоря	kəbud desək
<b>Take risks</b>	рисковать, брать на себя риск	risk etmək, riski öz üzərinə götürmək
<b>Risk taking</b>	риск, принятие риска	riskli, təhlükəli
<b>A savings and loan association</b>	кредитно- сберегательный союз	kredit əmanət birliyi
<b>Go broke</b>	терпеть финансовый крах	maliyyə iflasına tab gətirmək, maliyyə itgisi yaşamaq
<b>Get paid</b>	получать выплаты	haqq almaq, ödəniş
<b>On average</b>	В среднем	orta hesabla
<b>Rate of return on</b>	уровень прибыли (с,от)	gəlir norması (hardansa)

### Exercise 1. Answer the Questions:

1. What is the core aim of economic activity in a market economy?
2. Where are the highest profits to be found?
3. Where do the capitalists invest a part of today's income?
4. Why do people take risks?
5. Why do some investors prefer to invest in risky ventures?
6. Why are people willing to pay entrepreneurs?

### Exercise 2. Buraxılmış sözləri mətndən tapıb yerinə qoyun: Заполните пробелы словами из текста:

1. In a market economy, profits are the \_\_\_\_\_ aim of economic activities.
2. Those who organize production efforts do so to \_\_\_\_\_ their income.
3. Their search for profits is \_\_\_\_\_ by the famous "invisible hand" of capitalism.
4. The highest profits are to be found in \_\_\_\_\_ the goods and services that potential buyers most want.
5. Capitalists earn \_\_\_\_\_ on their efforts by providing three productive inputs.
6. Capitalists are willing to \_\_\_\_\_ their own personal gratification.
7. Instead of consuming all their \_\_\_\_\_ today, they save some of today's income.
8. They invest those \_\_\_\_\_ in activities that will yield goods and services in the future.
9. These future goods and services will \_\_\_\_\_ profits that can then be used.

10. This money can be used to finance \_\_\_\_\_ or additional investment.

**Exercise 3. Give the Azerbaijan and Russian equivalents of the phrases**

1. the core aim of economic activities
2. to try to do sth.
3. invisible hand of capitalism
4. to be found in producing the goods
5. a potential buyer
6. to earn a return on one's efforts
7. to save income
8. to invest the same savings in activities
9. to finance additional investment
10. to make a profit
11. to loose one's wealth
12. to invest in risky ventures
13. the better delivery of old product
14. to generate profits
15. to invent a "better" mousetrap
16. to require profit
17. to generate responsibility

**Exercise 4. Match the definitions of the words**

- |                     |  |
|---------------------|--|
| 1. <b>core</b>      | a. a the money that you earn for the work that you do                        |
| 2. <b>potential</b> | b. to produce or design smth that has not existed before                     |
| 3. <b>savings</b>   | c. a business project or activity, especially one that involves taking risks |
| 4. <b>risky</b>     | d. a person or an organization that lends money                              |
| 5. <b>venture</b>   | e. money that you have saved, especially in a bank                           |
| 6. <b>invent</b>    | f. the central part of an object   |

- |                    |   |
|--------------------|---|
| 7. <b>lender</b>   | g. that can develop into smth or be developed in the future |
| 8. <b>earnings</b> | h. involving the possibility of smth bad happening          |

**Exercise 5. Üç variantdan (a, b, c) düzgün olanı seçin:  
Из трех вариантов продолжения предложения (a, b, c) выберите правильный:**

1. Those who organize production efforts do so a) to finance consumption; b) to maximize their income; c) to perform a dangerous job.

2. When sold, these future goods and services will yield profits that a) lose their wealth and become poorer; b) mean the payment for delayed gratification; c) can then be used to finance consumption or additional investment.

3. The entrepreneur, by inventing a new product or process, or by organizing the better delivery of old product a) generates profits; b) provides capital by not consuming; c) generates responsibility.

**Exercise 6. Translate the text**

**SHARE CAPITAL AND DEBT**

**Capital** is the money that a company uses to operate and develop. There are two main ways in which a company can raise capital, that is find the money it needs: it can use share capital or loan capital, from investors. These are people or organizations who invest in the company: they put money in hoping to make more money.

**Share capital** is contributed by shareholders who put up money and hold shares in the company. Each share represents ownership of a small proportion of the company.

Shareholders receive periodic payments called dividends, usually based on the company's profit during the relevant period. Capital in the form of shares is also called equity.

**A venture capitalist** is someone who puts up money for a lot of new companies.

**Loan capital.** Investors can also lend money, but then they do not own a small part of the company. This is loan capital, and an investor or a financial institution lending money in this way is a lender. The company borrowing it is the borrower and may refer to the money as borrowing or debt. The total amount of debt that a company has is its indebtedness.

The sum of money borrowed is the principal. The company has to pay interest, a percentage of the principal, to the borrower, whether it has made a profit in the relevant period or not.

**Security.** Lending to companies is often in the form of bonds or debentures, loan with special conditions. One condition is that the borrower must have collateral or security: that is, if the borrower cannot repay the loan, the lender can take equipment or property, and sell it in order to get their money back. This may be an asset which was bought with the loan.

**Leverage.** Many companies have both loan and share capital. The amount of loan capital that a company has in relation to its share capital is its leverage. Leverage is also called gearing in BrE. A company with a lot of borrowing in relation to its share capital is highly leveraged or highly geared. A company that has difficulty in making payments on its debt is overleveraged.

**It is interesting to know.**

**Which word? Actual /current/ present/affect/effect**

Actual does not mean current or present. It means "real" or "exact"

For ex. I need the actual figures, not an estimate

Present – 'existing or happening now'.

For ex. How long have you been in your present job?

Current also means existing or happening now; but can suggest that the situation is temporary:

For ex: The factory can't continue its current level of production.

Affect verb= to have an influence on smb /smth

For ex. Does television affect children's behavior?

Effect noun= result, influence

For ex. Does TV have an effect on children's behavior?

Effect verb is formal and means "to achieve/produce".

**LESSON 19**  
**PROFITS(continue)**

The fruit of successful market competition takes the form of profits. By introducing new goods, new technology, or new forms of organization, or by finding new markets or new sources of raw material, entrepreneurs can earn profits. The lure of profits inspires alertness, creativity, judgment, and risk taking. Similarly, workers who perform better will, all other things being equal, get bigger raises and more promotions.

The pursuit of profits, in the two hundred years since the industrial revolution, has changed the world in many respects. The horse and wagon have been replaced by the railroad, the automobile, and the airplane. The open-hearth fire has yielded to the electric stove and microwave oven. The telephone wire and the electromagnetic wave transmit news that previously traveled by ship or pony. The competitive process that has brought about these enormous changes is governed by rules that, taken collectively, are called the market economy or the system of private property. This system recognizes the right of each person to use his property as he sees fit, and to keep the fruits of his labor. This leaves the worker free to pursue the occupations for which he thinks himself or herself best suited. It leaves the entrepreneur free to explore new forms of production.

Despite its importance to modern economic life, competition is not the be-all and end-all of economic activity. The modern market economy is as much a system of cooperation as it is a system of competition. Within the family and within the firm, between the customer and the supplier, we cooperate to achieve our ends. This cooperation is as vital as competition to a productive economy.

**VOCABULARY**

<b>Fruit</b>	фрукт, плод	meyvə, bəhrə
<b>Raw</b>	сырье; сыревые (материалы)	xammal
<b>Lure</b>	приманка	tələ yemi (məc) cazibə
<b>Inspire</b>	вдохновлять	ruhlandırmaq, həvəsləndirmək
<b>Alertness</b>	бдительность, внимательность	diqqət, etina, iltifat, sayıqlıq, ayıqlıq
<b>Creativity</b>	творческие способности	yaradıcılıq qabiliyyəti
<b>Perform</b>	совершать, действовать	icra etmək, fəaliyyət göstərmək
<b>Promotion</b>	продвижение(товара; по службе)	irəliləyiş, irəliləmə (ərzaq, xidmətdə)
<b>Pursuit</b>	преследование (цели)	təqib etmə, dalınca düşmə, çatma (məqsədə)
<b>Respect</b>	отношение, уважение	münasibət, hörmət
<b>Replace</b>	заменять, замещать	dəyişmək, yerləşdirmək
<b>Hearth</b>	очаг	ocaq (məc) mənbə, yuva
<b>Wave</b>	волна	Dalğa
<b>Transmit</b>	передавать	vermək, ötürmək, keçirmək
<b>Enormous</b>	огромный	böyük, çox
<b>Govern</b>	управлять	idarə etmək
<b>Rule</b>	правило, закон	qayda, qanun
<b>Fit</b>	соответствовать, подходить; соответствующий, подходящий	yaraşmaq, uyğun gəlmək, münasib
<b>Pursue</b>	следовать, преследовать	izləmək, dalınca düşmək
<b>Vital</b>	жизненно важный	mühüm əhəmiyyətli
<b>Raw material</b>	сырье	xammal
<b>Taken</b>	взяты вместе	birgə götürülmüş,

<b>collectively</b>		qəbul edilmiş
<b>Keep the fruits</b>	хранить плоды	bəhrəsini qoruyub saxlamaq, mühafizə etmək
<b>Leave free</b>	оставлять возможность	sərbəst buraxmaq
<b>Best suited</b>	лучше всего соответствующий	ən yaxşı uyğun gələn, əla uyğunlaşdırılmış
<b>Be-all</b>	суть	mahiyyət, məğz
<b>End-all</b>	главная цель	əsas məqsəd

### Exercise 1. Answer the Questions:

1. What form does the fruit of successful market competition take?
2. How can entrepreneurs earn profits?
3. What do workers who perform better, get?
4. What have the horse and wagon been replaced by?
5. What has the open-hearth fire yielded to?
6. What does the system of private property recognize as the right of each person?
7. What is the worker left free to pursue?
8. Why cannot competition be called the be-all and end-all of economic activity?
9. Why do we cooperate?
10. Why is cooperation vital to a productive economy?

### Exercise 2. Buraxılmış sözləri mətndən tapıb yerinə qoyun:

Заполните пробелы словами из текста:

1. By introducing new goods or new forms of organization entrepreneurs can \_\_\_\_\_ profits.
2. The lure of profits \_\_\_\_\_ alertness, creativity, judgment, and risk taking.
3. Similarly, workers who perform better will, all other things being \_\_\_\_\_, get bigger raises and more promotions.
4. The pursuit of profits has changed the world in many \_\_\_\_\_.

5. The horse and wagon have been \_\_\_\_\_ by the railroad and the automobile.

6. The open-hearth fire has \_\_\_\_\_ to the electric stove and microwave oven.

7. The competitive process has brought about these \_\_\_\_\_ changes.

8. This system \_\_\_\_\_ the right of each person to use his property as he sees fit.

9. This leaves the worker free to pursue the occupations for which he thinks himself best \_\_\_\_\_.

10. It leaves the entrepreneur free to \_\_\_\_\_ new forms of production.

### Exercise 3. Give the Russian and Azerbaijanequivalents of the phrases.

1. the fruit of successful market competition
2. to earn profit
3. an open-hearth fire
4. electromagnetic wave
5. to recognize the right of each person
6. to keep the fruits of one's labor
7. to leave smb. free
8. to explore new forms of production
9. to be the be-all and end-all of economic activity
10. to be a system of cooperation and competition
11. to cooperate to achieve one's ends
12. to inspire creativity
13. to perform better will

#### Exercise 4. Match the definitions of the words

- |                       |  |
|-----------------------|--|
| 1. <b>raw</b>         | a. the act of doing smth. together or of working together towards a shared aim |
| 2. <b>alertness</b>   | b. to pass smth from one person to another                                     |
| 3. <b>pursuit</b>     | c. the quality of being important  |
| 4. <b>transmit</b>    | d. in its natural state; not yet changed, used or made into smth, else         |
| 5. <b>importance</b>  | e. the act of following or chasing smb.  |
| 6. <b>cooperation</b> | f. aware of smth, especially a problem or danger                               |

#### Exercise 5. Üç variantdan (a, b, c) düzgün olanı seçin:

Из трех вариантов продолжения предложения (a, b, c) выберите правильный:

1. By introducing new goods or new forms of organization, entrepreneurs a) can earn profits; b) have been replaced by the railroad; c) keep the fruits of his labor.
2. This system recognizes the right of each person a) to explore new forms of production; b) to use his property as he sees fit; c) to travel by ship or pony.
3. The modern market economy is as much a system of cooperation as it is a) the electric stove and microwave oven; b) the form of profits; c) a system of competition.

#### Exercise 6. Cümlələri İngilis dilinə tərcümə edin

Переведите предложения на Английский язык

1. Сходным образом рабочие, которые лучше работают, станут, при прочих равных составляющих, получать более высокие прибавки.
2. Приманка, которую представляет собой прибыль, пробуждает внимание, творческие способности, способность к суждению и принятию рискованных решений.
3. Плоды успешной рыночной конкуренции обретают форму прибыли.

4. Эта система признает право каждого человека использовать свою собственность так, как он считает необходимым.

5. Огонь в открытом очаге уступил место электрической плите и микроволновой печи.

6. Эта система предоставляет рабочему свободу искать занятие, к которому, как он полагает, он более всего приспособлен.

7. Эта система дает предпринимателю возможность исследовать новые способы производства.

8. Телефонный провод и электромагнитная волна передают новости, которые до этого путешествовали с помощью кораблей или лошадей.

9. Несмотря на свою важность для современной экономической жизни, конкуренция не является сутью и конечной целью экономической деятельности.

10. Эта кооперация столь же жизненно важна для продуктивной экономики, как и конкуренция.

\*\*\*

1. Eyni üsulla yaxşı işləyən işçilər daha yüksək əlavə gəlir alacaqlar.

2. Mənfəəti özündə ifadə edən cəlbədicilik, yaradıcılıq qabiliyyəti, riskli qərarların müzakirə edilməsi və qəbulu qabiliyyəti, maraq oyadır.

3. Müvəffəqiyyətli bazar rəqabətinin bəhrəsi mənfəət formasını əldə edir.

4. Bu sistem hər bir insanın öz mülkiyyətindən özünün istədiyi kimi istifadə etmək hüququnun vacibliyini təsdiq edir.

5. Açıq ocaqda olan od öz yerini elektrik plitəsinə və mikrodalğalı sobaya verdi.

6. Bu sistem işçiyə özünün hesab etdiyi, daha çox vərdiş etdiyi iş axtarmaq üçün sərbəstlik verir.

7. Bu sistem sahibkara istehsalın yeni üsullarını axtarıb tapmaq imkanı verir.

8. Telefon məftili və elektromaqnit dalğası yeni xəbərlər verir, hansı ki, indiyədək gəmilərin yaxud atların köməyi ilə meydana gəlirdi.

9. Müasir iqtisadi həyat üçün vacib olmasına baxmayaraq rəqabət iqtisadi fəaliyyətin mahiyyəti və son məqsədi deyildir.

10. Bu kooperasiyada rəqabət kimi məhsuldar iqtisadiyyat üçün həyat qədər vacibdir.

**It is interesting to know.**

**Describing organizations**

An organization may be a business, a company, an institution, a club or a group of people who work together for a particular aim. The people who lead an organization, a government or society can be called people in authority.

**Describing ideas**

An strong opinion can be called a belief. A set of beliefs can be a theory about a particular subject. Some actions are the expression of particular ideas. A set of beliefs and practices can make a whole system, especially a political or economic system such as capitalism.

**Jokes about Economics and Economists**

1. Manager: "For a man with no experience, you are certainly asking for a high salary."

Applicant: "Well, the work is much harder when you don't know what you're doing!"

2. We have 2 classes of forecasters: those who don't know ... and those who don't know that they don't know.

3. A traveler wandering on an island inhabited by cannibals comes upon a butcher's shop. This shop specializes in human brains differentiated according to source.

The sign in the shop reads:

Artists' Brains \$ 9/lb

Philosophers' Brains \$ 12/lb

Scientists' Brains \$ 15/lb

Economists' Brains \$ 19/lb

Upon reading the sign, the traveler noted, "My! Those economists' brains must be popular!"

To which the butcher replied, "Are you kidding? Do you have any idea how many economists you have to kill to get a pound of brains?!"

**LESSON 20  
INVESTMENT**

In the United States, investment accounts for about one-sixth of gross national product (GNP). Yet investment occupies a much more important role in policy discussions than this share of production might suggest. The two main reasons for this are that investment is volatile and, therefore, a cause of business fluctuations and that investment contributes to economic growth.

Concern with these issues of business cycles and growth has led to very active tax policy toward investment during the postwar years, as a succession of governments has tried to influence the level, pattern, and timing of investment spending. Such policies have been effective. At the same time many other, uncontrollable factors continue to influence investment.

Although in general the word "investment" may denote many types of economic activity, economists usually use the term to describe the purchase of durable goods by households, businesses, and governments. Private investment is commonly divided into three broad categories: residential investment, which accounts for about a quarter of all private investment (in the USA 25.7 percent in 1990); nonresidential, or business, fixed investment, which accounts for most of the remainder; and inventory investment, which is small but volatile. Business fixed investment, in turn, is composed of equipment and nonresidential structures.

Equipment now makes up over three-quarters of business investment.

Investment helps increase productivity by raising the level of capital per worker and, perhaps, hastening the adoption of new technologies.

One more reason for so much interest in investment behavior is its apparent role in influencing business cycles.

Investment is a volatile component of GNP, falling sharply during recessions and rising just as sharply during booms. As the economy went into a deep recession in the early eighties, for example, real GNP in the USA fell 3 percent between 1981 and 1982, but investment fell in real terms by 18 percent. In the following year, as the expansion began, GNP rose 4 percent while investment rose 13 percent.

Why is investment so volatile? The key lies in the nature of the investment process. Investment decisions often require long lead times, and their consequences are as durable as the investment goods themselves.

While fluctuations in output exert a strong influence on investment behavior, the costs of investing matter, too. These costs include the prices of capital goods themselves, as well as interest rates, required returns to equity owners, and the taxes that firms must pay on the profits that the investments generate.

## VOCABULARY

<b>Invest</b>	инвестировать	investisiya qoymaq
<b>Account</b>	отчет, счет; давать отчет	hesab, hesabat, hesabat vermək
<b>Account for</b>	объяснять	izah etmək
<b>Gross</b>	большой, совокупный	böyük, ümumi
<b>Share</b>	доля, акция; делить	pay, səhm, bölmək
<b>Volatile</b>	изменчивый, непостоянный	dəyişkən, qeyri sabit
<b>Fluctuation</b>	колебание	dəyişmə, enib-qalxma (qiymət)
<b>Contribute</b>	вносить, дополнять	əlavə etmək, daxil etmək
<b>Concern</b>	озабоченность, забота	qayğı, fikir, təlaş
<b>Issue</b>	пункт, проблема, утверждение, положение; издавать,	problem, təsdiq, şərt, məntəqə, nəşr etdirmək, çıxarmaq
<b>Cycle</b>	круг, цикл	dövr, dairə
<b>Succession</b>	последовательность	ardıcillıq, məntiqililik
<b>Influence</b>	влияние; влиять	təsir, təsir etmək
<b>Pattern</b>	модель, способ, схема	sxem, model, nümunə

<b>Uncontrollable</b>	неконтролируемый	nəzarət edilə bilməyən, nəzarətdənkənar
<b>Denote</b>	обозначать, указывать	göstərmək
<b>Durable</b>	длительный, длительного пользования	sürəkli, uzunmüddətli
<b>Household</b>	домашнее хозяйство	ev təsərrüfatı
<b>Residential</b>	относящийся к гражданскому строительству	yaşayış yeri
<b>Nonresidential</b>	не относящийся к гражданскому строительству	qeyri- yaşayış yeri
<b>Fixed</b>	установленный, фиксированный	daimi, dəyişməz
<b>Remainder</b>	остаток	qalıq
<b>Compose</b>	составлять	ibarət olmaq, tərtib etmək
<b>Hasten</b>	торопить	tələsdirmək, sürətləndirmək
<b>Apparent</b>	очевидный	aydın, aşkar, şübhəsiz
<b>Sharp</b>	острый, резкий	kəskin, iti
<b>Recession</b>	спад (в экономике)	düşmə, enmə (iqtisadiyyatda)
<b>Boom</b>	бум (подъем в экономике)	qalma, çoxalma (iqtisadiyyatda inkişaf)
<b>Term</b>	термин, показатель, условие	termin, göstərici, şərt
<b>Expansion</b>	расширение, экспансия	genişlənmə
<b>Require</b>	требовать	tələb etmək
<b>Consequence</b>	следствие; последствие	nəticə
<b>Output</b>	выход, выпуск (продукции)	hasilat, buraxma, çıxartma
<b>Exert</b>	оказывать (влияние)	göstərmək (təsir)
<b>Matter</b>	суть, дело; значить	iş, əhəmiyyəti olmaq, mənası olmaq
<b>Rate</b>	степень, ставка (процентная)	norma, dərəcə (faiz)
<b>Equity</b>	активы, чистая стоимость капитала, акция	kapitalın təmiz dəyəri, səhm, aktiv
<b>Gross national product (GNP)</b>	валовой национальный продукт (ВНП)	ümummillli məhsul
<b>Policy discussions</b>	обсуждения политики	siyasi müzakirələr
<b>Business cycle</b>	цикл деловой активности, бизнесцикл	biznes müddəti, dövrü, silsilə
<b>Capital per worker</b>	доля капитала на рабочего	hər fəhləyə düşən pay, hissə

<b>Fall sharply</b>	резко падать	kəskin şəkildə düşmək
<b>Real terms</b>	реальные показатели	real göstərici
<b>Lead times</b>	время реализации инвестиционных планов	investisiya qoyma vaxtını reallaşdırma
<b>Investment goods</b>	инвестиционные(капитальные) товары, основной капитал	əsas kapital, investisiya malları
<b>Capital goods</b>	средства производства, основной капитал	istehsal vasitə vəsaiti, əsas kapital
<b>Interest rates</b>	процентные ставки	faiz norması

### Exercise 1. Answer the Questions:

1. How much of the US GNP does investment account for?
2. Why does investment cause business fluctuations?
3. What have the US governments been trying influence during the postwar years?
4. What do economists describe with the term “investment”?
5. What categories is the private investment commonly divided into?
6. How much of the US total private investment does residential investment account for?
7. What is business fixed investment composed of?
8. How does investment influence business cycles?
9. Why is investment so volatile?
10. What do the costs of investing include?

### Exercise 2. Buraxılmış sözləri mətndən tapıb yerinə qoyun:

#### Заполните пробелы словами из текста

1. Investment occupies a much more important role in policy discussions than this share of production might \_\_\_\_\_.
2. Investment is \_\_\_\_\_ and, therefore, it causes business fluctuations.

3. A succession of governments has tried to \_\_\_\_\_ the level, pattern, and timing of investment spending.

4. At the same time many other, \_\_\_\_\_ factors continue to influence investment.

5. Private investment is commonly \_\_\_\_\_ into three broad categories.

6. Business fixed investment is \_\_\_\_\_ of equipment and nonresidential structures.

7. Investment helps increase productivity by raising the \_\_\_\_\_ of capital per worker.

8. Investment is a \_\_\_\_\_ component of GNP.

9. Investment decisions often require long \_\_\_\_\_ times.

10. The consequences of investment decisions are as \_\_\_\_\_ as the investment goods themselves.

### Exercise 3. Give the Russian and Azerbaijan equivalents of the phrases.

1. gross national product
2. to occupy an important role in sth
3. share of production
4. investment contributes to economic growth
5. to try to influence sth.
6. timing of investmentspending
7. to continue to influence investment

### Exercise 4. Match the definitions of the words.

- |                       |   |
|-----------------------|---|
| 1. <b>investment</b>  | a. to mean smth   |
| 2. <b>share</b>       | b. the fact of a series of events being repeated many times, always in the same order |
| 3. <b>fluctuation</b> | c. the act of investing money in smth   |
| 4. <b>cycle</b>       | d. a sudden increase in trade and   |

	economic activity
5. <b>denote</b>	e. to influence smb/smith
6. <b>fixed</b>	f. frequently changes in size, amount, quality
7. <b>exert</b>	g. to divide smth. between two or more people part or amount of smth
8. <b>boom</b>	h. staying the same; not changing

**Exercise 5. Cümlələri İngilis dilinə tərcümə edin**  
**Переведите предложения на Английский язык**

1. В США инвестиции составляют около одной шестой части валового национального продукта.
2. Инвестиции являются источником колебаний в сфере бизнеса.
3. Озабоченность этими вопросами привела к очень активным дискуссиям в сфере политики налогообложения.
4. В то же время многие другие, неконтролируемые факторы продолжают оказывать влияние на инвестиции.
5. Слово «инвестиции» может обозначать многие виды экономической деятельности.
6. Экономисты обычно используют этот термин для обозначения покупки товаров длительного пользования.
7. Частные инвестиции обычно подразделяются на три крупные категории.
8. Оборудование составляет сейчас около трех четвертей инвестиций в бизнес.
9. Инвестиции помогают увеличить производительность путем увеличения объема капитала на одного рабочего.
10. Инвестиционные решения для своего внедрения часто требуют долгого времени.

1. ABŞ – da investisiyalar ümumi milli məhsulun altıda bir hissəsini təşkil edir.
2. İnvestisiya biznes sferasında enib-qalxma mənbəyidir.
3. Bu məsələlərə qayğı vergiqoyuluşu siyasəti sferasında çox fəal diskussiyalara gətirib çıxardı.
4. Eyni zamanda bir çox nəzarətsiz amillər investisiyaya təsir etməkdə davam edirlər.
5. «İnvestisiyalar» sözü iqtisadi fəaliyyətin bir çox növünü ifadə edə bilər.
6. İqtisadçılar adətən bu termindən uzun müddət işlədilən malların ifadə etmək üçün istifadə edirlər.
7. Şəxsi investisiyalar adətən üç iri kateqoriyaya bölünür.
8. Avadanlıq indi biznesdə investisiyaların dördüdə üç hissəsini təşkil edir.
9. İnvestisiyalar bir işçiyə düşən kapital həcminin artırılması yolu ilə məhsuldarlığı artırmağa kömək edir.
10. Özün üçün investisiya qərarlarını həyata keçirməkdən ötrü uzun müddət tələb olunur.

**Exercise 6. Üç variantdan (a, b, c) düzgün olanı seçin:**  
**Из трех вариантов продолжения предложения (a, b, c) выберите правильный:**

1. Concern with these issues of business cycles and growth has led to a) the purchase of durable goods by households, businesses, and governments; b) residential investment; c) very active tax policy toward investment during the postwar years.
2. Economists usually use the term “investment” to describe a) the purchase of durable goods by households, businesses, and governments; b) the level, pattern, and timing of investment spending; c) residential investment, which accounts for about a quarter of all private investment.

3. Investment helps increase productivity by a) very active tax policy toward investment; b) over three-quarters; c) raising the level of capital per worker.

### DIALOGUE

**Russian** :How do you assess the investment climate in your country ?

**Foreign** :As quite favourable. Foreign investment have been flowing into our country at an accelerating rate since we started our transition to a market economy.

**R** : Who invests capital in your country ?

**F**:Both foreign companies and individuals. TheUS heads the list of the major investors. The investment policy pursued by the government focuses on foreign direct investments, I mean setting up joint ventures and establishing foreign branches or subsidiaries.

**R** :What is the major reason for this striking growth of foreign investments ?

**F**:Investors are willing to invest because of two reasons : increase in the middle class that is driving economic development, and the decrease in politically motivated interference in the free market.

**R** :Do you think the situation will continue ?

**F**:Definitely, the government have announced plans to privatize the banking, insurance, power, oil, steel and telecommunications industries, which is sure to encourage still more capital inflows.

**R**:We know that your investment policy envisages setting up special economic zones as an additional vehicle for attracting foreign funds. Has anything been done in this direction yet ?

**F**:Our National Technology Park has been designated for this purpose. There are highly trained workers, scientific and production facilities in this locality.

**R** :Will the local companies benefit from this ?

**F**:Of course. The benefits will include exemptions from all real estate taxes, as well as several options for the reduction of income taxes.

**R** :It's been very interesting, thank you.

### It is interesting to know.

### V. Describing actions

An event may be a ceremony, a festival or a celebration. It could be public, private, official or social.

An occasion is a time when something happens. For example, a referendum is an occasion when all the people at a country can vote on an important issue:

Something that somebody does, or something that happen may be described as an act, an action, an activity or a process (= a series of connected actions) when a noun is very closely linked to a verb it may be defined in terms of the verb as the act /action/activity/process of... for example, one of the meanings of achievement is 'the act or process of achieving smth':

Your experience is the things you have done and the knowledge you have gained: an experience is something that has happened to you. For example, cosmopolitan means 'having or showing wide experience of people and things'. Conversion is the process or experience of changing your religion.

Things happen repeatedly (= several times, one after the other), continuously (without stopping), occasionally or rarely (not very often)

## Jokes about Economics and Economists

1. While the brokers at the investment company were calling potential customers, the president of the firm stopped outside an office door to eavesdrop on a new employee. He listened as the young man convinced eight people to move their stock portfolios to him.

2. The boss approached the young man and said, "I've been listening in, and I must say I'm impressed with your ability. Where did you learn so much about talking to investors?"

"Yale, sir," the young man answered.

Impressed, the boss said, "Oh, that's fine, just fine. And what's your name?"

"Yackson," he replied.

3. They say that Christopher Columbus was the first economist. When he left to discover America, he didn't know where he was going. When he got there he didn't know where he was. And it was all done on a government grant.

## LESSON 21 INSURANCE

Insurance plays a central role in the functioning of modern economies. Life insurance offers protection against the economic impact of an untimely death; health insurance covers the sometimes extraordinary costs of medical care; and bank deposits are insured by the federal government. In each case a small premium is paid by the insured to receive benefits should an unlikely but high-cost event occur.

At the core of the insurance problem lies the concept of risk or the variation in possible outcomes of a situation.

The effective response to risk combines two elements: efforts or expenditures to lessen the risk, and the purchase of insurance against the risk that remains.

In exchange for a premium, the insurer will pay a claim should a specified contingency, such as death, medical bills, or shipment loss, arise. The insurer is able to offer such protection against financial loss by pooling the risks from a large group of similarly situated individuals. With a large pool, the laws of probability assure that only a tiny fraction of insured shipments is lost, or only a small fraction of the insured population will be hospitalized in a year. If, for example, each of 100,000 individuals independently faces a 1 percent risk in a year, on average 1,000 will have losses. If each of the 100,000 people paid a premium of \$1,000, the insurance company would collect a total of \$ 100 million, enough to pay \$ 100,000 to anyone who had a loss. But what would happen if 1,100 people had losses? The answer, fortunately, is that such an outcome is exceptionally unlikely. Insurance works through the magic of the Law of Large Numbers. This law assures that when a large number of people face a low-probability event, the proportion experiencing the event will be close to the expected proportion. For instance, with a pool of 100,000 people who each face a 1 percent risk, the law of large numbers dictates that 1,100 people or more will have losses only one time in 1,000.

In many cases, however, the risks to different individuals are not independent. In a hurricane, airplane crash, or epidemic, many may suffer at the same time. Insurance companies spread such risks not only across individuals but also across good years and bad, building up reserves in the good years to deal with heavier claims in bad ones. For further protection they also diversify across lines, selling health insurance as well as homeowners' insurance, for example.

### VOCABULARY

<b>Impact</b>	результат, воздействие	təsir, nəticə
<b>Untimely</b>	безвременная, преждевременная	vaxtından əvvəl
<b>Extraordinary</b>	сверхъестественная	fövqaladə
<b>Insurer</b>	страховщик, страхователь	sığorta edən
<b>Insured</b>	застрахованный	sığorta olunmuş
<b>Expenditures</b>	расходы, издержки	məsrəflər, xərclər
<b>Lessen</b>	уменьшить	azaltmaq, azaltmaq
<b>Contingency</b>	случайность	təsadüfi
<b>Pool</b>	пул; сливать, сводить воедино, соединять	birləşdirmək
<b>Assure</b>	уверять, гарантировать	əmin etmək
<b>Tiny</b>	маленький	balaca
<b>Fraction</b>	доля, часть, фракция	hissə, pay
<b>Exceptionally</b>	исключительно	müstəsna olaraq
<b>Hurricane</b>	ураган	fırtına
<b>Crash</b>	катастрофа	qəza
<b>Reserve</b>	запас; запасть, резервировать	ehtiyat, ehtiyat yığmaq
<b>Diversify</b>	разнообразить, диверсифицировать	fərqləndirmək
<b>Life insurance</b>	страхование жизни	həyat sığortası
<b>Health insurance</b>	страхование здоровья	sağlamlığın sığortası
<b>Should an event occur</b>	в случае, если событие произойдет	əgər hadisə baş versə
<b>Shipment loss</b>	потеря транспорта	daşınma zamanı itki
<b>Laws of probability</b>	теория вероятности	mümkünlük nəzəriyyəsi

### Exercise 1. Answer the Questions:

1. What sort of protection does life insurance offer?
2. Who insures bank deposits?
3. What concept lies at the core of the insurance problem?
4. What will the insurer pay in exchange for a premium, and when?
5. By what means is the insurer able to offer protection against financial loss?
6. How do insurance companies spread risks?

### Exercise 2. Agree or disagree with the following statements.

1) Insurance is a contract for reducing losses from accident incurred by an individual party through a distribution of the risk of such losses among a number of parties. 2) Insurance is an arrangement with a company in which you pay them money each year and they pay the costs if anything bad happens to you, such as an illness or an accident. 3) To insure means to sell insurance to protect yourself against something bad happening to you. 4) The insurer is a person who plays a confidence trick on you in order to get your money. 5) The insurer is someone who deceives people to gain money. 6) The insured is a victim of insurance fraud. 7) The insurer takes responsibility for paying the insured some specified amount when the insured incurs losses. 8) The insurer is able to make up losses much more easily than would the uninsured individual. 9) To incur means to put yourself in an unpleasant situation by your own actions

### Exercise 3. Cümlələri İngilis dilinə tərcümə edin

#### Переведите предложения на Английский язык

- 1....невероятные издержки на медицинское обслуживание...
- 2.... в случае, если произойдет неожиданный, но дорогостоящий инцидент ...
- 3.... покупка страховки на случай риска ...
- 4....только небольшая доля транспортируемого товара потеряна...
- 5.... что произошло бы, если бы 1100 человек понесли потери,
- 6.... большое количество людей сталкивается с событием низкой степени вероятности ...
- 7.... закон больших чисел диктует ...
- 8.... результат исключительно невероятен ...
- 9.... распределить подобные риски не только между физическими лицами
10. ...они также проводят межотраслевую диверсификацию...

\*\*\*

1. ... tibbi xidmət üçün ağırlaşmaz xərclər ...
2. ...gözlənilməz, lakin baha qiymətli münaqişə baş verərsə...
3. ... hər ehtimala qarşı riskin sığortalanması ...
4. ... daşınan malın yalnız çox da böyük olmayan hissəsi itirilib ...
5. ... əgər 1100 adam itkisi olarsa, nə baş verərdi?
6. ... adamların çoxu ehtimal hadisənin aşağı dərəcəsi ilə üzləşir ...
7. ... əksər hallarda qanunlar diktə edir ...
8. ... nəticəsi son dərəcə inanılmazdır ...
9. ...oxşar risklərin bölüşdürülməsi yalnız fiziki şəxslər arasında deyil ...
10. ... onlar həmçinin sahələrarası diversifikasiya keçirirlər.

### Exercise 4. Buraxılmış yerləri uyğun gələn sözlərlə doldurun: Заполните пробелы соответствующими предложениями:

1. Insurance plays a central role (in, on) \_\_\_\_\_ the functioning of modern economies.
2. Life insurance offers protection (for, against) \_\_\_\_\_ the economic impact of an untimely death.
3. Health insurance covers the sometimes extraordinary costs (in, of) \_\_\_\_\_ medical care.
4. Bank deposits are insured (through, by) \_\_\_\_\_ the federal government.
5. (Of, In) \_\_\_\_\_ each case a small premium is paid by the insured to receive benefits.
6. (In, At) \_\_\_\_\_ the core of the insurance problem lies the concept of risk.
7. The effective response (to, by) \_\_\_\_\_ risk combines two elements.
8. In exchange (to, for) \_\_\_\_\_ a premium, the insurer will pay a specified claim.
9. The insurer is able to offer protection against financial loss (by, towards) \_\_\_\_\_ pooling the risks.
10. (Without, With) \_\_\_\_\_ a large pool, only a tiny fraction of insured shipments is lost.

### Exercise 5 Translate the text.

#### Kinds of Insurance

There are some kinds of insurance such as the followings:

1. Life insurance is a contract in writing whereby the insured person will pay the insurance company stated premiums, so that he / she will receive a certain sum of money with or without bonuses on reaching a certain age or at death, whichever is the sooner.

2. Property insurance is used to insure against loss from accidental destruction of property.

3. Marine insurance contracts are written to cover 1. the vessel, 2. the cargo, 3. the freight revenue to be received by the ship owner, and 4. legal liability for negligence of the shipper or the carrier.

There are four major types of liability insurance contracts:

1. liability arising out of the use of automobiles, 2. liability arising out of the conduct of a business, 3. liability arising from professional negligence ( applicable to doctors, lawyers, etc.). and 4. personal liability. The insurance covers all acts of stealing. Aviation insurance covers physical damage to the aircraft and legal liability arising out of its ownership and operation. Workers' compensation insurance, sometimes called industrial injury insurance, compensates workers for losses suffered as a result of work-related injuries. Industrial injury insurance is a contract whereby payments are made regardless of negligence. Credit insurance covers the risk of bad debts from insolvency ( the inability of a person or company to pay their debts as they fall due ), death, and disability. Also, credit insurance covers the risk of loss from export credit because of war or other political causes.

### **Jokes about Economics and Economists**

1. Three guys are fishing in the Caribbean. One guy says, "I had a terrible fire; lost everything. Now the insurance company is paying for everything and that's why I'm here."

The second guy says, "I had a terrible explosion; lost everything. Now the insurance company is paying for everything and that's why I'm here."

The third guy says, "What a coincidence. I had a terrible flood; lost everything. Now the insurance company is paying for everything and that's why I'm here."

The other guys turned to him with confusion and asked, "Flood? How do you start a flood?"

2. Life insurance agent to would-be client: "Don't let me frighten you into a hasty decision. Sleep on it tonight. If you wake in the morning, give me a call then and let me know."

## LESSON 22 TAXATION

Taxation is one of the most prominent and controversial topics in economic policy.

Taxes are levied by the federal and local authorities, and embrace different spheres of economy. The most usual taxes are sales taxes, individual income taxes, property taxes, the corporation income tax, excise taxes, payroll taxes, etc.

There are four objectives of tax policy: simplicity, efficiency, fairness, and revenue sufficiency. While these objectives are widely accepted, they often conflict.

Simplicity means that relations of the taxpayer and the revenue authorities are as easy as possible. Further, the ultimate tax liability should be certain. Efficiency means that taxation interferes as little as possible in the choices people make in the private marketplace. The tax law should not induce a businessman to invest in real estate instead of research and development – or vice versa.

Taxes always affect behavior. Taxing an activity (like earning a living) is similar to a price increase. With the tax in place, people will typically buy less of a good – or partake in less of an activity – than they would in the absence of the tax. The most efficient tax is a head tax, a tax on each person that is not affected by that person’s income or by any of the person’s characteristics. A head tax would not reduce the incentive to work, save, or invest. The problem with such a tax is that it would take the same amount from a high – income person as from a low-income person.

Fairness, to most people, requires that equally situated taxpayers pay equal taxes (“horizontal equity”) and that better-off taxpayers pay more tax (“vertical equity”). The problem, though, is how to judge whether two taxpayers are equally situated. For example, one taxpayer might receive income from labor while

another receives the same income from inherited wealth. And even if one taxpayers is clearly better off than another, there is little agreement about how much more the better-off person should pay.

Revenue sufficiency might seem a fairly obvious criterion of tax policy. Yet, the revenue sufficiency may conflict with efficiency and with fairness.

Likewise, other objectives of tax policy conflict with one another. High tax rates for upper-income households are inefficient but are judged by some to make the tax system fairer. Intricate legal provisions to prevent tax sheltering and thus make taxes fairer would also make them more complex. Such conflicts among policy objectives are a constant constraint on the making of tax policy.

### VOCABULARY

<b>Taxation</b>	налогообложение	vergiqoyma
<b>Prominent</b>	выдающийся	məşhur
<b>Controversial</b>	спорный, вызывающий споры	mübahisəli, mübahisə doğuran
<b>Levy</b>	облагать налогом	vergi qoymaq
<b>Embrace</b>	охватывать, обнимать	əhatə etmək
<b>Payroll</b>	платежная ведомость	maaş cədvəli
<b>Excise</b>	акциз; акцизный	aksiz
<b>Fairness</b>	честность, справедливость	ədalətlilik
<b>Sufficiency</b>	достаточность	yeterlilik
<b>Interfere</b>	вмешиваться, мешать	müdaxilə etmək, mane olmaq
<b>Induce</b>	побуждать, склонять (к чему-либо)	oyatmaq, meyilləşdirmək
<b>Shelter</b>	укрытие, защита	sığınacaq, müdafiə
<b>Partake</b>	принимать участие	iştirak etmə
<b>Absence</b>	отсутствие	iştirak etməmə
<b>Horizontal</b>	горизонтальный	üfiqi
<b>Vertical</b>	вертикальный	şaquli

<b>Taxpayer</b>	налогоплательщик	vergi ödəyicisi
<b>Inherit</b>	наследовать	irsən almaq
<b>Likewise</b>	сходным образом	oxşar tərzdə
<b>Intricate</b>	замысловатый, сложный	mürəkkəb, düşündürücü
<b>Sales tax</b>	налог с продаж	satışa görə vergi
<b>Individual income tax</b>	походный налог физического лица	gəlir vergisi
<b>Property tax</b>	налог на собственность	mülkiyyətə görə vergi
<b>Corporation income tax</b>	корпоративный доходный налог	gəlir vergisi
<b>Excise tax</b>	акцизный налог	aksiz vergisi
<b>Payroll tax</b>	налог на фонд заработной платы	əmək haqqında vergi
<b>Head tax</b>	подушный налог	adam başına vergi
<b>Tax sheltering</b>	сокрытие средств от налогообложения	vergidən yayınma vasitəsi

### Exercise 1. Answer the Questions:

1. What authorities are taxes levied by?
2. What are four objectives of tax policy?
3. What does simplicity of tax policy mean?
4. Why can't tax policy interfere in the choices people make in the private marketplace?
7. What are the advantages and disadvantages of the head tax?
8. What happens when legal provisions to prevent tax sheltering become more and more intricate?
9. How do taxes affect people's behavior in the market?

### Exercise 2. Agree or disagree with the following statements.

- 1) Tax is an amount of money paid by citizens to the government.
- 2) Taxation is the system of charging taxes.
- 3) Taxes are charged to increase revenue for government expenses.
- 4) Taxation provides resource allocation.
- 5) Taxation ensures income redistribution.
- 6) Taxation provides economic

instability.7) Taxation provides economic regression. 8) Taxation provides economic stagnation. 9) Taxation fails to provide international competitiveness. 10) Tax evasion is illegal ways of paying less tax. 11) Tax avoidance is legal ways of paying less tax.

### Exercise 3. Cümlələri İngilis dilinə tərcümə edin

#### Переведите предложения на Английский язык

- 1.... налагаются федеральными и местными властями ...
- 2.... четыре цели политики налогообложения ...
- 3.... налогообложение вводится как можно меньше ...
- 4....инвестировать в недвижимость вместо научных исследований и развития ...
- 5.... налоги всегда влияют на поведение ...
- 6.... люди, как правило, будут покупать меньше товаров ...
- 7.... наиболее эффективный налог – подушный налог ...
- 8....более состоятельные налогоплательщики платят больший налог...
- 9....получает такой же доход с унаследованного имущества...
10. ... цели налоговой политики конфликтуют друг с другом ...

\*\*\*

1. ... federal və yerli hökumətlətəşkil edilir; ...
2. ... vergiqoyma siyasətinin dörd məqsədi ...
3. ... vergiqoyuluşuna mümkün qədər az qarışır ...
4. ...elmi tədqiqat və inkişafın əvəzinə əmlaka maya qoymaq ...
5. ... vergilər həmişə davranışa təsir edir ...
6. ... adamlar, bir qayda olaraq, az mal alacaqlar ...
7. ... daha səmərəli vergi – adambaşı vergidir ...
8. ... daha imkanlı vergi ödəyiciləri daha çox vergi ödəyirlər ...

9. ...irsən keçmiş əmlakdan da elə bu cür mənfəət (gəlir) əldə edirlər...

10. ...vergiqoyuluşunun məqsədi biri - birilə münaqişəyə girməkdir.

**Exercise 4. Üç variantdan (a, b, c) düzgün olanı seçin:**

**Из трех вариантов продолжения**

**предложения (a, b, c) выберите правильный:**

1. Simplicity means that relations of the taxpayer and the revenue authorities are a) different spheres of economy; b) as easy as possible; c) vice versa.

2. The tax law should not induce a businessman to a) buy less of a good; b) take the same amount from a high-income person as from a low-income person; c) invest in real estate instead of research and development.

3. Revenue sufficiency might seem a fairly obvious criterion of a) behavior; b) the ultimate tax liability; c) tax policy.

**Exercise 5. Buraxılmış yerləri felin düzgün formaları ilə doldurun:**

**Заполните пробелы правильной формой глагола:**

1. Taxation (have been, has been) \_\_\_\_\_ one of the most prominent and controversial topics in economic policy.

2. Taxes (has been, have been) \_\_\_\_\_ levied by the federal and local authorities.

3. The most usual taxes (are, is) \_\_\_\_\_ sales taxes, individual income taxes, and property taxes.

4. Simplicity (means, mean) \_\_\_\_\_ that relations of the taxpayer and the revenue authorities are as easy as possible.

5. Taxes always (affect, affects) \_\_\_\_\_ behavior.

6. The most efficient tax (are, is) \_\_\_\_\_ a head tax.

7. The problem, though, (are, is) \_\_\_\_\_ how to judge whether two taxpayers are equally situated.

8. Revenue sufficiency might (seems, seem) \_\_\_\_\_ a fairly obvious criterion of tax policy.

9. Intricate legal provisions would also (make, makes) \_\_\_\_\_ them more complex.

10. Such conflicts among policy objectives (is, are) \_\_\_\_\_ a constant constraint on the making of tax policy.

**Exercise 6. Cümlələri İngilis dilinə tərcümə edin Переведите предложения на Английский язык**

1. Налоги всегда оказывают воздействие на поведение. 2. Обложение налогом той или иной деятельности (например, зарабатывания средств на жизнь) подобно подъему цен. 3. Каждый человек должен платить налоги. 4. Налогообложение должно поддерживать стабильность цен. 5. Никто не любит платить налоги. 6. Налоги должны быть разумными. 7. Налоги бывают двух видов – прямые и косвенные. 8. Наиболее эффективный налог – это подушный налог.

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1. Vergi həmişə əxlaqa təsir edir. 2. Bu və ya digər fəaliyyətə vergiqoyuluşu (məsələn, yaşayış üçün pul qazanmaq) qiymətin qalxması ilə eynidir. 3. Hər bir kəs vergi ödəməlidir. 4. Vergi qiymətin sabit qalmasını müdafiə etməlidir. 5. Heç kəs vergi ödəməyi xoşlamır.

2. Vergilər düşünülmüş olmalıdır. 7. Vergilər iki formada olur \_\_\_\_ vasitəli və vasitəsiz. 8. Ən effektiv vergi – adambaşı vergidir.

**Exercise 7 Match each word or phrase on the left with the appropriate word or phrase on the right.**

1. **Tax** – the system of charging taxes.
2. **Taxation** \_\_\_ an amount of money that you must pay to the government according to your income, property, goods etc. That is used to pay for public services.
3. **Direct taxation** \_\_\_ the taxing of the things people buy.
4. **Indirect taxation** \_\_\_ the taxing of income.
5. **Income tax** \_\_\_ a tax based on the value of someone's house.
6. **Property tax** \_\_\_ tax paid on the money that you earn.
7. **Sales tax** \_\_\_ a tax paid by companies on their profits.
8. **Corporation tax** \_\_\_ tax that you have to pay in addition to the cost of something you are buying.
9. **Tax burden** \_\_\_ a special reduction in taxes that the government allows for a particular purpose.
10. **Tax avoidance** \_\_\_ illegal ways of paying less tax.
11. **Tax evasion** \_\_\_ legal ways of paying less tax.
12. **Tax break** \_\_\_ the total amount of tax paid by an average person.
13. **Tax exile** \_\_\_ a place where people go to live to avoid paying high taxes in their own country.
14. **Tax haven** \_\_\_ someone who lives abroad in order to avoid paying high taxes in their own country.

**Exercise 8. Translate the text**  
**Classes of Taxes**

Taxes are most commonly classified as either direct or indirect, an example of the former type being the income tax (inheritance tax, real estate tax) and of the latter the sales tax (value-added tax, excise tax).

Direct taxes are taxes on persons; they are aimed at the individual's ability to pay as measured by his income or his net wealth. Income taxes are levied on total personal net income in excess of some stipulated minimum. They are also adjusted to take into account the circumstances influencing the ability to pay of the individual, such as family status, number and age of children, and financial burdens resulting from illness. Income taxes are often levied at graduated rates, that is, at rates that rise as income rates. Inheritance taxes are taxes on the money or property that you give to someone else after you die. Real estate taxes are taxes imposed upon immovable property consisting of land, any natural resources, and buildings.

Indirect taxation is a system of collecting taxes by adding an amount to the price of goods and services that people buy.

Sales tax is a tax that you have to pay in addition to the cost of something you are buying.

Value-added taxes are taxes on the rise in value of a product at each stage of manufacture and marketing. Sales tax levied on the manufacture, purchase, sale, or consumption of a specific commodity is known as an excise tax.

**Jokes about Economics and Economists**

1. What's the difference between a taxidermist and a tax collector?

The taxidermist only takes the skin.

The tax advisor had just read the story of Cinderella to his four-year-old daughter for the first time. The little girl was fascinated by the story, especially the part where the pumpkin turns into a golden coach.

Suddenly she asked, "Daddy, when the pumpkin turned into a golden coach, would that be classed as income or long-term capital gain?"

**LESSON 23**  
**Text**  
**THE FINANCIAL MANAGEMENT**

2. A couple of weeks after hearing a sermon on psalms 51:2-4 (knowing my own hidden secrets) and Psalm 52:3-4 (lies and deceit), a man wrote the following letter to the IRS:

“I have been unable to sleep, knowing that I have cheated on my income tax. I understand my taxable income, and have enclosed a check for \$ 150. If still can’t sleep, I will send the rest.”

3. “How have you managed to buy such a luxurious villa while your income is so low?” asked the IRS auditor.

“Well,” the taxpayer answered, “while fishing last summer I have caught a large golden fish. When I took it off the hook, the fish opened his mouth and said, ‘I am a magical fish. Throw me back to the sea and I’ll give you the most luxurious villa you have ever seen’. I threw the fish back to the sea, and got the villa.”

“How can you prove such an unbelievable story?”

“Well, you can see the villa, can’t you?”

4. For every tax problem there is a solution which is straightforward, uncomplicated and wrong.

5. The kid had swallowed a coin and it got stuck in his throat, and so his throat, and so his mother ran out in the street yelling for help. A man passing by took the boy by his shoulders and hit him with a few strong strokes on the back, and so he coughed the coin out.

“I don’t know how to thank you, doc...” his mother stared.

“I’m not a doctor”, the man replied, “I’m from the IRS”.

The financial plan of a company includes the timing and the amounts of funds, as well as the inflow and outflow of money. Financial managers also forecast the economic conditions, the company’s revenues, expenses and profits.

The plan starts and ends with the company’s objectives. Managers review them and determine the funding they require. Managers also compare the expenses involved and the revenues expected. It helps them predict cash flow. Management plans a strategy to make the ending cash positive, and accordingly works out the way the resources should be allocated.

Resources are invested according to the strategic plan of a company into materials and inventory, personnel and advertising, etc. Managers are responsible for carrying out this strategy, the whole process being supervised by the General Executive and the Board of Directors of the company.

**VOCABULARY**

<b>Outflow</b>	отток	axın ( daxıldən) məxaric
<b>Forecast</b>	прогноз; прогнозировать	məlumat vermək(qabaqcadan)
<b>Review</b>	оценивать, анализировать	qiymətləndirmək, təhlil etmək
<b>Predict</b>	предсказывать	demək (qabaqcadan)
<b>Inventory</b>	запасы, оборотные фонды	ehtiyat, dövrüyyə fondları
<b>Personnel</b>	персонал, штат, личный состав	şəxsi heyyyət, personal, ştat
<b>Supervise</b>	осуществлять надзор, наблюдать	nəzarət etmək
<b>Executive</b>	исполнительный	icraedici
<b>Cash flow</b>	движение капитала, приток и отток капитала	kapital axını
<b>General executive</b>	главный управляющий	baş direktor
<b>Board of Directors</b>	совет директоров	direktorlar şurası

### Exercise 1. Answer the Questions:

1. What does the financial plan of a company include?
2. What does the plan start and end with?
3. What is the objective of the financial strategy?
4. What are the resources invested into?
5. Who is responsible for carrying out the financial strategy?
6. Who supervises the whole process?

### Exercise 2. Buraxılmış sözləri məndən tapıb yerinə qoyun: Заполните пробелы словами из текста:

1. The financial plan of a company includes the \_\_\_\_\_ and the amounts of funds.
2. Financial managers also \_\_\_\_\_ the economic conditions, the company's revenues, expenses and profits.
3. The plan starts and ends with the company's \_\_\_\_\_.
4. Managers review them and determine the \_\_\_\_\_ they require.
5. Managers also compare the expenses involved and the \_\_\_\_\_ expected.
6. It helps them predict \_\_\_\_\_ flow.
7. Management plans a \_\_\_\_\_ to make the ending cash positive.
8. The accordingly works out the way the resources should be \_\_\_\_\_.
9. Resources are invested according to the strategic plan of a company into materials and \_\_\_\_\_, personnel and advertising, etc.
10. The whole process is \_\_\_\_\_ by the General Executive and the Board of Directors of the company.

### Exercise 3. Give the Russian and Azerbaijanequivalents of thephrases.

1. financial plan of a company
2. to include the amounts of funds
3. the inflow and outflow of money
4. to forecast the economic conditions
5. the company's expenses and profits
6. to start and end with objectives
7. to determine the funding that required
8. to compare the expenses with the revenues expected
9. to help smb. predict cash flow
10. the strategic plan of a company
11. to be responsible for carrying out the strategy
12. to be supervised by smb.

### Exercise 4. Match the definitions of the words

- |                     |  |
|---------------------|--|
| 1. <b>inflow</b>    | a. to be in charge of smb/smith and make sure that everything is done correctly, stately |
| 2. <b>outflow</b>   | b. to say that smth. will happen in the future   |
| 3. <b>compare</b>   | c. a group of people who run a company or an organization                                |
| 4. <b>predict</b>   | d. the movement of a large amount of money, liquid, people out of a place                |
| 5. <b>supervise</b> | e. to examine people or things to see how they are similar and how they are different    |
| 6. <b>executive</b> | f. the movement of a lot of money, people or things into a place from somewhere else     |

## **Exercise 5. Translate the text Finance Function**

Any business \_\_ whether large or small, profit- seeking or non- for-profit \_\_ has important financial concerns:

How to get the funds needed to run the business on favourable terms and how to make sure that the funds are used effectively?

In this connection modern businesses have financial managers to look after these problems, whose major objective is to maximize the value of the firm for its owners, i.e. to maximize the shareholders' wealth, which is represented by the market price of a firm's common stock.

Managers daily face questions like the following:

- What assets to acquire ?
- Will a particular investment be profitable ?
- Where will the funds come from to finance the investment ?
- How much to maintain as equity capital ?
- Does the firm have adequate cash or access to cash – through bank borrowing agreements, for example, to meet its daily operating needs ?
- Which customers should be offered credit and how much should they be offered ?
- How much inventory should be held ?
- Is the merger or acquisition advisable ?
- How should profits be used or distributed ? What is the optimal dividend policy ?
- How should the firm behave in the situation of exchange rate variations and interest rate changes ?
- How should risk to which the firm is exposed and return be balanced ?

Financial managers are primarily concerned with the management of fixed assets, working capital management,

including management of current assets and current liabilities, cash management, receivables management and inventory management; they are responsible for designing capital structure, choosing long- and short –term financing techniques.

The financial manager has to take these decisions with reference to the objectives of the firm.

To have a better understanding of how managers go about all these concerns one should know what resources managers typically have at their disposal. The position of an enterprise, its assets and capital are best illustrated by its financial statements \_\_ the balance sheet and the income statement.

### **It is necessary to know for economists.**

#### **Management**

- the control and organizing of a business or other organization;
- those staff within the firm who exert control over its activities on behalf of owners.

#### **Top management**

includes the chief executive of an organization, his or her deputy or deputies, the board of directors and the managers in charge of the divisions or departments of the organization.

#### **Middle management**

consists of the managers to whom top management delegates the day –to –day running of the organization.

#### **Managing director**

- company director responsible for the day-to-day running of a company. Second in the hierarchy only to the chairman, if there is one; the managing director is the company's chief executive.

## **Manager**

- a person controlling or administrating a business or part of a business.

## **Jokes about Economics and Economists**

1. The boss called one of his employees into the office.

“Rob,” he said, “you’ve been with the company for a year. You started off in the post room, one week later you were promoted to a sales position? And one month after that you were promoted to district manager of the sales department. Just four short months later, you were promoted to vice-chairman. Now it’s time for me to retire, and I want you to take over the company. What do you say to that?”

“Thanks,” said the employee.

“Thanks?” the boss replied. “Is that all you can say?”

“I suppose not,” the employee said. “Thanks,” Dad.”

2. Fresh out of business school, the young man answered a want ad for an accountant. Now he was being interviewed by a very nervous man who ran a small business that he had started himself.

“I need someone with an accounting degree,” the man said. “But mainly, I’m looking for someone to do my worrying for me.”

“Excuse me?” the accountant said.

“I worry about a lot of things,” the man said. “But I don’t want to have to worry about money. Your job will be to take all the money worries off my back.”

“I see,” the accountant said. “And how much does the job pay?”

“I’ll start you at eighty thousand.”

“Eighty thousand dollars!” the accountant exclaimed.

“How can such a small business afford a sum like that?”

“That,” the owner said, “is your first worry.”

## **LESSON 24**

### **THE SHORT-TERM AND LONG-TERM FINANCING**

The seasonal financial needs of a company may be covered by short-term sources of funds. The company must pay them off within a year. Businesses spend these funds on salaries and for emergencies. The most popular outside sources of short-term financing are trade credits, loans, factors, finance companies and government sources.

About 85 percent of all US business transactions involve some sort of trade credit. When a business orders goods or services, it doesn’t normally pay for them. The supplier provides them with an invoice requesting payment within a settled period, say thirty days. During this period the buyer uses goods and services without paying for them.

Commercial banks lend money to their customers by direct loans or by setting up lines of credit. A line of credit is the amount a customer can borrow without making a new request, simply by notifying the bank.

Sometimes a company might sell its accounts receivable to a special financial broker – a factor. The factor immediately pays the cash, usually 50 to 80 percent of the accounts receivable.

If a company needs funds to construct a new assembly line or to do research and development which may not bring in revenues for several years, it will need long-term sources of funds.

It can do it by getting loans or issuing bonds.

A long-term loan may have maturity of from one to ten years. Within this period the firm pays interest on debt. The maturity of bonds may be up to ten or even thirty years. The bond is a secured one if the company pledges collateral to secure the debt. Huge corporations with excellent credit history issue unsecured bonds which are called debentures.

The company can pay a predetermined interest rate (the coupon rate) according to the agreement which specifies the terms of the bond issue.

## VOCABULARY

<b>Seasonal</b>	сезонный	mövsümi
<b>Emergency</b>	критическая ситуация,	çətin, fəvqəladə
<b>Outside</b>	внешний; снаружи	çöl, xarici
<b>Source</b>	источник	mənbə
<b>Invoice</b>	счет-фактура, фактура- требование	qaima, hesab
<b>Request</b>	требование, запрос; требовать, запрашивать	tələbnamə, vəkalət, tələb etmək, sorğu etmək
<b>Payment</b>	платеж	ödəniş
<b>Settle</b>	устанавливать, устраивать	müəyyən etmək, qane etmək
<b>Notify</b>	извещать	bildirmək
<b>Receivable</b>	подлежащий получению	əldə oluna bilən
<b>Construct</b>	возводить	ucaltmaq
<b>Assembly</b>	сборка	yığma
<b>Research</b>	исследование; исследовать	tədqiqat, tədqiq etmək
<b>Development</b>	развитие	inkışaf
<b>Revenue</b>	выручка, приход денежных средств, доход (доналого- обложения и оплаты всех обязательств)	gəlir (vergidən)
<b>Maturity</b>	срок погашения долгового обязательства	borc öhdəliyinin ödənilmə müddəti
<b>Pledge</b>	предлагать, выставлять; выставлять обеспечение	təklif etmək, qoymaq; təminatı üzəçixarmaq
<b>Collateral</b>	обеспечение (заема)	təchizat (istiqraz)
<b>Unsecured</b>	необеспеченный (долг)	ödənilməyən (borc)
<b>Debenture</b>	необеспеченное долговое обязательство	ödənilməyən borc öhdəliyi
<b>Predetermined</b>	определенный заранее	əvvəlcədən müəyyən olunmuş
<b>Coupon</b>	купон, свидетельство на уплату процентов	faizlərin ödənilməsi haqqında şəhadətnamə

<b>Specify</b>	определять, специфицировать	müəyyən etmək, spesifik xüsusiyyətlərə malik olmaq
<b>Short-term</b>	краткосрочный	qısa müddətli
<b>Pay off</b>	оплачивать	ödəmək
<b>Trade credit</b>	торговый кредит	ticarət krediti
<b>Finance company</b>	финансовая компания	maliyyə kompaniyası
<b>Set up</b>	устанавливать	qurmaq, yaratmaq
<b>Line of credit</b>	кредитная линия	kredit xətti
<b>Accounts receivable</b>	дебиторские счета	debitor hesabı
<b>Assembly line</b>	сборочная линия, конвейер	konveyr, yığma xətti
<b>Pay interest on debt</b>	платить проценты по долговому обязательству	borc öhdəliyinin ödəmə faizi
<b>Credit history</b>	кредитная история	kredit tarixi
<b>Coupon rate</b>	проценты по купону	kupon faizi

### Exercise 1. Answer the Questions:

1. What are the most popular outside sources of short-term financing?
2. What is trade credit?
3. In what way can a commercial bank lend its money to customers?
4. How much does a factor pay on accounts receivable?
5. How can a company secure its debt?
6. Why do huge corporations issue unsecured debt?

### Exercise 2. Buraxılmış sözləri mətndən tapıb yerinə qoyun: Заполните пробелы словами из текста:

1. The seasonal financial needs of a company may be \_\_\_\_\_ by short-term sources of funds.
2. Businesses spend these funds on salaries and for \_\_\_\_\_.
3. The most popular outside source of short-term financing is \_\_\_\_\_ credit.

4. When a business \_\_\_\_\_ goods or services, it doesn't normally pay for them.

5. The supplier provides them with an \_\_\_\_\_ requesting payment within a settled period.

6. Commercial banks lend money to their customers by \_\_\_\_\_ loans.

7. Sometimes a company might sell its accounts \_\_\_\_\_ to a factor.

8. A company can get long-term financing by \_\_\_\_\_ bonds.

9. The \_\_\_\_\_ of bonds may be up to ten or even thirty years.

10. The bond is a secured one if the company pledges \_\_\_\_\_ to secure the debt.

### Exercise 3. Give Russian and Azeri equivalents of the phrases.

1. seasonal financial needs
2. to spend the funds on salaries and emergencies
3. business transactions
4. to involve some sort of trade credit
5. to order goods or services
6. to provide smb. with an invoice
7. to request payment within a settled period
8. to lend money to smb.
9. to borrow without making anew request
10. accounts receivable
11. to do sth. by getting loans
12. to need long – term sources of funds
13. to pay interest on debt
14. to secure the debt
15. to issue unsecured bonds
16. a predetermined interest rate

### Exercise 4. Match the definitions of the words

- |                     |   |
|---------------------|---|
| 1. <b>source</b>    | a. a person who buys and sells things (shares in a business) for other people   |
| 2. <b>invoice</b>   | b. to state smth by giving an exact instructions  |
| 3. <b>broker</b>    | c. an official document given by a company showing money borrowed from a person and stating the interest payments that it will make to them |
| 4. <b>revenue</b>   | d. a list of goods that have been sold, work that has been done, showing what you must pay  |
| 5. <b>debenture</b> | e. a place, person or thing that you get smth. from; the place where a river starts   |
| 6. <b>specify</b>   | f. the money that a government receives from taxes or that an organization does from its business   |

### Exercise 5. Cümlələri İngilis dilinə tərcümə edin Переведите предложения на Английский язык

1. Компания должна выплатить их в годичный срок.
2. Самые популярные источники краткосрочного финансирования – торговый кредит, заем, факторинг, финансовые компании и государственные сточки.
3. Когда компания заказывает товары и услуги, она обычно не платит за них.
4. В течение этого срока покупатель использует товары и услуги, не платя за них.
5. Кредитная линия есть некая сумма, которую клиент может занимать, не выставляя нового требования, а просто извещая банк.
6. Фактор немедленно выплачивает наличность, обычно от 50 до 80 процентов объема дебиторской задолженности.

7. Если компании необходимы фонды для сооружения новой сборочной линии, для проведения исследовательских и конструкторских работ, которые не принесут прибыли в течение нескольких лет, ей потребуются источники долгосрочного финансирования.

8. Она может сделать это, осуществив заем или выпустив облигации.

9. В течение этого периода компания платит проценты по долгу.

10. Компания может выплачивать заранее установленную процентную ставку в соответствии с соглашением, определяющим условия эмиссии облигаций.

\*\*\*

1. Şirkət onları bir il müddətinə ödəməlidir.

2. Qısamüddətli maliyyəlihdirmənin ən tanınmış mənbələri – ticarət krediti, istiqraz, faktoring, maliyyə kompaniyaları və dövlət mənbələridir.

3. Kompaniya mal və xidmətləri sifariş etdikdə, o adətən onlar üçün heç nə ödəmir.

4. Bu müddət ərzində alıcı mal və xidmətlərindən istifadəyə görə heç nə ödəmir.

5. Kredit xətti yeni tələb irəli sürməyərk müştərinin borc ala bildiyi hər hansı bir məbləğdir.

6. Faktor dərhal debitor borcunun həcmindən 50-dən 80 faizədək nəğd pul ödəyir.

7. Əgər kompaniyaya bir neçə il ərzində mənfəət gətirən tədqiqat və konstruktor işlərinin keçirilməsinə yeni quraşdırma xətlərinin tikintisi üçün fondlar lazımdırsa, ona uzunmüddətli maliyyələşdirmə mənbələri tələb olunur.

8. O, bunu borc pul yaxud istiqraz buraxmaqla həyata keçirə bilər.

9. Bu dövr ərzində kompaniya borc üzrə faiz ödəyir.

10. Şirkət istiqraz emissiyasının şərtlərini müəyyən edən razılaşmaya uyğun olaraq qabaqcadan təyin olunmuş faiz dərəcəsini ödəyə bilər.

**Exercise 6. Üç variantdan (a, b, c) düzgün olanı seçin:  
Из трех вариантов продолжения предложения  
(a, b, c) выберите правильный:**

1. The most popular outside sources of short-term financing are a) unsecured bonds which are called debentures; b) trade credits, loans, factors, finance companies and government sources; c) accounts receivable.

2. The bond is a secured one if a) the company pledges collateral to secure the debt; b) the buyer uses goods and services without paying for them; c) it can do it by getting loans or issuing bonds.

3. A line of credit is the amount a customer can borrow without a) long-term sources of funds; b) unsecured bonds which are called debentures; c) making a new request, simply by notifying the bank.

**Exercise 7 Translate the text  
Financing a Company**

Let us taken an example. The Smiths were planning to start up a small retail business. Before making the final decision, they looked at the amount of personal capital they had to invest. The remaining funds they would have to finance through various short-term and long-term arrangements. Another consideration was the type of equipment they would have to purchase initially. Similarly, the Smiths evaluated the costs of inventory, employee salaries and benefits, and other general expenses. After reviewing all these factors, the Smiths decided to open their business.

So, when going into business money is one of the most important factors. Without sufficient funds a company cannot begin operations. The money needed to start and continue operating a business is known as capital. A new business needs capital not only for ongoing expenses but also for purchasing necessary assets. These assets – inventories, equipment, buildings, and property – represent an investment of capital in the new business. Capital is also needed for salaries, credit extension to customers, advertising, insurance, and many other day-to-day operations. In addition, financing is essential for growth and expansion of a company. Because of competition in the market, capital needs to be invested in developing new product lines and production techniques and in acquiring assets for future expansion.

How this new company obtains and uses money will, in large measure, determine its success. The process of managing this acquired capital is known as financial management. In general, finance is securing and utilizing capital to start up, operate, and expand a company. In financing business operations and expansion, a business uses both short-term and long-term capital. A company utilizes short-term capital to pay for salaries and office expenses that last a relatively short period of time. On the other hand, a company seeks long-term financing to pay for new assets that are expected to last many years. When a company obtains capital from external sources, the financing can be either on a short term or a long-term capital arrangement. Generally, short-term financing must be repaid in less than one year, while long-term financing can be repaid over a longer period of time. Finance involves the securing of funds for all phases of business operations. In attracting and using this capital, the decisions made by managers affect the overall financial success of a company.

### **It is necessary to know for economists.**

#### **Finance**

- management of money
- capital involved in a project
- loan of money for a particular purpose
- money resources of a state, company or person

#### **Finance house (company)**

- organization providing finance for hire-purchase agreements.

#### **Financial accountant**

- accountant whose primary responsibility is the management of the financial of an organization and the preparation of its annual accounts.

#### **Financial adviser**

- a person who offers financial advice to someone else, especially one who advises on investment.
- Organization, usually a merchant bank, which advises the board of a company during a take-over.

#### **Financial capital**

- the liquid as opposed to physical assets of a company.

#### **Financial futures**

- futures contract in currencies or interest rates.

#### **Financial institution**

- an organization that collects funds from individuals, other organizations or government agencies that invest these funds or lend them on to borrowers.

#### **Financial instrument**

- formal financial document

#### **Financial intermediary**

- bank, building, society, finance house, insurance company, investment trust etc. that holds funds borrowed from lenders in order to make loans to borrowers.

- Person or organization that sells insurance but is not directly employed by an insurance company.

**Financial year**

- any year connected with finance, e.g. a company's accounting period or a year for which budgets are made up.

- specific period relating to corporation tax.

**Financial ratio**

- ratios between particular groups of the assets or liabilities of an enterprise and corresponding totals of assets or liabilities; or between assets and liabilities and flows like turnover or revenue.

**Financier**

- person who uses his own money to finance a business deal or venture or who makes arrangements for such a deal.

**LESSON 25**  
**HOW FUNDS FLOW THROUGH A BUSINESS**

Basically, money or funds go into purchasing assets, paying operating expenses and producing income. The operating expenses include the cost of materials and supplies. The manufacturer also must pay employee wages, rent or mortgage, insurance premiums and utility bills. Small firms sometimes operate on a cash basis. They neither obtain credit, nor borrow money. Other firms extend their resources through the use of credit. The owner of the firm invests some of his own money and has a lot more of other people's.

The businesses use money to buy assets like land, buildings and furnishings, and tools, machines, and equipment. The manufacturer sometimes buys them with mortgage loans which he secures by the building or the equipment itself. In other words, the bank or insurance company really owns the property until the manufacturer has paid the mortgage in full. The use of debt, or credit, increases both the assets and the income of the purchaser. The use of borrowed money to make more money is called leverage. Big companies issue securities to attract funds from other companies and the public. Securities are traded on the open market.

New businesses can start with the businessmen's own assets. Start-up financing may also come from relatives and friends. The larger firms can obtain funds from venture capital investors. These financial intermediaries specialize in funding ventures with good promise and invest in businesses which generate high profits within five years.

Initially venture capital firms invested in high-tech industries, but now other branches enjoy this kind of financial aid, especially those working in the health-care field.

Funds can also be borrowed from the bank. In order to provide a loan, a bank must have funds to lend. This comes from paid-in capital, earnings of the previous years and the

bank's customers' deposits. The banker always remembers that the money he lends is not his bank's own money. It is money deposited by the bank's customers, whether in a demand or time account. This idea limits the risk that a commercial banker will take.

To evaluate the risk, a banker must first obtain certain basic information about the potential borrower: how much money the borrower needs, the purpose and the term of the loan, and how the borrower will repay the loan. The banker evaluates the three C's of credit: character, capacity and capital – the integrity of the borrower, his ability to repay, and the soundness of his financial position.

The integrity of the borrower is determined by previous loans and by his standing with other banks. Every where in the world banks exchange credit information with each other.

The borrower's ability to repay depends on the purpose of the loan.

The financial position of the borrower is determined on the basis of his financial statement. This consists of a detailed balance sheet and a profit and loss statement. The bank demands an audited financial statement covering the previous three years.

## VOCABULARY

<b>Funds</b>	фонды, денежные средства	fond, pul vəsaiti
<b>Flow</b>	течь	tökülmək, axmaq
<b>Assets</b>	активы	aktiv
<b>Mortgage</b>	ипотека, ипотечный кредит	ipoteka, ipoteka krediti
<b>Insurance</b>	страхование	sığorta
<b>Utility</b>	коммунальные услуги	kommunal xidmətlər
<b>Bill</b>	счет	hesab
<b>Borrow</b>	занимать, брать в долг	borca pul götürmək
<b>Furnishings</b>	непроизводственное оборудование	qeyri-istehsal avadanlığı
<b>Secure</b>	обеспечивать (заям)	təmin etmək (istiqraz)

<b>Security</b>	ценная бумага	qiymətli kağızlar
<b>Venture</b>	рискованное предприятие	təhlükəli, riskli müəssisə
<b>Intermediary</b>	посредник	vasitəçi
<b>Specialize (in)</b>	специализироваться	ixtisaslaşmaq (nədəsə)
<b>Care</b>	забота; заботиться	qayğı, qayğısına qalmaq
<b>Integrity</b>	надежность, честность, основательность	etibarlılıq, bölünməz, əsas
<b>Soundness</b>	основательность, стабильность	əsas, stabill
<b>Statement</b>	заявление, декларация	ərizə, bəyannamə
<b>Sheet</b>	лист (бумага)	vərəq (kağız)
<b>Loss</b>	потеря, утрата	itki
<b>Audit</b>	аудит; проверять финансовое состояние	audit, maliyyə vəziyyətini yoxlamaq
<b>Cover</b>	покрытие; покрывать	örtmə, örtmək
<b>Operating expenses</b>	операционные издержки	əməliyyat xərcləri
<b>Insurance premiums</b>	страховая премия	sığorta mükafatı
<b>On a cash basis</b>	на основе собственных средств	şəxsi vəsaiti əsasında
<b>In full</b>	полностью	tamamilə
<b>Start-up financing</b>	начальное, стартовое финансирование	ilkin maliyyələşdirmə
<b>Venture capital investor</b>	венчурный инвестор	müəssisə investoru (səhm qoyan)
<b>Health-care</b>	здравоохранение	səhiyyə
<b>Paid-in capital</b>	оплаченная часть акционерного капитала	səhm kapitalının ödənilmiş hissəsi
<b>Demand account</b>	текущий счет	cari hesab (müddətsiz depozit)
<b>Time account</b>	срочный депозит	müddətli depozit
<b>Standing with other banks</b>	репутация среди других банков	başqa banklar arasında reputasiya
<b>Credit information</b>	кредитная информация	kredit barədə məlumat
<b>Financial statement</b>	финансовая декларация, финансовый отчет	maliyyə hesabatı
<b>Profit and loss statement</b>	декларация доходов и убытков, отчет о доходах и убытках	gəlir və itki bəyannaməsi

### Exercise 1. Answer the Questions:

1. Where does money go basically?
2. How do businessmen secure mortgage loans?
3. What term do they use to define the use of borrowed money?
4. How do big companies attract money from other companies and the public?
5. Who do venture capital investors lend funds to?
6. Where do banks get money from to offer as loans to the borrowers?
7. What basis is the borrower's financial position determined on?

### Exercise 2. Buraxılmış sözləri mətdən tapıb yerinə qoyun: Заполните пробелы словами из текста:

1. Money or funds go into purchasing \_\_\_\_\_, paying operating expenses and producing income.
2. The manufacturer also must pay employee wages, rent or \_\_\_\_\_, insurance premiums and utility bills.
3. Small firms sometimes operate on a \_\_\_\_\_ basis.
4. Other firms \_\_\_ their resources through the use of credit.
5. The manufacturer sometimes buys land, buildings and furnishings with mortgage loans which he \_\_\_\_\_ by the building or the equipment itself.
6. The use of \_\_\_\_\_, or credit, increases both the assets and the income of the purchaser.
7. The use of borrowed money to make more money is called \_\_\_\_\_.
8. Venture capital investors \_\_\_\_\_ in funding ventures with good promise.
9. In order to \_\_\_ a loan, a bank must have funds to lend.
10. The banker lends the money deposited by the bank's customers, whether in a \_\_\_\_\_ or time account.

### Exercise 3. Give the Russian and Azerbaijanequivalents of thephrases.

1. to pay operating expenses
2. the cost of materials and supplies
3. to pay employee wages
4. to operate on a cash basis
5. to extend resources
6. to buy sth. with mortgage loans
7. to pay mortgage in full
8. to issue securitis
9. to obtain funds from venture capital investors
10. to invest in high-tech industries
11. to work in the health –care field
12. to come from paid-in capital
13. to evaluate the risk
14. a potential borrower
15. the world banks exchange credit information with each other
16. financial position of the borrower

### Exercise 4. Match the definitions of the words

- |                        |   |
|------------------------|---|
| 1. <b>mortgage</b>     | a. a loan that given to you as the worth ofsmth                             |
| 2. <b>utility</b>      | b. the act of using a lever to open or lift smth                            |
| 3. <b>borrow</b>       | c. a person or an organization that helps other people to make an agreement |
| 4. <b>secure</b>       | d. money that has been lost by a business or an organization                |
| 5. <b>leverage</b>     | e. a service provided for the public (water, an electricity or gas supply)  |
| 6. <b>intermediary</b> | f. a legal agreement by which a bank lends you money to buy a house         |

7. **loss** g. to take money from a person or bank and agree to pay it back

**Exercise 5. Cümlələri İngilis dilinə tərcümə edin**  
**Переведите предложения на Английский язык**

1. В основном денежные средства (или фонды) идут на приобретение активов, оплату операционных издержек и производство прибыли.

2. Прочие компании увеличивают свои ресурсы за счет использования кредита.

3. Иногда производитель приобретает их за счет ипотечного кредита, который он обеспечивает самим зданием или оборудованием.

4. Иными словами, банк или страховая компания в действительности владеют собственностью до тех пор, пока производитель полностью не расплатится по ипотечному кредиту.

5. Крупные компании выпускают ценные бумаги для привлечения средств от других компаний и от населения.

6. Эти финансовые посредники специализируются в финансировании рискованных предприятий, имеющих хорошие перспективы, и вкладывают средства в бизнес, который обеспечивает высокий уровень прибыли в течение пяти лет.

7. Чтобы предоставить кредит, банк должен иметь фонды.

8. Банкир всегда помнит, что деньги, которые он дает в качестве кредита, не являются собственными деньгами банка.

9. Надежность заемщика определяется его кредитной историей, а также его репутацией у других банков.

10. Финансовое положение заемщика определяется на основе его финансового отчета.

1. Pul vəsaitləri əsasən (yaxud fondlar) aktivlərin alınmasına, əməliyyat xərclərinin və istehsal gəlirlərinin ödənilməsinə sərf edilir.

2. Başqakompaniyalar kreditdən istifadə etmək hesabına öz resurslarını artırırlar.

3. İstehsalçı hərdən bir onları ipoteka kreditinin hesabına əldə edir.

4. Başqa sözlə, bank yaxud sığorta kompaniyası istehsalçı ipoteka krediti üzrə tamamilə haqq-hesabı ödəyəndək öz mülkiyyətinə sahib ola bilər.

5. İri kompaniyalar başqa kompaniyalardan və əhalidən vəsaitlərin cəlb olunması üçün qiymətli kağızlar buraxır.

6. Bu maliyyə vasitəçiləri yaxşı perspektivə malik olan maliyyələşdirmədə riskə gedən müəssisələrdə ixtisaslaşırlar və beş il ərzində yüksək səviyyəli gəlir təmin edən biznesə öz vəsaitlərini qoyurlar.

7. Kredit vermək üçün bankın fondu olmalıdır.

8. Bankir həmişə nəzərə alır ki, kredit qismində verilən pul bankın öz xüsusi pulu deyil.

9. Borc alanın etibarlılığı onun kredit tarixi, həmçinin onun başqa banklarda reputasiyası ilə müəyyən edilir.

10. Borc alanın maliyyə vəziyyəti onun maliyyə hesabı əsasında müəyyən edilir.

**Exercise 6. Üç variantdan (a, b, c) düzgün olanı seçin:**  
**Из трех вариантов продолжения предложения (a, b, c) выберите правильный:**

1. The manufacturer sometimes buys them with mortgage loans which he a) can start with the businessman's own assets; b) must have funds to lend; c) secures by the building or the equipment itself.

2. The use of debt, or credit, increases a) both the assets and the income of the purchaser; b) the cost of materials and supplies; c) this kind of financial aid.

3. The integrity of the borrower is determined by a) previous loans and by his standing with other banks; b) venture capital investors; c) other companies and the public.

### **Exercise 7. Translate the text Business Writing**

The aim in business writing is to communicate as clearly and concisely as you can. In our high-tech culture we expect many tasks to take far less time than they do. Writing is one of them. The ability to write well – clearly and concisely – is not an ancillary skill; it is an essential skill. Contrary to general belief, writing is not something only ‘writers’ do; it is a basic skill for getting through life. However, writing is a high-level conceptual skill you are writing: analyzing the audience, remembering and deciding on what information to present, organizing the information, putting it into comprehensible sentences, paying attention to the rules of good writing, proofreading, etc.

When getting started, remember, if you gain control of yourself, you will gain control of your topic.

- First of all you ask yourself the question about the purpose of your writing:

Are you writing to inquire, inform, persuade, motivate, or do you have more than one purpose?

Second, get interested in its scope:

- Given your needs and your reader’s needs, how much information should you include?

Third, see clearly the contents of your writing:

- What kind of information will help you to achieve your purpose? Do you have all information you need? How, or where, can you get additional information?

At last, you should ask yourself about the available constraints:

- What makes your task more difficult? Time or cost constraints? Your reader’s attitudes? Your own lack of credibility?

Put yourself in your reader’s place and look at the message through his eyes. Most of the readers want the results of your thinking, not the thinking itself. Remember that there is a difference between thinking and communicating. When experimenting with various ways to organize the information be guided by two factors: (1) your reader’s knowledge and interest and (2) your purpose and the information itself. The contents of any letter may be summarized as follows: (1) opening, (2) purpose; (3) action, and (4) polite expressions.

### **It is necessary to know.**

#### **VI. Describing situations.**

A matter is a subject or situation that you must consider or deal with. For example, a case is a ‘matter that is being officially investigated...’

State and conditions are both used to describe how something or somebody looks or is physically or mentally. A medical condition is a particular health problem that somebody has.

A situation that exists as a habit or practice that somebody has can be described as the fact of or the practice of... For example, gender is the fact of being male or female.

### **Joke about Economics and Economist**

1. Question: Why does Treasury only have 10 minutes for morning tea?

Answer: If they had any longer, they would need to re-train all the economists.

2. A worker who was being paid by the week approached his employer and held up his last paycheck. : This is two hundred dollars less than we agreed on,” he said.

“I know,” the employer said. “But last week I overpaid you two hundred dollars, and you never complained.”

“Well I don’t mind an occasional mistake,” the worker answered, “but when it gets to be a habit, I feel I have to call it to your attention.”

3. A Chicago economist died in poverty and many local futures traders donated to a fund for his funeral. The president of the Board of Trade was asked to donate a dollar.

“Only a buck?” said the president, “only a dollar to bury an economist? Here’s check; go bury 1000 of them.”

## LESSON 26 BONDS

Bond markets is an important component of capital markets. Bonds are fixed-income securities – securities that promise the holder a specified set of payments. The value of a bond (like the value of any other asset) is the present value of the income stream one expects to receive from holding the bond. This has several implications:

1. Bond prices vary inversely with market interest rates. Since the stream of payments usually is fixed no matter what subsequently happens to interest rates, higher rates reduce the present value of the expected payments, and thus the price.

2. Bonds are generally adversely affected by inflation. The reason that higher expected inflation raises market interest rates and therefore reduces the present value of the stream of fixed payments. Some bonds, though, are indexed for inflation.

3. The greater the uncertainty about whether the payment will be made, the lower the “expected” payment to bondholders and the lower the value of the bond.

4. Bonds whose payments are subjected to lower taxation provide investors with higher expected after-tax payments. Since investors are interested in after-tax income, such bonds sell for higher prices.

The major classes of bond issuers are the government, corporations, and municipal governments. The default risk and tax status differ from one kind of bond to another.

The USA issues three types of marketable securities: Treasury bills, Treasury notes, and Treasury bonds. Treasury bills have maturities up to one year and are generally issued in denominations of \$ 10,000. They do not pay interest. Instead, the U.S. Treasury sells notes at a discount to their redemption value. The size of the discount determines the interest rate on the bill.

Treasury notes and Treasury bonds differ from Treasury bills in several ways. First, their maturities generally are greater

than one year. Notes have maturities of one to seven years. Bonds can be sold with any maturity, but their maturities at issue typically exceed five years. Second, bonds and notes specify periodic interest (coupon) payments as well as a principal repayment. Third, they are frequently registered, meaning that the government records the name and address of the current owner.

Corporate bonds promise specified payments at specified dates. While issuing bonds, corporations make a promise of payment of principal and interest at stated dates. There are also other provisions such as limitations of the firm's right to sell pledged property, limitations on future financing activities, and limitations on dividend payments.

Here are some standard types of corporate bonds:

- Mortgage bonds that are secured by the pledge of specific property.
- Debentures that are unsecured general obligations of the issuing corporation.
- Collateral trust bonds that are backed by other securities (typically held by a trustee). Such bonds are frequently issued by a parent corporation pledging securities owned by a subsidiary.
- Equipment obligations (or equipment trust certificates) that are backed by specific pieces of equipment (for example, railroad rolling stock or aircraft).
- Convertible bonds that give the owner the option either to be repaid in cash or to exchange the bonds for a specified number of shares in the corporation.

Corporate bonds have differing degrees of risk. Bond rating agencies (for example, Moody's) provide an indication of the relative default risk of bonds with ratings that range from Aaa (the best quality) to C (the lowest). Bonds rated Baa and above are typically referred to as "investment grade." Below-investment grade bonds are sometimes referred to as "junk bonds."

## VOCABULARY

<b>Bond</b>	облигация	istiqraz
<b>Implication</b>	следствие, последствие, вывод	nəticə, aqibət, təsir
<b>Inversely</b>	в обратном направлении	əks istiqamətdə
<b>Subsequent</b>	последующий	sonrakı
<b>Adversely</b>	неблагоприятно	əlverişsiz
<b>Indexed</b>	индексированный	indeksləşdirilmiş
<b>Uncertainty</b>	неопределенность	qeyri – müəyyənlik
<b>Municipal</b>	муниципальный, местного управления	munisipal, yerli idarətmə, bələdiyyə
<b>Default</b>	неисполнение обязательств	öhdəliklərin yerinə yetirilməməsi
<b>Mortgage</b>	ипотека	ipoteka
<b>Debenture</b>	необеспеченное долговое обязательство	təmin edilməmiş vəzifə öhdəlikləri
<b>Unsecured</b>	необеспеченный	təmin olunmamış
<b>Collateral</b>	обеспечение долгового обязательства	vəzifə öhdəliklərinin təmin olunması
<b>Trustee</b>	доверенное лицо	etibarlı şəxs
<b>Subsidiary</b>	дочерняя компания	törəmə kompaniyası, qız kompaniyası
<b>Tax status</b>	налоговый статус	vergi statusus
<b>Parent corporation</b>	материнская компания	əsas şirkət
<b>Rating agency</b>	агентство, определяющее рейтинг (акций, облигаций)	reytinqi təyin edən agentlik (səhmlər, istiqrazlar)

### Exercise 1. Answer the Questions:

1. How is the value of bonds calculated?
2. How do the prices of bonds react to the interest?
3. How are the prices of bonds affected by inflation?
4. What are the maturities of USA Treasury bills?

5. What are the provisions of the corporate bond issues?
6. How are the mortgage bonds secured?
7. Why are the debentures not secured?

**Exercise 2. Cümlələri İngilis dilinə tərcümə edin**  
**Переведите предложения на Английский язык**

1. ...ценные бумаги с фиксированным доходом ...
2. ...изменяются в обратной зависимости по отношению к уровню процентных ставок ...
3. ...индексируются в отношении к уровню инфляции ...
4. ... риск дефолта и налоговый статус ...
5. ... их срок погашения обычно выше одного года ...
6. ...облигации и банкноты определяют периодическую выплату процентов ...
7. ... обещание выплатить основную сумму и проценты в установленные сроки ...
8. ...обеспечивается предложением определенной собственности...
9. ...поддерживаются определенными элементами оборудования...
10. ...с рейтингом в пределах от Ааа (лучшее качество) до С (низшее)...

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- ... qeydə alınmış gəlirlə qiymətli kağızlar...
- ... faiz dərəcələrinin səviyyəsi üzrə əks asılılıqda dəyişilir...
- ... inflyasiya səviyyəsinə nisbətən indeksləşdirilir...
- ... defolt riski və vergi statusu...
- ... onların ödəniş müddəti adətən bir ildən çoxdur...
- ...istiqrazlar və banknotlar faizlərin dövrü ödənişlərini müəyyən edir...
- ...müəyyən edilmiş müddətə əsas faiz və məbləğlərin ödənilməsinə sözvermək ...
- ... müəyyən edilmiş mülkiyyətin təklifi ilə təmin olunur ...

**Exercise 3. Üç variantdan (a, b, c) düzgün olanı seçin:**  
**Из трех вариантов продолжения предложения (a, b, c) выберите правильный:**

1. Bond prices vary inversely with a) a specified set of payments; b) market interest rates; c) the present value of the income stream.
2. Some bonds are indexed for a) an important component of capital markets; b) the name and address of the current owner; c) inflation.
3. Corporate bonds promise a) specified payments at specified dates; b) after – tax income; c) a discount to their redemption value.

**Exercise 4. Match the definitions of the words**

- |                      |   |
|----------------------|---|
| 1. <b>bond</b>       | a. an agreement by a government or a company to pay you interest on the money you have lent                 |
| 2. <b>issuer</b>     | b. a person or an organization that has control of money or property that has been put into a trust for smb |
| 3. <b>default</b>    | c. things that are considered useless or of little value  |
| 4. <b>redemption</b> | d. what happens or appears if you do not make any other choice or change                                    |
| 5. <b>trustee</b>    | e. an official organization that produces shares, securities, notes, bonds for sale to the public           |
| 6. <b>junk</b>       | f. the act of exchanging shares for money   |

### Exercise 5. Cümlələri İngilis dilinə tərcümə edin Переведите предложения на Английский язык

Цены облигаций изменяются в обратной зависимости к изменению процентных ставок. Так как объемы выплат обычно фиксированы вне зависимости от того, что впоследствии произойдет с процентными ставками, повышение ставок сокращает приведенную стоимость будущих выплат и, соответственно, цену.

На облигации, как правило, негативное воздействие оказывает инфляция. Причина состоит в том, что ожидаемое усиление инфляции поднимает процентные ставки и, таким образом, сокращает приведенную стоимость объема фиксированных платежей. Некоторые облигации, однако, индексируются с учетом инфляции.

Чем выше степень неопределенности по поводу того, будут ли производиться выплаты, тем ниже «ожидаемые» выплаты держателям облигаций и ниже ценность самой облигации.

Облигации, выплаты по которым подлежат налогообложению по невысоким ставкам, обеспечивают своим инвесторам более высокий уровень выплат после уплаты налогов. Так как инвесторы заинтересованы в доходе, получаемом уже после уплаты налогов, такие облигации продаются по более высокой цене.

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İstiqrazların qiyməti faiz dərəcələrinin əks əsliyyəsi ilə dəyişir. Belə ki, ödənişlərin həcmi adətən faiz dərəcələrinin dəyişilməsinin nəticəsindən asılı olmayaraq qeyd edilir, dərəcələrin artması qiymətə uyğun olaraq gələcək ödənişlərin çıxardığı dəyəri azaldır.

İstiqrazlara, bir qayda olaraq, inflyasiya neqativ təsir göstərir. Səbəbi odur ki, gözlənilən inflyasiyanın güclənməsi faiz dərəcələrini qaldırır və beləliklə, qeyd olunmuş ödə-

nişlərin gətirib çıxardığı dəyərin həcmi azaldır. Bəzi istiqrazlar inflyasiyanın uçuotu ilə qeyd olunur.

Ödənişlərin yerinə yetirilməsi üzrə qeyri-müəyyənlik dərəcəsi nə qədər yüksək olarsa, istiqraz saxlayanların «gözlədikləri» ödənişlərin və istiqrazların özünün dəyərliliyi bir o qədər aşağı enəcək.

### Exercise 6. Learn the Dialogue The Bond Market

**F** : Financialmarkets are generally classified as money or capital markets and primary or secondary markets. Do you follow this classification ?

**R** : Yes, we do. But structurally we divide our financial market into a hard – currency market, a bank credit market, debt and equitymarkets and the market of gold and precious metals.

**F** : I see. My experience in Russia tells me that your investors prefer operations in the hard currency market to investing in the real sector of youreconomy.

**R**: Yes, our capital markets are thin, they have a good potential .

**F**:It's a pity, because the debt market, for one, is a powerful instrument of monetary policy. Many governments issue bonds to solve their financial problems and to cover budget deficits.

**R** :And how is theinternational bond market performing this year ?

**F** :Volumes of issuance have been rather high, though fewer bonds have appeared from emerging markets of Eastern Europe.

**R** : Investors are still viewing borrowers in emerging markets too risky, I suppose. Western sovereign borrowers are the main players in the market, aren't they ?

**F** :Well, yes, but many are trying to slow down their borrowing and reduce their national debt.

**R** :This leaves room for other borrowers, right ?

**F** : Yes, supranationals have diversified tremendously, both in their products and markets. Corporate borrowers are also very active.

**R** :But after the crises investors have become more cautious, haven't they ?

**F** : That is right. Credit ratings of borrowers have become much more important. Investors demand transparency and liquidity. Borrowers are finding it much harder and more expensive to raise sufficient funds on the international debt market.

**R** :How has the introduction of the Euro affected the bond market?

**F** :Some are thinking of Euro-denominated bond issues as the bondmarkets are moving away from the dollar in favour of the Euro. The competition is becoming keener.

**R** :We are entering a new and turbulent phase in the debt markets. Many people believe that the worst is yet to come.

### **It is necessary to know for economists.**

#### **Banks**

- financial institutions that offer the widest range of financial services – especially credit, savings and payment services and perform the widest range of financial functions of any business firm in the economy.

#### **Affiliated bank**

- bank whose stock has been acquired by a bank holding company.

#### **Bankers' bank**

- groups of banks that are given a legal permit to create regional service firms in order to facilitate the delivery of certain

customer services, such as rapid transfer and investment of customer funds and the execution of orders to buy or sell securities.

#### **Bank holding company**

- a corporation chartered for the purpose of holding the stock (equity shares) of one or more banks.

#### **Correspondent banking**

- a system of formal and informal relationships among large and small banks established to facilitate the exchange of certain services, such as clearing checks.

#### **Nonbank banks**

- financial service firms that either offer checking account services or grant commercial loans but not both of these services.

#### **Unit banks**

- banks that offer the full range of their services from one office, though a small number of services (such as taking deposits or cashing checks) may be offered from limited – service facilities (such as drive-in windows and automated teller machines).

### **Jokes about Economics and Economists**

1. A stock analyst and a Wall Street broker went to the races. The broker suggested to bet \$10,000 on a horse. The analyst was skeptical, saying that he wanted first to understand the rules, to look on horses, etc. The broker whispered that he knew a secret algorithm for the success, but he could not convince the analyst.

“You are too theoretical,” he said and bet on a horse. Surely, that horse came first bringing him a lot of money. Triumphantly, he exclaimed: “I told you, I knew the secret!”

“What is your secret?” the analyst asked.

“It is rather easy. I have two kids, three and five year old. I sum up their ages and I bet on number nine.”

“But, three and five is eight,” the analyst protested.

“I told you, you are too theoretical!” the broker replied, “Haven’t I just shown experimentally that my calculation is correct?!”

2. A long time ago, a visitor from out of town came to a tour in Manhattan. At the end of tour they took him to the financial district. When they arrived to Battery Park the guide showed him some nice yachts anchoring there, and said, “Here are the yachts of our bankers and stockbrokers.” “And where are the yachts of the investors?” asked the naive visitor.

## **LESSON 27**

### **MONEY and BANKING**

The role of money and banking system is an important part of the study of economics. Money, after all, is involved in nearly all economic transactions. This section explains the nature and functions of money, the demand and supply of money and the role of the banking system in the money – creation process.

#### ***Definition of Money***

What is money? Money is any good that is widely used and accepted in transactions involving the transfer of goods and services from one person to another. Economists differentiate among three different types of money: commodity money, fiat money, and bank money. Commodity money is a good whose value serves as the value of money. Gold coins are an example of commodity money. In most countries, commodity money has been replaced with fiat money. Fiat money is a good, the value of which is less than the value it represents as money. Dollar bills are an examples of fiat money because their value as slips of printed paper is less than their value as money. Bank money consists of the book credit that banks extend to their depositors. Transactions made using checks drawn on deposits held at banks involve the use of bank money.

#### **Functions of money**

Money is often defined in terms of the three functions or services that it provides. Money serves as a medium of exchange, as a store of value, and as a unit of account.

#### ***Medium of exchange.***

Money’s most important function is as a medium of exchange to facilitate transactions. Without money, all transactions would have to be conducted by barter, which involves direct exchange of one good or service for another. Money serves as a medium of exchange that is accepted in all

transactions, by all parties, regardless of whether they desire each-others' goods and services.

#### ***Store of value.***

Money must hold its value over time; that is it must be a store of value. As a store of value is not unique and even is not the best one because it depreciates with inflation.

However, money is more liquid than most other stores of value because as the medium of exchange, it is readily accepted everywhere. Furthermore, money is an easily transported store of value that is available in a number of convenient denominations.

Unit of account. Money also functions as a unit of account, providing a common measure of the value of goods and services being exchanged. Knowing the value of price of a good, in terms of money, enables both the supplier and the purchaser of the good to make decisions about how much of the good to supply and how much of the good to purchase.

#### **The Demand for Money**

The demand for money is affected by several factors, including the level of income, interest rates, and inflation as well as uncertainty about the future. The way in which these factors affect money demand is usually explained in terms of the three motives for demanding money: the transactions, the precautionary, and the speculative motives.

#### **Supply of Money**

There are several definitions of the supply of money. M1 is the narrowest and most commonly used. It includes all currency (notes and coins) in circulation, all checkable deposits held at banks (bank money) and all traveler's checks. A somewhat broader measure of the supply of money is M2, which includes all of M1 plus savings and time deposits held at banks. An even broader measure of the money supply is M3, which includes all of M2 plus large denomination, long-term time deposits – for example, certificates of deposit (CDs) in amounts over \$ 100,000.

#### **Banking sector**

Banks perform two crucial functions. First, they receive funds from depositors and, in return, provide these depositors with a checkable source of funds or with interest payments. Second, they use the funds that they receive from depositors to make loans to borrowers; that is they serve as intermediaries in the borrowing and lending process.

When banks receive deposits, they do not keep all of these deposits on hand because they know that depositors will not demand all of these deposits at once. Instead, banks keep only a fraction of the deposits that they receive. The deposits that banks keep on hand are known as the banks' reserves. When depositors withdraw deposits, they are paid out of the banks' reserves. The reserve requirement is the fraction of deposits set aside for withdrawal purposes. The reserve requirements is determined by the nation's bank authority, a government agency known as the central bank. The central bank is unique in that it is the only bank that can issue currency. Deposits that banks are not required to set aside as reserves can be lent to borrowers, in the form of loans. Banks earn profits by borrowing funds from depositors at zero or low rates of interest and using these funds to make loans at higher rates of interest.

**A balance sheet** for a typical bank is given in Table. The balance sheet summarizes the bank's assets and liabilities. Assets are valuable items that the bank owns and consist primarily of the bank's reserves and loans. Liabilities are valuable items that the bank owes to others and consist primarily of the bank's deposit liabilities to its depositors. In table, the bank's assets (reserves and loans) total \$million. The bank's liabilities (deposits) total \$ 1 million. A banking firm's assets must always equal liabilities.

## VOCABULARY

<b>Banking system</b>	банковская система	bank sistemi
<b>Commodity money</b>	товарные деньги	əmtəəlik, mal ,əmtəə pulu
<b>Fiat money</b>	декретные деньги	məzuniyyət pulu
<b>Bank money</b>	банковские деньги	bank pulu
<b>Book credit</b>	учетная стоимость кредита	kreditin hesab dəyəri
<b>Check</b>	чек	çek
<b>Medium of exchange</b>	средствц обрешения	mübadilə vasitəsi
<b>Store of exchange</b>	средство накопления	valyuta ehtiyatı
<b>Unit of account</b>	мера стоимости	hesab vahidi
<b>Liquid</b>	ликвидный	likvidlik , nağd
<b>Demand for money</b>	спрос на деньги	pula tələbat
<b>Supply of money</b>	предложение денег	pul təchizatı
<b>Currency</b>	валюта	valyuta
<b>Checkable deposit</b>	чековый депозитный вклад	çek depozit əmanəti
<b>Traveler's check</b>	дорожный чек	səyahət çeki
<b>Saving</b>	сбережение	əmanət
<b>Time deposit</b>	срочный депозитный вклад	müddətli depozit əmanəti
<b>Certificate of deposit</b>	сберегательная книжка	əmanət kitabçası
<b>Intermediary</b>	посредник	vasitəçi
<b>Reserve</b>	резерв	ehtiyat
<b>Loan</b>	ссуда	ssuda, borc
<b>Asset</b>	актив	aktiv
<b>Liability</b>	обязательство, пассив	məsuliyyət, passiv

## Exercise1. Answer the Questions

- 1.What is money ?
2. What are the functions of money ?
- 3.What does medium of exchange mean ?
- 4.Can you explain the meaning of “store of value ”?
- 5.What is the third function of money ?
- 6.How many functions do banks perform ?
- 7.What do banks do when they receive deposits ?
- 8.What is a balance sheet ?
- 9.What are liabilities ?

## Exercise 2.Give derivatives of :

definition competition bank  
 accept activity money  
 lend collect measure  
 borrow economic exchange  
 advance value important  
 intermediary supply involve  
 deposit pay transport  
 acquire government transferable

## Exercise 3. Give the Russian and Azerbaijan equivalents of these word- combinations

An important part; economic transactions; functions of money; role of the banking system; money –creation process; different types of money; direct exchange; medium of exchange; store of value; unit of account; purchaser of the good; to make decision; supply of money; checkable deposits; travel’s checks; savings and time deposits; certificates of deposit ; reserve requirement; balance sheet; deposit liabilities .

**Exercise 4. Match each word or phrase on the left with the correct definitions on the right**

1. **Bank** – the business of a bank
2. **Bank account** – a day during the week when banks are closed by law
3. **Bank balance** – someone who works in a bank in an important position
4. **Bank book** – a credit card provided by your bank
5. **Bank card** – a book in which a record is kept of the money you put into and take out of your bank account
6. **Banker** – the amount of money someone has in their bank account
7. **Bank holiday** – an arrangement between a bank and a customer that allows the customer to pay in and take out money.
8. **Banking** – a business that keeps and lends money and provides other financial services
9. **Bank manager** – someone who has officially said that they cannot pay their debts.
10. **Bank note** – the rate of interest decided by a country's main bank.
11. **Bank rate** – a piece of paper money of a particular value that you use to buy things.
12. **Bankrupt** – someone who is in charge of a local bank.
13. **Bankruptcy** – a document sent regularly by a bank to a customer that lists the amount of money taken out of and paid into their bank account.
14. **Bank statement** – the state of being unable to pay your debts

**Exercise 4. Read and act the Dialogue  
Interview with a Bank Manager**

**Reporter:** As far as we know, last year was a year of substantial progress for your bank, wasn't it?

**Banker:** Yes, our bank made excellent progress. We increased market share and profitability. At the same time we continued to develop business infrastructure.

**R:** Could you substantiate it by some figures?

**B:** For example, the pre-tax profit increased by over 80%.

**R:** What would you attribute this success to?

**B:** This significant improvement arose mainly from higher operating income reflecting improvement in net interest and non-interest income. Retail customer deposits increased progressively during the year. Loans and advances to customers increased during the latter months of the year and at year end were 4% higher than the prior year. Besides, we improved the credit quality of our loan portfolios.

**R:** Is retail banking your specialist area?

**B:** No, not only. Like many banks we offer a combination of wholesale and retail banking. We continued to increase our presence in the health, education and charity sectors, the sectors where we have developed specialized expertise.

**R:** Many banks follow this policy. They stay in a global niche, focusing on particular areas.

**B:** I don't think it's fair to compare us to an ordinary clearing bank. We are completely different.

**R:** Why?

**B:** We are a cooperative bank, and our mission is to increase customer value, not shareholder value.

**R:** Is your policy bearing fruit?

**B:** Definitely. We constantly develop and introduce new services and products we match our customers' needs. The number of customers is increasing.

**R:** It is known that you are a long-established bank committed to remaining at the forefront of innovation in the interest of the customers.

**B:** And the community, I would add. The bank has proved that a business can make profits achieving at the same time socially desirable objectives. All the bank's visa credit cards are used to support charities.

**R:** Now that you have mentioned credit cards, I'd like to say that customers' service requirements are changing. Increasing numbers of customers prefer the convenience of telephone banking, ATM's for cash withdrawals, as well as debit and credit cards

**B:** I can't agree more. The changing needs of customers and the advances of new technology have resulted in the development of our Armchair Banking Service. It's the largest telephone banking system in our country. Almost half of our personal and corporate customers regularly use the system to conduct all their routine banking business.

**R:** That's nice to hear. Nevertheless customers appreciate personal contracts with staff, don't they?

**B:** You are right. Not only have we expanded our branch network, but we have relieved the staff of routine tasks, which allows them to provide a greater focus on direct personal service and consultation

**R:** Thank you for your full information on banking.

**It is interesting to know.**

**Which word? Agenda/ diary/ schedule/ timetable/ itinerary**

A book with a space for each day where you write down things that you have to do in the future is called a diary or a date book (AmE) not an agenda.

An agenda is a list of items to be discussed at a meeting.

You may also have a calendar on your desk or hanging up in your room where you write down your appointments. A diary or a journal is also the record that some people keep of what has happened during the day.

An BrE your schedule is a plan that lists all the work that you have to do and when you must do each thing and a timetable is a list showing the fixed times at which events will happen: a bus/train timetable.

In AmE these are both called a schedule.

An itinerary is a plan of a journey, including the route and the places you visit.

## FREE TOPICS ECONOMIC SYSTEMS

An economic system is quite simply the way in which a country uses its available resources (land, workers, natural resources, machinery etc.) to satisfy the demands of its inhabitants for goods and services. The more goods and services that can be produced from these limited resources, the higher the standard of living enjoyed by the country's citizens.

**Planned economies:** Planned economies are sometimes called 'command economies' because the use of resources (such as labour and factories) that are used to produce goods and services as it owns factories, land and natural resources. A planned economy is simply to understand but not simple to operate. It does, however, have a number of advantages:

- Everyone in society receives enough goods and services to enjoy a basic standard of living.
- Nations do not waste resources duplicating production.
- The state can use its control of the economy to divert resources to wherever it wants. As a result, it can ensure that everyone receives a good education, proper health care or transport is available.

Several disadvantages also exist. It is these disadvantages that have led to many nations abandoning planned economies over recent years:

- There is no incentive for individuals to work hard in planned economies.
- Any profits that are made paid to the government.
- Citizens cannot start their own business and so new ideas rarely come forward.
- As a result, industries in planned economies can be very inefficient.

A major problem faced by command or planned economies is that of deciding what to produce. Command eco-

nomies tend to be slow when responding to changes in cannot predict changes in people's tastes and fashions. Planners are like to underproduce some items as they cannot predict changes in demand. Equally, some products, which consumers regard as obsolete and unattractive, may be overproduced. Planners are afraid to produce goods and services unless they are sure substantial amounts will be purchased. This leads to delays and queues for some products.

**Mixed economies:** A mixed economy means very much what it says as it contains elements of both market and planned economies. At one extreme we have a command economy, which does not allow individuals to make economic decisions, at the other extreme we have a free market, where individuals exercise considerable economic freedom of choice without any government restrictions. Between these two extremes lies a mixed economy. In mixed economies some resources are controlled by the government whilst others are used in response to the demands of consumers. The aim of mixed economies is to avoid the disadvantages of both systems while enjoying the benefits that they both offer. So, in a mixed economy the government and the private sector interact in solving economic problems. The state controls the share of the output through taxation and transfer payments and intervenes to supply essential items such as health, education and defence, while private firms produce cars, furniture, electrical items and similar, less essential products. The U K is mixed economy: some services are provided by the state (for example, health care and defence) whilst a range of privately owned business offer other goods and services.

**Market economies:** In a true market economy the government plays no role in the management of the economy, the government does not intervene in it. The system is based on private enterprise with private ownership of the means of production and private supplies of capital, which can be defined

as surplus income available for investment in new business activities. Workers are paid wages by employers according to how skilled they are and how many firms wish to employ them. They spend their wages on the products and services, they need. Consumers are willing to spend more on products and services, which are favoured.

Firms producing these goods will make more profits and this will persuade more firms to produce these particular goods rather than less favoured ones. This, we can see in a market economy it is consumers who decide what is to be produced. Consumers will be willing to pay high prices for products they particularly desire. Firms, which are privately owned, see the opportunity of increased profits and produce the new fashionable and favoured products. The market system of economic organization is also commonly described as a free enterprise or laissez-faire, or capitalism system. We shall use all these terms to stand for a market economy. The framework of a market or capitalism system contains six essential features. They are:

- **Private property**
- **Freedom of choice and enterprise**
- **Self – interest as the dominating motive**
- **Competition**
- **A reliance on the price system**
- **A very limited role of government**

### **Principles of taxation**

The 18<sup>th</sup>-century philosopher Adam Smith attempted to systematize the rules that should govern a rational system of taxation. In his books he set down three general canons. I. The subjects of every state ought to contribute towards the support of the government in proportion to their respective abilities, that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to be contributor, and to every other person. Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it. Although they need to be reinterpreted from time to time, these principles, especially the first, retain remarkable relevance. From the first can be derived both of the leading views of what is fair in the distribution of tax burdens among taxpayers. These are the belief that taxes should be based on the individual's ability to pay, known as the ability-to-pay principle, and the benefit principle, the idea that there should be some equivalence between what the individual pays and the benefits he derives from governmental activities.

### **Tax return**

Tax return is the form on which you have to give information so that your tax can be calculated. The definition of the amount subject to taxation requires an analysis of the taxpayer's situation and of the legal provisions that apply to him. With the income tax (and also some taxes on the transfer of property, such as the inheritance tax), the taxpayer submits a tax return providing information as to his occupation, his real and personal property, his professional expenditures, and other pertinent matters; a corporation supplies, additionally, copies of the balance sheet, profit and loss statement, and minutes of the general meeting that approved these financial reports. The return, with the attached reports and statements, is meant to provide such complete information that the assessing tax official (someone who works for the government, deciding how much tax a person or company should pay) can rely on it to compute the correct tax. In examining tax returns, the basic principle is that a return is

assumed to be correct until the assessing official determines otherwise. In countries such as the United States, where the self-assessment method prevails (the income taxpayer's liability is computed by himself), a minority of returns is selected for audit; most of them are only checked as to timely arrival, inclusion of all required forms and attachments, and arithmetical accuracy.

### **Stock exchange**

Stock exchange – organized market for the sale and purchase of securities such as shares (share – one of the equal parts into which the ownership of a company is divided) and bonds (bond – an official document promising that a government or company will pay back money that it has borrowed, often with interest). In developed capitalist countries, the stock exchange has important functions: as a ready market for securities, it ensures their liquidity (the state of being readily convertible into cash) and thus encourages people to channel savings into business; and, as a pricing mechanism, it determines prices that reflect the actual value of a company's stock (the capital of a company). Trading is done in various ways: it may occur on a continuous auction basis or it may involve brokers buying and selling shares in a company for other people. Membership requirements of the exchanges of different countries vary mainly with respect to the number of members and the rigour of the eligibility requirements. Membership requirements also differ in the degree to which government participates in their management. The London Stock Exchange, for example, functions as an independent institution, free from government legislation. In the United States, stock exchanges are subject to specific legislative regulation. In Europe, it is quite common for the members of the exchanges to be appointed by a government official and to have semi governmental status.

### **Commodity Exchange**

**Commodity Exchange** – also called Futures Market, or Futures Exchange, organized market where futures contracts are traded. A futures contract represents a binding agreement to buy a commodity at a specified price on a specified future date. Thus it is possible for a trader to obtain a guarantee for the price he will have to pay for a commodity in the future. The method of obtaining a price is usually in open outcry in the commodity exchange. There are two basic types of traders in a futures market: hedgers and speculators. Both are necessary to the market in order to generate a sufficient volume of two-way business. Hedging – the process whereby a dealer or investor will seek to gain some protection against the possible loss of their investment owing to some sudden movement in the market. Hedgers seek to avoid or minimize the financial risks associated with their current commercial activity by taking out an insurance policy in the shape of a futures contract against adverse price or interest-rate movements. On the other hand, the speculator, in the expectation of making a profit, seeks risk by committing his funds to back his own view of higher or lower prices or interest rates. Speculation – a risk on the purchase of an asset (an item of property or value) that it will rise at some time in the near future and can be sold for a profit, or the sale of an asset on the assumption that its price will drop and it can be purchased at a lower price, hence make a profit.

### **European Bank for Reconstruction and Development**

The European Bank, with its headquarters in London, was established in May 1990. It is the first international financial institution the post-Cold War period, Its purpose is to foster the transition towards open market oriented economies and to promote private and entrepreneurial initiative in the countries of central and Eastern Europe. The European Bank will

endeavour to help the economies of these countries integrate into the international economy, with particular concern for strengthening democratic institutions, respect for human rights and for environmentally sound policies. In fulfilling its purpose, the Bank performs a wide range of functions designed to assist countries with operations to implement structural economic reforms, including demonopolization, decentralization and privatization. The European Bank has the following departments: merchant banking (merchant bank - a bank that provides banking services for business), development banking, finance, personnel and administration, project evaluation, secretary general, chief economist, communications and press, internal audit. The Bank has 59 members: 57 countries and two institutions - the European Investment Bank (EIB) and the Economic Community (EC), known as the European Economic Community or Common Market.

### **Bank and its classes**

Bank – an institution that deals in money and its substitutes and provides other financial services. Banks accept deposits and make loans and derive a profit from the difference in the interest rates. They also have the power to create money. The two major classes of banks are commercial and central banks. Commercial banks accept savings deposits, make loans and other investments, and offer financial services that facilitate the exchange of funds among individuals and institutions. In addition to the profit derived from the difference in the interest rates, commercial banks charge fees for various services. Central banks are involved in the issue of money and maintain the country's foreign currency reserves. Central banks maintain the accounts of other banks and supervise their activities. Central banks act as bankers to governments, as the designers of monetary and credit policies, and as lenders of last resort to commercial banks in the case of a

financial crisis. Central banks also play a significant psychological role as guarantors of the monetary system. Central banks may be nationalized organizations and are subject to government control, but some of them can have independence from governmental supervision.

### **Credit and crediting**

Credit - transactions between two parties in which one (the creditor or lender) supplies money, goods, services, or securities in return for a promised future payment by the other (the debtor or borrower). [Creditor is someone who money is owed to. Debtor is someone who owes money.] Credit given is an indication of trust in that person to pay for the goods given or money lent. Credit transactions normally include the payment of interest to the lender. Credit may be extended by public or private institutions to finance business activities, agricultural operations, consumer expenditures, or government projects. Most modern credit is extended through specialized financial institutions, of which commercial banks are the oldest and most important. The lender must judge each loan he makes on the basis of the character of the borrower (his intention to repay), his capacity to repay (based on his potential for earning income), and his collateral (property or other goods that you promise to give someone if you cannot pay back the money they lent you). [Loan is an amount of money that you borrow from a bank.] Customers and lenders may publicly regulate the terms of credit transactions to prevent abuses.

### **Credit risk**

Credit risk in general, the risk that a lender will not be able to get the money loaned back from the borrower. To guard against, the credit risk is assessed either by a lending manager at

an interview, or by the submission of a specially prepared form which is designed to score the credit rating. Credit scoring is a method of measuring the risk factor in a personal lending situation. By using this computer method, the bank saves on management time, clerical costs, etc. The procedure only demands the time of a junior clerk to see that the customer completes the form correctly and such data as marital status, address, employment, income, etc. is fed into the computer and the answer is given. Should the answer be unreasonable, then the loan application can be referred to a senior official. Credit rating is a judgement made by a financial institution about how likely a person or business is to pay their debts. Credit rating is usually obtained through the banking system or through the credit analyst whose function is to research into the records / affairs of an individual or company to assess whether that person / entity has a degree of creditworthiness (creditworthy -considered to be able to repay debts).

### **Unemployment Rate**

The unemployment rate measures the percentage of the total civilian labor force that are currently unemployed. The civilian labor force consists of civilians (non-military personnel), 16 years of age or older, who are willing to work and are not incarcerated. The number of people unemployed is determined according to certain criteria. In the U.S., an unemployed person is a member of the civilian are not considered a part of the civilian labor force and therefore are not counted among the unemployed.

### **Frictional unemployment**

Frictional unemployment is the term used to describe unemployment that results from difficulties in matching

qualified workers with new jobs. Many qualified workers seeking work are not able to find new jobs right away, usually because of a lack of complete information about new job openings. While it is likely that qualified workers will soon be matched with new jobs, these workers are considered frictionally unemployed during the time that they spend searching for their new jobs.

### **Structural unemployment**

Structural unemployment results from structural changes in the economy that cause workers to lose jobs. The same structural changes also prevent these workers from obtaining new jobs. Structurally unemployed workers are not qualified for the new job openings that are available, mainly because they lack the education or training needed for the new jobs. Consequently, the structurally unemployed tend to be out of work for long periods of time, usually until they learn the skills needed for the new jobs or until they decide to relocate.

### **An Accounting Overview**

*Accounting* is frequently called the “language of business” because of its ability to communicate financial information about the organization . Various interested parties, such as managers, potential investors, creditors, and the government, depends on a company’s accounting system to help them make informed financial decisions. An effective accounting system, therefore, must include accurate collecting, recording, classifying, summarizing, interpreting, and reporting of information on the financial status of an organization.

In order to achieve a standardized system, the accounting process follows accounting principles and rules. Regardless of the type of business or the amount of money involved,

common procedures for handling and presenting financial information are used. Incoming money (*revenues*) and outgoing money (*expenditures*) are carefully monitored, and transactions are summarized in financial statements, which reflect the major financial activities of an organization.

The work of accountants is rather sophisticated. People who specialize in the field of accounting are known as bookkeepers and accountants. *Bookkeepers* deal in taxes and different business *transactions* of the company. The *accountant's* responsibility is to analyze and interpret the financial data and make it understandable for users. In the United States, accountants are usually classified as private, government, and public. Private accountants work solely for private companies or corporations that hire them to maintain financial records, and governmental accountants work for governmental agencies. Both private and governmental accountants are paid on a salary basis, whereas public accountants receive fees for the services. Public accountants work independently and provide accounting services such as auditing and tax computation to companies and individuals.

Many accountants have special certificates after they pass examinations in Institute of Accountants. Certified accountants in England are called *chartered accountants*. In the USA the certified accountants are called *certified public accountants (CPA)*.

Through effective application of commonly accepted accounting systems, accountants provide accurate and timely financial information that is necessary for organizational decision-making. No expansion or reorganization is planned without them. New products and advertising campaigns are also prepared with the help of the accountant.

## INTERNATIONAL MONETARY INSTITUTIONS

There is little exaggeration in saying that international monetary developments affect all individuals as workers, consumers, travelers, businessmen producing goods for domestic or foreign markets, and investors at home or abroad. The channels which transmit the impact of monetary events to people in their various roles in society are numerous.

Employment opportunities for some workers are improved when exports thrive and are weakened for other workers when foreign products compete effectively in price or quality with domestic output.

A movement in the exchange rate may benefit an individual in one of his roles but leave him worse off in another. The individual as a consumer may have a different view of and a different interest in what happens in the international monetary sphere from that of the individual as a worker.

Business activity is heavily influenced by international monetary conditions affecting prices, exchange rates, imposition of controls on exports imports or on capital movements.

Interdependence among nations has intensified lately, thus there is great interest in the functioning of the international monetary system.

The international monetary system is a set of arrangements, rules, practices, and institutions under which payments are made and received for transactions carried out across national boundaries. The international system is concerned not only with the supply of international money but with the relationships among the hundred or so currencies of individual countries and with the pattern of balance-of-payments relationships and the manner in which they are adjusted and settled.

International institutions: the World Trade Organization, the Organization for Economic Cooperation and Development

(OECD),the Bank for International Settlements (BIS),the United Nations Conference on Trade and Development (UNCTAD),the World Group and other organizations.

The international monetary system is afflicted with problems. The main reason is that the nations that participate in it are politically independent but economically and financially interdependent.

This discrepancy determines the functions of the international monetary system; at its best, the system acts to reconcile the conflicting economic policies of its politically independent members.

In order to perform this reconciling function, the system is concerned, first, with how nations act to influence their balance-of-payment positions, with their policies that affect exchange rates.

The system is concerned, second, with how nations settle their accounts with one another. Third, the system is concerned with the amount and form of international money.

In broad terms, the international monetary system involves the management, on one way or another, of three processes:

- 1) the adjustment of balance-of-payments positions, including the establishment and alteration of exchange rates.
- 2) the financing of payments imbalances among countries by the use of credit or reserves; and
- 3) the provision of international money.

## **FINANCIAL MARKETS.THE BOND MARKET**

People and organizations wanting to borrow Money are bought together with those having surplus funds in the financial markets.

There are a great many different financial markets, each one consisting of many institutions, dealing with different instruments in terms of the instrument maturity and the assets backing it, and serving different types of customers.

Generally, financial markets are classified as Money or capital markets and primary or secondary markets.

Money markets deal in short-term securities having maturities of one year or less. Capital markets deal in long-term securities having maturities greater than one year. An investor who purchases new securities is participating in a primary financial market.

So, when businesses, units of government or individuals can not satisfy their needs for funds by revenue from sales of goods and services, they can turn to either debt financing (any process by which the firm gets cash or some other assets in return for a promise to pay an agreed upon sum plus interest) or equity financing (any process by which a firm raises funds in return for a share in its ownership and management).

Some sources of funds available to businesses (like issuing stock) are not available to governments go into debt – they borrow short and long-term funds by issuing bonds.

A bond is an instrument in which the issuer (debtor/borrower) promises to repay to the lender/investor the amount borrowed plus interest over some specified period of time .It should be stressed that one of the most important characteristics of a bond is the nature of its issuer. Issuers include federal (central) governments and their agencies, supranationals (such as the World Bank, the Asian Development Bank), municipal governments, and nonfinancial and financial corporations.

## **By far the largest issues are central governments**

There is no uniform system for classifying the global bond markets. Quite a number of financiers consider it appropriate to use the following classification. From the perspective of a given country, the global bond market can be classified into two markets: an internal bond market and an external bond market. The internal bond market is also called the national bond market. It can be decomposed into two parts: the domestic bond market and the foreign bond market.

The domestic bond market is where issuers domiciled in the country issue bonds and where those bonds are subsequently traded. The foreign bond market of a country is where bonds of issuers not domiciled in the country are issued and traded.

Bonds traded in the US foreign bond market are nicknamed Yankee bonds. In Japan, foreign bonds issued by non-Japanese entities are nicknamed Samurai bonds. Foreign bonds in the United Kingdom are nicknamed bulldog bonds, in the Netherlands-Rembrandt bonds and in Spain – matador bonds.

The external bond market, also called the international bond market, includes bonds with several distinguishing features: 1)they are underwritten by an international syndicate, 2)at issue they are offered simultaneously to investors in a number of countries, 3)they are issued outside the jurisdiction of any single country, and 4)they are in unregistered form. The external bond market is commonly referred to as the offshore bond market, or more popularly, the Eurobond Market. The Eurobond Market is divided into different submarkets depending on the currency in which the issue is denominated.

Computerization in bond markets has reduced costs of trading bonds and made them more convenient to hold and transfer: they are not issued in certificate form – they are only computer entries.

## **INVESTMENT ACTIVITY**

In economic science, investment is capital expenditure on physical productive assets, e.g. machinery, factory buildings, roads, bridges, houses, and stocks.

Real investments generally involve some kind of tangible asset.

As a financial term investment embraces purchases of stock exchange securities or deposits of money in banks, building societies, or other financial institutions, with a view to income and, in appropriate cases, capital gains.

Users of capital, from governments to every kind of industrial or commercial joint-stock company, all depend for the supply of their financial resources on those who are willing to invest their funds, on investors.

Investment is closely associated with other aspects of economic order such as the role of financial centres, labour migration, and the regime of international trade prevailing at the time.

Technological advances, the removal of exchange controls and financial deregulation have all contributed to the expansion of international capital flows. As a result foreign investment has become a fundamental feature of international economic development.

There are two main channels for international investment: foreign direct investment(FDI) and foreign indirect investment, or portfolio investment.

Foreign direct investment (FDI) occurs when citizens of one nation(the “home” nation) acquire managerial control of economic activities in some other nation (the “host” nation). Setting up a foreign operation through a joint venture, establishment of a foreign branch or the purchase or formation of a foreign subsidiary are examples of foreign direct investment.

Firms controlling activities in several nations have become known as “multinational enterprises” (MNSs), “transnational corporations”(TNCs) and, more recently, “global corporations”.

## TRADING IN THE FOREIGN EXCHANGE MARKET

The reasons why effects of FDI are generally assessed as positive can be summarized as follows: first, FDI speeds the international diffusion of new Technologies and other efficiency enhancing intangible assets, such as organizational skills. Then, FDI in many national markets will stimulate competition among firms.

The process of supplying capital to a foreign institution, through a loan or purchase of stock, without sharing in the institutions management is foreign indirect investment.

In financial circles, individuals or households that own securities are known as individual investors. Along with them, there are institutional investors.

Institutional investors are a group of investors who have funds to invest as a consequence of the conduct of their business. The group includes insurance companies, banks, investment trusts, financial and industrial companies.

The past 30 years have witnessed a concentration of financial power in the hands of institutional investors. In 1990 they controlled over \$6 trillion in assets, the majority invested in common stock and corporate and government bonds.

An investor, when confronted with a list of investment possibilities, will want to assess the risks and general advantages and disadvantages connected with putting his or her Money into this or that security. To receive higher return, investors must be prepared to accept a higher level of risk. Trying to limit or minimize the risk investors construct and diversify port folios and spread their foreign investments among a number of different countries.

Institutional investors have contributed to development of new types of investment management techniques, sophisticated portfolio monitoring, have pioneered the application of quantitative security valuation techniques, such as dividend discount models.

In spite of the existing obstacles, recent years have seen a growing interest of foreign investors in the Russian market.

Any one country`s currency is a legal tender only within its national boundaries. To trade beyond these boundaries involves exchange of monies. Exchange of currencies is possible if national currencies are interchangeable. The terms on which one currency will exchange against another are referred to as rate of exchange. The rate of exchange is the value of one unit of the foreign currency expressed in the other currency concerned.

Currencies can be bought or sold in the foreign Exchange Market. The foreign Exchange Market is the oldest financial market in existence. It also the largest international financial market in the world.

The market performs two major functions: it facilitates the foreign exchange needs of exporters and importers, and it enables individuals, corporations and governments to obtain a desired currency mix of their portfolios.

Trading in the Market occurs 24 hours a day in various centres around the world. Deals are concluded bilaterally over telecommunications Networks by different counterparties, some of whom serve as market makers or dealers.

The exchange market is global in character, it does not have one centralized location; trading is heavily concentrated in a handful of centres: London, New York, Tokyo, etc. The great majority of foreign exchange trading takes place in the interbank market between traders or market makers who represent large commercial banks or other financial institutions. Foreign exchange departments of large commercial banks are linked across the world through a sophisticated network of communication systems. The market consists of three major sectors: the spot market, the forward and futures markets and the currency options market.

## **Financial Statements And Their Elements**

### **A.BALANCE SHEET**

The position of the enterprise is present in the balance sheet. That statement shows resources and the claims to or interests in them and provides an indication of the financial strength of the enterprise.

The balance sheet includes the following elements:

#### **ASSETS**

Assets include property, plant and equipment, financial leases, investments in subsidiaries and other enterprises; long-term receivables; purchased goodwill, patents, trade Marks and similar intangibles; marketable securities; current receivables (or trade debts); inventories; cash and bank balances; and prepaid expenses.

Assets arise from past events, which may be cash or non-cash transactions. Assets may be purchased, exchanged for other assets, self-generated or received as grants or donations.

An asset is recognized when it is reasonably certain that the future economic benefit embodied in it will flow to the enterprise.

In a number of countries, intangible assets such as concessions, patents, licences, trade marks and similar rights and assets may be recognized in the balance sheet only if they were acquired for a valuable consideration. A number of countries allow assets to be carried on the balance sheet only if the reporting enterprise is the legal owner.

Somewhat more than half of all transactions are spot deals. In other words, they are transactions which call for the delivery of the two currencies exchanged within two business days. The remainder of the deals can be classified as outright forwards, swaps, futures and options.

Such transactions are performed by customers who do not know when they will need foreign currency to overcome the growing exposure to currency risks in the conditions of foreign exchange rate volatility.

The cost of transacting in the wholesale market is reflected in the bid-ask (or bid-offer) spread. Prices in the market depend on the volume of transactions, exchange rate volatility, the availability of relevant information and the strength of competition in the market.

As prices are different in different markets, Professional dealers take advantage of it buying, say, US dollars for Yen in Singapore and selling them in London for sterling and then back into Yen in New York – all for a profit. The operation is called currency arbitrage.

The delivery of the individual currencies involved in a foreign exchange transaction typically takes place through the payment systems of the two countries whose currencies are traded.

The reliance on the domestic currency payment system of individual countries for the clearing and settlement of foreign exchange transactions means that the stability and integrity of the global foreign exchange market depends on both the soundness of the individual counterparties and the robustness of national payment systems.

## LIABILITIES

Liabilities include long-term loans and debentures, short-term loans, and bank overdrafts, payables, pension plans and similar financial obligations. The scope of definition of liabilities covers obligations whose financial amounts can or cannot be established precisely. It therefore covers what is usually described as provisions in some countries. Provisions are liabilities, the amount of which cannot be established precisely, or the occurrence of which is uncertain. In some countries, provisions may not be used to adjust the value of assets. In those countries, value adjustments on debtors are referred to as write-downs. In other countries, write-downs on debtors are commonly referred to as provisions. Provisions should be distinguished from reserves, which are amounts set aside under equity for future use with respect to obligations which may arise from probable or possible events.

A liability is recognized when it is reasonably certain that a future reduction in economic benefit will result from the settlement of the obligation.

## EQUITY

Paid-in capital is treated differently in many countries, in some of which all amounts paid in by equity shareholders are classified as paid-in and are not further categorized. In other countries, paid-in capital is divisible into two types: that relating to the par value of the shares offered for sale and that relating to share premium or additional capital. In consolidated balance sheets, the amount of equity should be given separately for the shareholders of the parent enterprise and for other shareholders.

Equity is a residual arising from the deduction of liabilities from the assets of the reporting enterprise. Equity

arises from two sources: that provided by shareholders (for example, paid-in capital) and that generated by the activities of the enterprise (for example, earnings less distributions to shareholders, unrealized surpluses).

## INCOME STATEMENT / PROFIT AND LOSS STATEMENT

The income statement, or profit and loss statement measures the performance of an enterprise. The bottom line of this statement is the net result of the operations of the enterprise in the reporting period. It reveals the change during the period in the equity of the enterprise resulting from its operations.

### Revenues

Revenues are inflows or enforcements of assets (or reductions of liabilities) that arise in the course of the normal activities of the enterprise.

The events that result in revenues and revenues themselves are referred to by a variety of names: including sales, fees, interest, dividends, royalties and rent.

### Expenses

Expenses are outflows or depletions of assets (or additions to liabilities) that arise in the course of the enterprise's normal activities.

The events from which expenses arise and expenses themselves are referred to by a variety of names, including cost of sales, wages and depreciation.

An expense is recognized when it is realized that an expenditure does not produce future economic benefits, It also recognized when a liability is incurred without the recognition of an asset. When it is possible to do so, expenses are recognized in the income statement on the basis of direct association between expenses incurred and the earning of

specific items of income. The process is commonly referred to as matching of expenses with revenues.

#### Gains and losses

Gains are increases in equity that result from transactions that are incidental to the enterprise's activities and from other transactions, events or circumstances affecting the enterprise during a period, except those that result in revenues or equity contributions.

Losses are decreases in equity that result from transactions that are incidental to the enterprise's activities and from other transactions, events or circumstances affecting the enterprise during a period, except those that result in expenses or distributions of equity.

Gains are normally recognized when realized. Losses are normally recognized when realized or when it becomes evident that there is an impairment in the value of the assets, or an increase in the liabilities, to which the losses relate.

### TEST YOURSELF

#### Give derivatives of the words :

economy	Supply	expansion
employment	Regulation	growth
competition	Production	consumer
scarcity	Allocation	policy

provision	Distribution	finance	benefit
encouragement	Funds	budget	estimate
determination	Classification	spending	governance
practice	Organization	independence	transfer

important	Intervene	choose	tend
national	Independent	maintain	represent
function	Governor	finance	stability
supervise	Executive	deposit	progress

definition	Advance	compete	contract
accept	Intermediary	activity	substantiate
lend	Depositor	collect	progressive
borrow	Acquire	commitment	withdrawal

Tax	Subject	investment	evasion
provision	Treat	audit	avoidance
influence	Assess	appeal	arrangement
improve	Allowance	indirect	discrimination

exaggeration	Define	establishment	participate
govern	Reduce	development	advise
employment	Payment	authority	reconcile
movement	Adjustment	worker	provision

different	Serve	purchase	creditor
existing	Satisfy	trade	ownership
measure	Dominant	doubt	sovereign
divide	Experience	lender	restrict

origin	Expansion	regulate	application
transfer	Appearance	quote	borrow
examination	Dealer	allocate	advance
interest	Active	contribute	exporter

#### Match the words below with their definitions.

1. interview     a. a public notice, usually printed in a newspaper, of goods for sale
2. advertisement or services offered; or of goods offered; or services wanted
3. experience
4. appointment     b. a letter of an employer asking for employment.
5. qualification     c. an office for which a person has been chosen.
6. application     d. something such as a degree or a diploma that you get when you

successfully finish a course of study.  
**e.** a formal meeting in which someone asks you questions to find out if you are suitable for a job, course of study, etc.  
**f.** knowledge and skill gained through time spent doing a job or activity.

**Match the words below with their definitions.**

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

**Match the words below with their definitions.**

- |                         |   |
|-------------------------|---|
| <b>1.</b> consumer      | <b>a.</b> make a statement about what is likely to happen   |
| <b>2.</b> disposable    | income  |
| <b>3.</b> proportion    | <b>b.</b> analysis; information, separated into gross domestic different groups, details shown item by item |
| <b>4.</b> product (GDP) | <b>c.</b> income left after tax and national insurance have been deducted                                   |

- |                          |   |
|--------------------------|---|
| <b>5.</b> breakdown      | <b>d.</b> anyone who buys and uses goods and/or services  |
| <b>6.</b> to forecast    |   |
| <b>7.</b> to extrapolate | <b>e.</b> relating to towns and cities or happening there   |
| <b>8.</b> urban          |   |
| <b>9.</b> inflation      | <b>f.</b> per head, for each member of a population   |
| <b>10.</b> per capital   | <b>g.</b> key indicator of an economy's health, annual value of goods sold and services paid for inside a country         |
|                          | <b>h.</b> period of rising prices during which the purchasing power of money is falling                                   |
|                          | <b>i.</b> make calculations about what is likely to happen or be true using information and figures that you already have |
|                          | <b>j.</b> a quantity of something that is a part or share of the whole  |

**Match the words below with their definitions.**

- |                                 |   |
|---------------------------------|---|
| <b>1.</b> target market         | <b>a.</b> plan, usually annual, for a company's   |
| <b>2.</b> market segmentation   | marketing activities, specifying expenditure  |
| <b>3.</b> marketing plan        | and expected revenue and profits  |
| <b>4.</b> marketing strategy    | <b>b.</b> possibility of going into a market for the  |
| <b>5.</b> marketing opportunity | first time  |
| <b>6.</b> marketing effort      | <b>c.</b> division of the market or consumers into certain categories according to their buying |

habits

- d. company's marketing activities
- e. market in which a company is planning to sell its goods
- f. strategy or planning for marketing activities

**Match the words below with their definitions.**

- |  |  |
|--|--|
| 1. demand curve                                      | a. the price wholesalers and distributors pay                                |
| 2. inelastic demand                                  | to the producer for goods  |
| 3. discount  | b. the difference in price between what                                      |
| 4. factory gate price                                | retailers pay for a product and what they sell                               |
| 5. penetration strategy                              | the product at   |
| 6. price war   | c. a situation when sales are not affected much by price rises               |
| 7. retail margin                                     |  |
| 8. selling costs                                     | d. a period during which several competitors aggressively lower their prices |
| 9. break even  |  |
| 10. unit price in an effort to build up market share | e. reduction of price in return for bulk sales or to a favored customer      |
- f. to balance costs and receipts and reach level of production when sales begin to exceed the investment
  - g. a pricing strategy based on low pricing and low unit profits
  - h. the line on a graph which shows the relationship between prices and consumer demand
  - i. the price for one item
  - j. the costs involved in distributing, promoting and selling a product

**Choose the best definition for each of the expressions below.**

- 1. cost of production
  - a. selling price for a finished product
  - b. all expenses for raw materials, heating, lighting, electricity, etc.
  - c. all costs involved in making a product ready for distribution and sale
- 2. cost of sales
  - a. total costs involved in making a product or service, distributing it and selling it
  - b. cost of selling a product in salaries, commissions, etc.
  - c. the price of a product when it is sold
- 3. selling costs
  - a. the total money raised selling a product or service
  - b. the costs involved in distributing, promoting and selling a product
  - c. the salaries and other expenses paid to the sales representatives
- 4. fixed costs
  - a. prices established by the government
  - b. costs which are decided by the management of a manufacturing company, not by suppliers or retailers
  - c. costs which do not depend on quantity of production, e.g. heating, lighting, rent
- 5. variable costs
  - a. costs which change according to the quantity of production, such as raw materials, components, overtime pay, etc.

**b.** costs which are difficult to estimate as they may suddenly change because of changes in the market, such as competitors' pricing

**c.** costs which change according to the time of the year, e.g. warm clothes for winter, or summer fashions

**6.** overheads

**a.** regular costs associated with the day-to-day running of a company

**b.** additional expenses because of a higher than expected demand for products

**c.** extra costs above what was planned in the costs budget

**7.** unit cost

**a.** the costs associated with all production of all products

**b.** the cost involved in making one single example of a product

**c.** the total costs for any one part of a factory producing one type of product

**8.** cost of labour

**a.** cost of all work involved in making a product or service ready for sale

**b.** cost of manual workers employed by a company

**c.** cost of industrial action by employees

**Match each word on the left with a word on the right.**

**1.** advertising     **a.** the advertising campaign

**2.** target     **b.** mix

**3.** to run     **c.** advertisements

**4.** promotional     **d.** customer

**5.** television     **e.** advertising

**6.** newspaper     **f.** mail

**7.** street     **g.** commercials

**8.** direct     **h.** efforts

**Match the words below with their definitions.**

**1.** promotional     **a.** a television or radio programme in which

**2.** campaign     well-known people are invited to talk ab

**3.** promotional tools     various topics

**4.** promotional mix     **b.** special discount offered as part of the

**5.** promotional budget     promotion for a product

**6.** promotional discount     **c.** material used in promotion, such as

**7.** chat-show display     materials and sales literature

**8.** point-of-sale     **d.** coordinated activities to increase sales of

**9.** at a premium     **e.** difficult to obtain and more expensive

**10.** promotional     than usual allowance

**f.** samples of good not costing any money

**11.** free samples     **g.** forecast cost of promoting a new product

**h.** discount which is offered to a buyer in return for some promotional activity

**i.** organizing the display and promotion of goods in retail outlets

**j.** combination of all the elements that make up a company's promotion

**Match the words below with their definitions.**

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

**Match the words below with their definitions.**

- |                            |   |
|----------------------------|---|
| <b>1. monetary system</b>  | <b>a.</b> paper money and coins issued by the federal government  |
| <b>2. bank charter</b>     | <b>b.</b> to organize from a central point  |
| <b>3. to centralize</b>    | <b>c.</b> referring to money or currency  |
| <b>4. to decentralize</b>  | <b>d.</b> to make coins   |
| <b>5. stability</b>        | <b>e.</b> being steady or not moving up and down  |
| <b>6. to charter</b>       | <b>f.</b> money in the form of coins  |
| <b>7. currency</b>         | <b>g.</b> someone who is in charge of the money   |
| <b>8. treasurer</b>        | <b>h.</b> to organize from various points away from the centre  |
| <b>9. the Treasury</b>     | <b>i.</b> to say officially that a town, organization   |
| <b>10. to issue</b>        | <b>j.</b> a government department responsible for a country's financial matters   |
| <b>11. coinage system</b>  | <b>k.</b> official government document allowing the establishment of a bank   |
| <b>12. to mint</b>         | <b>l.</b> to support someone or something, especially with money, power or influence                                    |
| <b>13. to back or bank</b> | <b>m.</b> to officially produce something such as new stamps, coins or shares and make them available for people to buy |
| <b>14. specie rights</b>   | <b>n.</b> the system of metal money use in a country  |

**Match the words below with their definitions.**

- |   |   |
|---|---|
| 1. corporate culture  | a. the feeling that you are some one who                                |
| 2. full-time  | deserves to be liked, respected, and                                    |
| 3. launch a company   | admired   |
| 4. positive reinforcement   | b. a company which sells its products                                   |
| 5. vertically integrated  | directly to retailers corporation                                       |
|   | c. the attitudes and beliefs about                                      |
| 6. a single mother  | something that are shared in a particular                               |
| 7. self – esteem  | corporation   |
| 8. direct-sales company   | d. a person who works for a little                                      |
| 9. blind date   | company with low turnover and few                                       |
| 10. tenacity  | employees   |
| 11. corporate structure   | e. a combination of companies involved                                  |
| 12. small-business operator   | in different steps of the same  |
| 13. radio personality   | production process  |
| 14. a record-breaking year  | f. a year when highest achievements and best results have been achieved |
| g. to start a new business, especially one that involves some risk                      |   |
| h. a system of incentives encouraging people to work harder or start new activities     |   |
| i. a mother who looks after her children on her own, without a husband                  |   |
| j. an arranged meeting between a man and woman who have not met each other before       |   |
| k. working all the normal working time (i.e. about seven hours a day, five days a week) |   |

- |   |
|---|
| l. someone who works for a broadcasting company   |
| m. determination to do something and unwillingness to stop trying even when the situation becomes difficult |
| n. the structure of a corporation   |

**Match the function in the left column with the appropriate expression in the right one.**

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

**Match the function in the left column with the appropriate expression in the right one.**

- |                           |   |
|---------------------------|---|
| 1. connecting ideas-      | a. major consideration should be given to ... |
| 2. drawing conclusions-   | b. to begin with I'd like to say ...          |
| 3. starting conversation- | c. to sum up ...                              |
| 4. discussing main ideas- | d. nevertheless ...                           |
| 5. generalizing-          | e. at the same time ...                       |
| 6. expressing contrast    | f. it is generally known ...                  |

## TESTS

1. The money used in a country is its
  - a) property
  - b) money
  - c) currency
  
2. Money in notes (banknotes) and coins is called
  - a) extra money
  - b) cash
  - c) paper money
  
3. Money paid monthly by an employer is ...
  - a) wage
  - b) salary
  - c) bonus
  
4. Money paid by weekly is a...
  - a) salary
  - b) wages
  - c) bonus
  
- 5) Money received for working extra hours
  - a) commission
  - b) fees
  - c) overtime
  
- 6) A certain percentage of the income that paid to salespeople is
  - a) a pension
  - b) commission
  - c) a bonus

7. Extra money given for good financial results
  - a) bonus
  - b) salary
  - c) bills
  
8. Money paid to protection ( profession) people ( lawyers)
  - a) overtime
  - b) fees
  - c) wages
  
9. Money paid by the government to unemployed or sick people
  - a) social security
  - b) living expenses
  - c) health insurance
  
10. Money paid to a retired person
  - a) rent
  - b) a pension
  - c) tax
  
11. Amounts of money that people spend regularly are
  - a) income
  - b) wages
  - c) outgoings
  
12. All the money that people receive or earn
  - a) outgoings
  - b) income
  - c) salary
  
13. Money spent on everyday needs
  - a) rent
  - b) fees
  - c) living expenses

14. Money for electricity, gas, telephone connections and other services

- a) fees
- b) mortgage
- c) bills

15. Money paid for the use of a house or flat

- a) bills
- b) mortgage
- c) rent

16. Repayments of money borrowed to buy a house or flat

- a) rent
- b) mortgage
- c) fees

17. Financial protection against medical expenses for accidental injuries

- a) living expenses
- b) health insurance
- c) credit card

18. Money paid to finance government spending

- a) commission
- b) tax
- c) social expenses

19. A financial plan that shows how much money a person or an organization expects to earn and spend

- a) balance sheet
- b) income statement
- c) budget

II. 1. Money that people need to do business

- a) loan
- b) capital
- c) share

2. Money borrowed from banks

- a) capital
- b) interest
- c) loan

3. The amount paid to borrow the money

- a) interest
- b) stock
- c) profit

4. Certificates representing units of ownership of a company

- a) diploma
- b) share, equities
- c) chart

5. The people who invest money in share

- a) investors
- b) shareholders
- c) creditors

6. Money that shareholders provide

- a) capital
- b) revenue
- c) share capital

7. A person or an organization that invests money in smth. to make it better

- a) investor
- b) lender
- c) profits

8. Loans that pay interest and are repaid at a fixed future date

- a) debt
- b) bonds
- c) profits

9. Money that is owed to other people or business

- a) loan
- b) bond
- c) debt

10. In accounting, companies' debts are called

- a) assets
- b) working capital
- c) liabilities

11. The money that a business uses for everyday expenses

- a) income
- b) capital
- c) working capital or funds

12. All the money coming into a company during a given period is

- a) expenses
- b) capital
- c) revenue

13. Money after all expenses

- a) dividend
- b) profit
- c) retain

14. A part of profit that a company pays its shareholders

- a) tax
- b) expenses
- c) dividend

15. A proportion of profits that a company pays to the government

- a) pension
- b) tax
- c) debt

16. Some of the earnings that a company keeps for future use

- a) capital
- b) profit
- c) retained earnings

17. It is a paper that companies give information about their financial situation

- a) bill
- b) financial statement
- c) income statement

18. It is a paper that shows the company's assets, liabilities and its capital

- a) profit account
- b) bills
- c) balance sheet

19. The things that a company owns

- a) liabilities
- b) capital
- c) assets

20. The money that a company owes

- a) income
- b) liabilities
- c) expenses

21. The Seller undertakes ... and the Buyer ...

- a) to damage ; to ruin
- b) to sell;to insure
- c) to sell ;to buy

22. A contract is  
a) a rule between the Buyers and the Sellers  
b) a payment between the Buyers and the Sellers  
c) a legal agreement between the Buyers and the Sellers
23. Guarantee is  
a) a test  
b) an income  
c) a written promise given by a company
24. Arbitration is  
a) a packing of the goods  
b) a delivery of the goods  
c) an official process of solving disputes
25. Delivery is  
a) to set a price  
b) the act of taking goods to people  
c) to sort out the goods
26. Privatization is  
a) a guarantee  
b) an insurance  
c) to privatize the state property
27. To attract investment is  
a) to get rid of extra money  
b) to involve the currency of different countries  
c) to save money
28. Budget deficit is  
a) a lack of money  
b) the reduction of inflow  
c) the foreign currency

29. Entrepreneurship is  
a) to control the high – skilled people  
b) to own private property  
c) to work under pressure
30. An investor is  
a) a creditor  
b) a person or an organization that invests money in something  
c) a lawyer
31. Without ... sleep, you won't be able to do well at the exam.  
a) enough a  
b) enough  
c) enough of
32. Customs ... one country to another  
a) differ than  
b) different  
c) differ from
33. I entered one ...  
a) competitor  
b) compete  
c) competition
34. We thought she ... today  
a) will come  
b) was coming  
c) have come
35. The meeting was cancelled ... heavy snowfall  
a) as a result  
b) due to  
c) because

36. If you ... them well in advance, they will come  
a) informed  
b) will inform  
c) inform

37. There is a ... teachers at the school  
a) shortage  
b) short of  
c) shortage of

38. Kevin ... to go into business with his father  
a) planning  
b) plans  
c) had planned

39. The management made us ... doing it for next week  
a) put on  
b) put off  
c) put down

40. Jim is unemployed now, so he is looking for ...  
a) a work  
b) a job  
c) job

41. One of the least effective ways of storing information is learning ...it  
a) to repeat  
b) how repeat  
c) repeats

42. A person who owns a stock certificate is called ...  
a) stockholder  
b) stockkeeper  
c) stocktaker

43. ... , the company's performance proved to be successful  
a) whole  
b) as a whole  
c) while

44. My mother always forgets where she ... her hat  
a) lays  
b) lies  
c) laid

45. The water level ... when it rains every spring  
a) rose  
b) raises  
c) rises

46. I asked him ...  
a) who was he calling  
b) whom he was calling  
c) whom was he calling

47. The purchaser of this automobile is protected by the manufacturer's ...  
a) guarantee  
b) thread  
c) issue

48. This apartment ... perfect if it were a little lighter  
a) is  
b) were  
c) would be

49. The company is not allowed to ... its budget
- a) be greater than
  - b) being lower than
  - c) have equal from

50. They ... in persuading me to start working
- a) fulfilled
  - b) managed
  - c) succeeded

**Choose the correct variant (a, b or c) that best completes the sentence.)**

1. At the basis of international trade are the concepts of \_\_\_\_\_.

- a. well-developed means of production
- b. specialization and economic interdependence
- c. well-tapped natural resources

2. A nation's absolute advantage is measured in relation to \_\_\_\_\_.

- a. natural resources
- b. means of production
- c. other nations

3. A nation's comparative advantage is measured in relation to \_\_\_\_\_.

- a. all the goods and services the nation produces
- b. voluntary exchange of goods
- c. labor force

4. Brazil enjoys an absolute advantage over the United States in \_\_\_\_\_.

- a. coal production
- b. coffee production
- c. steel production

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

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

**Choose the correct variant (a, b or c) that best completes the sentence.)**

1. Horizontal and vertical combinations have been common since \_\_\_\_\_.

- a. the mid-1960s
- b. the mid -1970s
- c. the mid-1800s

2. Multibillion-dollar corporate mergers occurred \_\_\_\_.

- a. in the mid-1970s
- b. in the mid-1980s
- c, in the mid-1960s

3. The classic example of a conglomerate is\_\_\_\_\_.

- a. the International Telephone and Telegraph Corporation
- b. the Standard OIL Company
- c. the United States Steel Corporation

4. One of the major business advantages of corporate mergers is \_\_\_\_\_.

- a. worker satisfaction
- b. efficiency
- c. production facilities

5. One of the major disadvantages of corporate mergers for consumers is \_\_\_\_\_.

- a. decreased efficiency and profits
- b. increased competition in the marketplace
- c. decreased competition in the marketplace

6. The increased size of merged corporations often makes it possible \_\_\_\_\_.

- a. to borrow more capital
- b. to hire new employees
- c. to build new plants

7. The lack of competition in the market place may result in \_\_\_\_\_.

- a. additional capital recourses
- b. higher prices for consumers
- c. increased production efficiency

8. The firm attempted ----- its nearest competitor.

- a. taking over
- b. to take over
- c. take over

9. We had to delay----- the new product.

- a. launching
- b. to launch
- c. launch

10. Every year we make a ----- to a wellknown wild life association.

- a. supplement
- b. order
- c. contribution

**Choose the correct variant (a, b or c) that best completes the sentence.)**

1. The most competitive type of industry is that with \_\_\_\_\_.

- a. pure monopoly
- b. perfect competition.
- c. total production

2. Buyers must have \_\_\_\_\_ to information on the products and prices available.

- a. easy access
- b. demand
- c. supply

3. Monopolies often advertise their product or service to \_\_\_\_\_.

- a. make a profit
- b. control prices
- c. promote the company's image.

4. The government gives utility companies the \_\_\_\_\_ to provide service in a specific geographic region.

- a. copyright
- b. exclusive right
- c. huge income

5. \_\_\_\_\_ encourage firms to invest in the research and development of new products and production techniques.

- a. patent laws
- b. buyers and sellers
- c. consumers

6.----- are large shops which sell a wide variety of products.

- a. grocery
- b. green grocery
- c. department stores

7. Price is not the only thing that customers consider when ----- about which product to buy.

- a. doing a decision
- b. making a decision
- c. doing business

8. Customers ----- about the poor quality of frozen vegetables on sale in our store.

- a. did complaints
- b. made complaints
- c. made research

9. When two or more people want to start a business together they can set up a -----

- a. corporation
- b. concern
- c. partnership

10. Net profit this year ----- around \$ 200 million.

- a. should be
- b. should have been
- c. should being

**Choose the correct variant (a, b or c) that best completes the sentence.)**

1. The production concept holds that consumers will favor products \_\_\_\_\_.

- a. that offer the most quality and performance
- b. that are available and highly affordable
- c. that are very comfortable

2.The marketing concept holds that achieving organizational goals depends on \_\_\_\_\_.

- a. improving production efficiency
- b. developing new competitive products
- c. determining the needs and wants of target markets

3. Under the marketing concept, companies produce \_\_\_\_\_.

- a. what consumers want
- b. unsought goods
- c. highly affordable goods

4. If the demand for a product in the market is bigger than the supply the companies should \_\_\_\_\_.

- a. improve productivity
- b. increase production
- c. bring down prices

5. The societal marketing concept calls for \_\_\_\_\_.

- a. increasing production and bringing down prices
- b. balancing demand for a product and the supply
- c. balancing company profits, consumer wants, and society's interests

**Choose the correct variant (a, b or c) that best completes the sentence.)**

1. Price in a market is determined by \_\_\_\_\_.
  - a. the number of consumers
  - b. supply and demand forces
  - c. government policy
2. Market equilibrium when \_\_\_\_\_.
  - a. demand is higher than supply
  - b. demand is lower than supply
  - e. the supply and demand for a product are equal
3. The desired demand is the information showing the amount of the product that \_\_\_\_\_.
  - a. consumers are willing to buy at different prices
  - b. consumers actually buy at a particular price
  - c. consumers are hesitating to buy
4. Demand is concerned with \_\_\_\_\_.
  - a. producer's side of the market
  - b. the buying side of the market
  - c. production decisions
5. The average total costs of production are \_\_\_\_\_.
  - a. the sum of the average fixed costs and the marginal costs
  - b. the sum of the average variable costs and the marginal costs
  - c. the sum of the average fixed costs and the average variable costs
6. It was \_\_\_\_\_ that we went for a hike in the mountains.
  - a. so nice day
  - b. such a nice day

c. so nice a day

7. It was surprised to see \_\_\_\_\_ at the concert.
  - a. that amount of people
  - b. those numbers of people
  - c. that number of people

8. \_\_\_\_\_ that the hope for cancer control may lie in the use of a vaccine.
  - a. to believe
  - b. the belief
  - c. it is believed

9. Everyone was \_\_\_\_\_ the threat of military intervention in that area.
  - a. frightened
  - b. frightened by
  - c. frightenedfor

10. Products of low quality are -----
  - a. advertises
  - b. advertised
  - c. has advertised

## ADDITIONAL VOCABULARY FOR ECONOMISTS

### A

**ability-to-pay principle:** principle that states taxes ought to be paid by those who can best afford them.

**absolute advantage:** occurs when one nation can produce an item more efficiently than another.

**accounts payable:** the amount a company owes for goods already received. Not unlike a person's credit card balance; you've got the video cassette recorder (VCR), but you haven't taken the money out of the bank yet.

**accounts receivable:** the amount a company is owed for goods it sold on credit

**accrual method of accounting:** used for most corporate financial statements. Revenues are counted during the time they're earned, and expenses are counted during the time they're incurred. Cash doesn't need to change hands to be recorded. This is a fuller way of looking at financial health. It's as if you kept records not just of checks you'd written and deposits you made, but also of what you owed on your credit cards and what you were owed by others. You can feel pretty rich if your checking account is flush, but if you owe thousands on your credit card and don't take that into account, you can spend yourself into trouble.

**advertisement:** a public notice usu. printed in a newspaper, of goods for sale or services offered; or of goods or services wanted.

**aggregate demand:** total planned spending by consumers, business and government to purchase the aggregate supply.

**aggregate supply:** all the goods and services provided by the economy.

**allowance for bad debt:** the amount of debt a company expects not to collect. This is subtracted from what the company is owed for goods it sold on credit (accounts receivable), so the balance sheet better reflects the company's true economic health.

**annual percentage rate (APR):** the APR is the percentage cost of credit calculated on an annual basis.

**annual report:** report to stockholders containing pertinent financial information.

**antitrust laws:** laws regulating the growth and use of monopolistic power or tendencies.

**application:** a letter of an employee asking for employment.

**appointment:** an office for which a person has been chosen.

**arbitration:** one method of settling disputes, including union-employer battles. The parties choose a third party to settle their disagreement. This is called binding arbitration when the parties also agree to abide by the arbitrator's decision.

**assembly line:** a manufacturing system in which parts are assembled by moving them from one worker or machine to another.

**assets:** things (something of value) a company controls, which usually means it owns these items. A car company's assets would include everything from computers used by the accounting department to cars not yet sold, to the factory where the autos are made. Items must have value and must have been obtained for a measurable cost; broken computers that can't be repaired don't count, nor does a company's reputation.

**automatic stabilizers:** features built into the economy that put money into the economy during periods of recession and take money out during periods of inflation.

**automatic teller machine (ATM):** the machine that let you do your banking without dealing with a person. At ATMs, you can take cash from your account, make deposits and move money between accounts. All you need is a password you key in and an access card.

## B

**back:** to support someone or something, especially with money, power, or influence.

**balance of payments:** summary of the flow of international transactions; statement of payments made to all other countries and payments received from all other countries.

**balance of trade:** the difference between the export and import of merchandise (an accounting of a country's exports versus imports).

**balance sheet:** a reckoning of a company's financial health at a given time. Lists assets, liabilities and equities, financial statement summarizing a firm's assets, liabilities and net worth.

**balanced budget:** financial plan in which expenses exactly equal income.

**bandwagon advertising:** an appeal that suggests everybody is using a particular product.

**bank:** financial institution that accepts demand deposits and makes commercial loans.

**bank charter:** official government document allowing the establishment of a bank.

**bankruptcy:** a word you don't want to hear if a company or person owes you a lot of money. The person or company is considered bankrupt if they're unable to pay their debts. The U.S. Bankruptcy Court tries to sort out the financial troubles and get creditors paid. Companies filing for protection under Chapter 7 of the bankruptcy code are shut down and their

assets handed over to the creditors. Under Chapter 11, companies try to rework their debts and stay in business

**barter:** the exchange of one good or service for another,

**base year:** the reference year, with a value of 100, used in the construction of index numbers.

**bears:** speculators who anticipate a decline in the economy.

**benefits-received principle:** principle of taxation that states those who benefit from a government program are the ones who ought to pay for it.

**blacklist:** list of disapproved persons.

**black market:** illegal underground economy.

**block grants:** lump sums given to communities by the federal government to be spent as the community deems appropriate.

**board of directors:** a group of people chosen by stockholders to watch over a

company and its executives, and to set overall corporate policy. Their job is to try to keep the company healthy and ensure stockholders get a good return on their money.

**Board of Governors:** governing body of the Federal Reserve System; establishes policies for the Fed. It consists of seven persons appointed by the President for 14-year terms.

**bond:** a written promise to repay a loan plus interest, usually more than one year after the bond is issued. Investors buy bonds from a company or government entity, essentially loaning the company or government that money. A certificate representing indebtedness, usually of a corporation or unit of government, to the holder.

**boom:** the peak of the business cycle; business is producing at or near capacity.

**boycott:** a refusal to do business with a firm involved in a labor dispute.

**breakdown:** (a) a situation in which a machine or vehicle stops working; (b) analysis; information, separated in different groups, details shown item by item.

**break even:** to balance costs and receipts.

**break-even point:** point at which income from sales equals fixed and variable expenses.

**brokerage:** in the securities industry, the buying and selling of stocks and bonds on behalf of others.

**budget:** a financial plan that summarizes income and expenditures over a period of time.

**bulls:** speculators who anticipate an increase in the price of securities.

**Bureau of Labor Statistics (BLS):** the principal data-gathering agency of the federal government.

**business cycle:** periodic fluctuation in the economy.

**business ethics:** concern for keeping fair business practices.

**business firm:** organization that produces goods or services.

**business unionism:** Samuel Gompers's principle of seeking better wages and working conditions rather than political or social reform.

**buying on margin:** for those who don't have lots of money, but believe that's what it takes to make a killing on the stock market. Stock buyers purchase stocks with borrowed money, gambling the share price will rise enough to pay off the loan and then some.

**bylaws:** rules of operation for a corporation, stated in the charter, that govern the corporate officers' actions.

## C

**call:** an option to buy a certain amount of stock at a specific price during a specific time.

**capacity:** the maximum number of units a firm can produce.

**capital:** money needed to start or grow a business. This pool can come from securities offerings and retained earnings. Something created to produce other goods and services; also money used to pay for the operations of a business.

**capital budget:** shows plans for buying long-term assets - machinery and other things you expect to last several years - and estimates the costs of those purchases.

**capital gain:** the increase in the value of an asset over a period of time.

**capitalism:** an economic system based on the private ownership of the factors of production, competition, and the profit motive.

**cash flow:** money coming into a company and being paid out by the company. Ideally you'd want to take in at least as much as you pay out. On a personal level, you're having a cash flow problem if you can't make your mortgage payments. You're not necessarily poor; your house might be worth a lot if sold, but you're still having cash-flow problems.

**caveat emptor:** Latin term that means "let the buyer beware".

**cease and desist order:** federal Trade Commission ruling that orders a stop to an unfair business practice.

**Celler Antimerger Act:** a law passed by Congress in 1950 that declared mergers to be illegal where they serve to "lessen competition or tend to create a monopoly".

**central economic planning:** doctrine placing production decisions in the hands of government planners.

**centralize:** to organize the control of a country or organization so that one central group has power and tells people in other places what to do.

**certificates of deposit (CDs):** generally considered conservative investments. Certificates issued by banks guaranteeing repayment of principal at a fixed rate of interest after a specified period of time. You purchase the CDs from financial institutions - essentially loaning your money -and they promise to pay you back on a fixed date, usually with interest. You can invest for several months, but longer investments generally earn higher interest.

**chambers of commerce:** associations of business and professional people that seek to promote the interests of the business community.

**charter** *n*: a document issued by a state government granting a corporation permission to operate.

**charter** *v*: to say officially that a town, organization, or bank officially exists and has special rights.

**checking account:** a bank account against which the depositor can write checks.

**checks:** written orders directing a bank to pay a person or business a specific sum of money.

**Clayton Antitrust Act:** law passed by Congress in 1914 which specified what acts would be considered "in restraint of trade." This one forbids price discrimination.

**closed (or private) corporation:** one whose stock is not sold to the public.

**closed shop:** one in which workers must belong to the union before they can be hired.

**closed-end fund:** a mutual fund that sells a limited number of shares.

**coinage** system: the system of metal money used in a country.

**collateral:** something with monetary value pledged as security for a loan.

**collective bargaining:** the process by which labor leaders and management iron out agreements on pay and working conditions (negotiations with management by a union to prepare a labor contract).

**command economy:** an economic system in which major decisions concerning the allocation of resources are made by agencies of the government.

**commercial paper:** short-term note issued by a corporation promising to repay a sum of money at a specified rate of interest. Short-term unsecured debt, with maturity up to 270 days. Banks, corporations and others raise money by issuing commercial paper to investors.

**commission broker:** a person who does the trades for a stock broker's clients, receiving a commission for the work. The stock broker places orders with them.

**common stock:** a security that represents ownership in a corporation. Regular old stock. Owners of this bottom rung of stocks have a piece of the company and get to vote for the board of directors and on corporate policy. But they have to queue up behind owners of preferred stock both to receive dividends and usually to receive assets if a company is liquidated.

**company union:** union organized, financed and controlled by management.

**comparative advantage:** an advantage in producing an item because one's opportunity cost to produce it is lower than another's.

**competition:** the rivalry among buyers and among sellers in the purchase and sale of resources and products.

**compound interest:** interest computed on the principal and on the interest previously paid.

**conciliation:** effort by a third party to bring labor and management together to work out their differences on their own.

**conglomerate merger:** combination of unrelated businesses under a single management.

**conspicuous consumption:** Thorstein Veblen's term for the tendency to buy goods and services to impress others.

**constant dollars:** dollars that reflect changes in purchasing power from a base year.

**consumer co-ops:** retail businesses owned by members who share in the profits and/or purchase goods and services at lower cost.

**consumer credit:** an agreement whereby a consumer is provided cash, goods or services now with payment spread into the future.

**consumer price index (CPI):** compares present prices of commonly purchased goods and services to the prices of similar goods and services in a base year. Measures price changes of common goods and services, including such things as housing and food. What you quote when you're trying to convince your boss you need a raise to keep up with inflation.

**consumer:** anyone who uses goods and/or services.

**contraction:** period in the business cycle after a boom when businesses begin to reduce their spending levels.

**cooperative (co-op):** association of individuals or companies whose purpose is to perform some business function for its members.

**copyright:** exclusive right of authors of original writing and artistic work to sell or in any way reproduce their works for their lifetime plus fifty years.

**corporation:** a business organization created under a government charter and owned by shareholders.

**co-signer:** person with an acceptable credit rating who agrees to repay a loan if the borrower cannot.

**cost:** amount of money which has to be paid for something; **fixed costs** - business costs which do not rise with the quantity of the product made; **variable costs** - production costs which increase with the quantity of the product made (such as wages or raw materials); **unit cost** - the cost of one item (i.e. total product costs divided by the number of units produced).

**cost of goods sold:** how much it cost the seller to make or buy the goods sold. Same as "cost of sales".

**cost of labour:** cost of paying workers employed to make a product.

**cost-of-living adjustment (COLA):** a type of raise workers can get to reflect the higher cost of consumer goods. Also a sort of corporate hardship pay for employees sent to live and work in expensive places.

**cost of production:** costs of making a product. **cost of sales:** all the costs of a product sold, including manufacturing costs and the staff costs of the production department.

**cost-push inflation:** rising prices, rise due to an increase in the cost of production.

**coupon:** a detachable part of traditional bond certificates. You present these to the issuer to collect your interest payments.

**coupon rate:** a bond's annual interest rate, stated as a percentage of what was originally paid for the bond. Gets its name from traditional bond certificates, which have coupons you detach and return to the issuer to collect your interest payments.

**craft worker:** one of a wide variety of highly skilled workers such as carpenters, tool-and-die makers, machinists, electricians and automobile mechanics.

**credit card:** an identification card that entitles the lawful owner to make purchases on credit.

**credit union:** association of people with something in common that offers insured savings plans similar to those offered by other savings institutions.

**creditor:** one who lends money to another.

**crowding-out effect:** theory that government borrowing reduces the supply of credit for private use, pushes up interest rates, and reduces business and consumer spending.

**cumulative preferred:** preferred stock that is due dividends, even if payments are delayed until the company can afford them. The amount owed builds until the dividends are paid. Owners are entitled to their payments before common-stock owners can collect theirs.

**currency:** paper money and coins issued by the federal government.

**currency exchange:** buying or selling foreign currencies.

**current assets:** cash and assets that are expected to be used, sold or converted to cash in the near future, usually one year. A sporting goods store's current assets would include the money in the register and its bicycles, as well as short-term insurance policies and marketable securities - securities expected to be turned into cash in one year.

**current liabilities:** these liabilities must be paid in a relatively short time, usually one year. Taxes are one example.

**customs union:** an organization of countries who agree to promote free trade among members but to impose a common tariff on nonmembers. Best known is the European Community of Common Market.

## D

**debentures:** you need to trust in a company and its strength to give this type of loan, which isn't backed by collateral.

**debt-to-net-worth ratio:** also debt-equity ratio. To get it, you divide liabilities by stockholders' equity. This is a general measure of how safe creditors can feel about their loans. Creditors often avoid lending to companies with a high debt-equity ratio.

**decentralize:** to move parts of a government, organization, etc., from one central place to several different smaller ones.

**default:** failure to meet an obligation when it comes due.

**deficit:** excess of expenses over expected income.

**deflation:** opposite of inflation. Decrease in the general price of consumer goods and services. A period during which the purchasing power of the dollar is rising.

**demand:** a consumer's willingness and ability to buy a product or service at a particular time and place; **elastic demand** - condition that exists when a small increase in a good's price causes a major decrease in the quantity demanded; **inelastic demand** - condition that exists when a change in a good's price has little impact on the quantity demanded.

**demand curve:** the graphic representation of demand.

**demand deposit:** checking accounts held by commercial banks; largest component of the money supply. So named because you can demand your money - or write a check - without clearing it with the bank first.

**demand-pull inflation:** rising prices because demand is increasing faster than industry's ability to satisfy that.

**demand schedule:** a table showing the quantities of a product that would be purchased at various prices at a given time.

**deposit multiplier:** a multiple by which the deposit of funds in the banking system will increase total deposits.

**depreciation:** dividing the cost of an asset over that asset's usable life. When dealing with a \$200,000 factory expected to be used for 10 years, you would count \$20,000 a year as expenses. Assets are considered unusable if they don't work well anymore or are obsolete.

**derivative:** a type of investment whose value depends on the value of other investments, indices or assets. A stock option is a common type of derivative.

**diminishing marginal utility:** the last item consumed will be less satisfying than the one before.

**direct-sales company:** a company which sells its products directly to retailers.

**discount:** percentage by which the seller reduces the full price for the buyer.

**discount brokers:** discount stock brokers are to full-service brokers as warehouse stores are to boutiques. You don't expect much, if any, advice from your discount broker on what to buy. She or he usually doesn't expect you to pay as much as you would at full-service brokers. A discount broker's main job is to carry out your requests to buy and sell.

**discount rate:** the interest rate charged by the Federal Reserve on its loans to banks and other financial institutions.

**discounted loan:** loan from which interest is deducted in advance.

**discretionary income:** money left after buying necessities.

**district bank:** one of 12 banks that make up the Federal Reserve System.

**diversification:** an investing technique. The idea is to buy lots of different types of investments so if the value of one nose dives, you're not suicidal.

**dividends:** payments corporations make to their shareholders. The per-share amount is determined by corporate earnings.

**division of labor:** breaking down a large task into a series of small ones so that each worker completes one or a few of the steps involved.

**Dow Jones Industrial Average:** an important stock market indicator, used to judge the stock market's general well-being and how well your stocks are doing comparatively. It measures the performance of 30 industrial stocks. When the media reports that the market rose 20 points, they're really saying the Dow rose 20 points.

**dumping:** selling the same goods for a lower price abroad than at home.

## E

**earnings per share:** the amount of money a company makes per share of common stock. This figure is calculated by taking net income and dividing it by the number of common shares outstanding.

**earnings:** the profit made by a company.

**economic growth:** increases in an economy's total output over a period of time.

**economic indicator:** a statistical measurement of the state of the economy or some important part of the economy.

**economic model:** any simplified statement, diagram or formula used to understand economic events.

**economic rent:** the amount received by property owners over and above the lowest price they would have accepted.

**economic system:** the approach a country uses to deal with scarcity and achieve its economic goals.

**economics:** the social science that describes and analyzes how society chooses from among scarce resources to satisfy its wants.

**economies of scale:** decrease in the unit cost of a product or service because of large-scale production.

**economize:** the effort to get the most out of one's resources.

**elastic currency:** supply of money expands and contracts with the needs of business.

**elastic demand:** condition that exists when a small increase in a good's price causes a major decrease in the quantity demanded.

**elasticity of demand:** measure of buyers' eagerness to acquire a good or service.

**elasticity of supply:** measure of how easily sellers can increase or decrease the quantity supplied.

**eminent domain:** the right of governments to take private property, at a fair price, for public purposes.

**employee involvement (£1) programs:** allow workers to assume responsibilities normally held by management.

**Engel's Law:** as a family's income increases, the percentage spent for necessities decreases, while the percentage spent for luxuries increases.

**entrepreneur:** a person who creates a business in the hope of earning a profit.

**entrepreneurship:** the managerial or organizational skills needed by most firms to produce goods and services at a profit.

**equation of exchange:** tells us that total spending is equal to the total value of the goods and services produced by the economy.

**equilibrium price:** the price of a good or service at which the quantity demanded matches the quantity supplied.

**equilibrium quantity:** the number of products that would be sold at the equilibrium or market price.

**excess quantity demanded:** the amount of a product that could be sold at a price lower than the market price.

**Excess quantity supplied:** the amount of a product available at a price higher than the market price.

**excise tax:** a tax levied on the manufacture or sale of a specific item (a tax on perfume, for example).

**expansion:** phase of the business cycle following recession when the economy begins to recover.

**expenditure:** the money that we spend.

**experience:** knowledge and skill gained thought time spent doing a job or activity.

**export:** a domestically produced good sold abroad. What Japan made its fortunes on - exports to the U.S. and elsewhere.

**export subsidy:** a payment by a country to exporters enabling them to sell their products abroad at a lower price than at home.

**external funds:** funds, such as loans, that come from outside the firm.

**externalities:** the effects of economic activities that fall outside the market system.

## F

**Factors of production:** the productive resource of land, labor, capital and entrepreneurship.

**Factory gate price:** the price at which a factory sells goods to wholesalers and distributors.

**Fair Labor Standards Act:** one of the key federal laws protecting workers. This is the one you drop into conversation if your boss wants you not to claim all that overtime

you're working. Established minimum wage and 40-hour work week. States that worker get 1.5 times regular hourly pay if they work more than 40 hours in a week.

**Federal Advisory Council:** offers advice to the Federal Reserve System on the nation's financial problems.

**Federal Deposit Insurance Corporation (FDIC):** a child of the Great Depression, this independent federal agency is supposed to inspire confidence in banks. It insures deposits up to \$100,000 in member commercial banks, so depositors can get their money back if a bank goes belly up.

**Federal Reserve Bank:** one of 12 district banks of the Federal Reserve System.

**Federal Reserve System:** group of banks that regulates the U.S. money supply, sets rules designed to keep commercial and savings banks solvent and provides emergency loans to those banks. Overseen by a board appointed by U.S. presidents. The chairman of that board is very powerful, and his actions are closely watched by investors.

**Federal Trade Commission Act:** law passed by Congress in 1914 which set up the Federal Trade Commission to enforce antitrust rules. The act gave the FTC the right to define unfair methods of competition and make rules to prevent such practices.

**Federal Trade Commission:** a government agency established to help prevent unfair business advertising and other trade practices.

**finance n:** money, used by a company, provided by the shareholders or by a bank, to help run a business.

**finance v:** to provide money, especially a large amount of money, to pay for something.

**fiscal policy:** use of the federal government's power to tax and spend to regulate economic activity.

**fixed assets:** a company's no liquid assets, such as its office building or factory.

**fixed costs:** costs that remain the same regardless of how much business a firm does. Also called overhead. Costs that don't vary with sales volume. Rent is a fixed cost; companies need to pay it whether they make money that month or not. Other fixed costs are insurance payments and executives' salaries.

**fixed-rate loan:** a loan whose interest rate doesn't change. A conventional mortgage is an example.

**flat tax:** a tax that would eliminate most deductions and apply the same tax rate to all incomes.

**float:** provides financial breathing room if you're short of cash. This is the value of the money that stays in your account until a check you wrote is processed.

**foreign exchange market:** place where foreign currencies are bought and sold.

**fractional reserve banking:** system in which banks hold a percentage of their customers' deposits and lend the rest.

**franchise:** a license to operate an individually owned business as if it were part of a large chain.

**franchisee:** one who purchases a franchise.

**franchising:** setting up a system like McDonald's. A company (the franchiser) grants the right to use its name and sell its products to a person or group (the franchisee).

**free enterprise:** an economic system based on the private ownership of property, competition, and the profit motive.

**free market:** a market that operates under conditions of perfect competition.

**free trade:** the absence of any trade restrictions.

**free trade association:** agreement among countries to remove trade restrictions among themselves.

**frictional unemployment:** temporary, unavoidable unemployment.

**fringe benefits:** items other than wages that the employer pays for, such as health insurance, retirement plans and vacations.

**full-service brokers:** like the full-service island at the gas station. You usually pay more, but you also get more - in this case a wide range of services including advice on what stocks to buy and sell. The "self-serve" variety of broker is called a discount broker, who generally just handles trades.

**full-time:** working all the normal working time (i.e. about seven hours a day, five days a week).

**futures contract:** legally binding agreement to buy or sell a commodity or financial instrument at a specific price and on a set date. Unlike an option, in that the seller must sell and the buyer must buy at the established time. Futures can be traded among parties.

## G

**General Agreement on Tariffs and Trade (GATT):** an international accord meant to stimulate trade. It encourages lowering tariffs and abolishing quotas that restrict imports.

**general partner:** general partners are liable for all of their partnership's debts.

**generally accepted accounting principles (GAAP):** rules and procedures generally accepted by accountants. The rules guide them in assessing and reporting on a company's finances.

**generic products:** products sold without a trademark or brand name.

**goods:** tangible items of value.

**government-owned corporation:** one that has been created to provide services that private enterprise is unable or unwilling to offer.

**grants-in-aid:** money given by the federal government to state and local governments for a specific purpose.

**Great Depression:** the worst depression in American history, lasting from 1930-1940.

**grievance procedures:** procedures that employees follow if they feel they have been treated unfairly.

**gross domestic product (GDP):** key indicator of an economy's health, annual value of goods sold and services paid for inside a country.

**gross national product (GNP):** a measure of the nation's total output of goods and services per year. GNP is a key indicator of an economy's health; it's the value of all the goods and services produced by a country in a given period of time, including income from other countries.

**gross profit:** sales revenue minus the cost of making or buying the things that were sold (cost of goods sold). If a manufacturer sold 10 bikes for \$300 a piece, and each bike cost him \$250 to make, the company's gross profit is \$500.

**gross sales:** revenue from a company's total sales before deducting for returns and discounts.

**growth funds:** mutual funds that invest in companies that pay little or no dividends and reinvest their profits in expansion and in research and development. You buy these if you're willing to give up dividend income in return for a chance at big gains in the stock price over time.

## H

**health maintenance organization (HMO):** type of health insurance that entitles members to unlimited visits to a doctor.

**horizontal merger:** combination of companies in the same business.

**household:** one or more persons living in the same dwelling (such as a house or an apartment) and functioning as an economic unit.

**housing co-ops:** multiple dwelling units that are owned by their tenants.

**human resources (labor):** the physical and mental effort needed to produce goods and services.

**imperfect competition:** Joan Robinson's term to describe markets in which sellers have more freedom to determine prices than in perfect competition but less than in monopoly.

**import:** good or service purchased from a seller in another country.

**incidence:** see *tax incidence*.

**income from continuing operations:** revenue minus expenses, including taxes. This doesn't include income from discontinued operations, like a closed arm of the corporation; extraordinary items or the financial effect of a change in accounting principles.

**income statement:** see *profit-and-loss statement*.

**income tax:** a tax on the income earned by individuals and corporations.

**index number:** a measure of relative value compared to a base number.

**individual retirement account (IRA):** you may place \$2,000 a year in these accounts, which are used to invest in stocks, certificates of deposit, etc. The contributions may be tax deductible depending on whether you're covered by a company retirement plan and whether your adjusted gross income is low enough. IRAs accumulate money tax-deferred.

**inelastic demand:** condition that exists when a change in a good's price has little impact on the quantity demanded.

**inflation:** period of rising prices during which the purchasing power of the dollar is falling. An increase in the general price of consumer goods and services. What the Federal Reserve chairman is always trying to keep under control so it doesn't harm the economy.

**infrastructure:** the basic facilities, such as roads, harbors and utilities, on which the smooth operation of the economy depends.

**injunction:** a court order forbidding an individual or organization from engaging in an activity. Courts issue this to stop a person or group from doing something that might cause future harm.

**input:** anything that goes into the production process.

**in-store promotion:** promotion of a product inside a shop, by demonstrations.

**insurance:** protection against financial loss by sharing risks with others.

**interest:** what a borrower pays for the privilege of using someone else's money for a given period of time. Income derived from allowing someone else to use one's capital.

**internal funds:** funds, such as profits, that come from within the firm.

**International Development Association (IDA):** agency of the World Bank that makes very long-term loans to the poorest of nations.

**International Finance Corporation (IFC):** provides capital and managerial assistance to private business in the less-developed countries.

**International Monetary Fund (IMF):** an international lending institution that focuses on stabilizing currencies. The United States contributes heavily to the fund and has the greatest number of votes about where to lend money. This is the group trying to resuscitate Asia's troubled economies

by pouring in billions so the countries can repay debt (an agency that lends foreign exchange to *LDC's* and other member nations).

**interview:** a formal meeting in which someone asks you questions to find out if you are suitable for a job, course of study, etc.

**inventory:** stock of goods held by a business.

**investment:** placing of money so that it will increase in value or to purchase real capital (equipment, new tools, industrial buildings) to be used in the production of goods and services.

**investment bankers:** companies that help other companies raise capital through the sale of new stock and bonds.

**issue:** to officially produce something such as new stamps, coins, or shares and make them available for people to buy.

## J

**job discrimination:** practice of favoring one group over another in hiring, salary or promotion for reasons that have nothing to do with ability.

## L

**L:** the broadest definition of the U.S. money supply. Includes everything found in the other definitions (see *M1*, *M2* and *M3*) plus U.S. savings bonds, Treasury bills, and other credit instruments.

**labor force:** consists of all those people 16 years of age or older who are currently employed or are looking for a job.

**labor unions:** associations of workers formed to promote the interests of their members.

**labor:** the human effort required to produce goods and services.

**laborer:** generally refers to unskilled workers, such as freight handlers, sweepers, trash collectors and the like.

**Labor-Management Relations Act:** also known as the Taft-Hartley Act. The law governs unions' behavior. Among other things, it forbids unions from forcing prospective employees to become union members in order to get hired. It also forbids using dues to run campaigns for national union elections.

**laissez faire:** French term meaning "let them do"; describes a policy of minimal involvement of government in business.

**launch:** to start a new activity, especially one that involves some risk.

**law of demand:** all else being equal, more items will be sold at a lower price than at a higher price.

**law of diminishing returns:** as variable inputs are applied to the fixed input, output will increase at first. But, if the process is continued, a point will be reached (the point of diminishing returns) at which output per unit of input will begin to decrease.

**law of supply:** sellers will offer more of a product at a higher price and less at a lower price.

**legal monopoly:** right to be the sole provider of a good or service, such as public utilities, patents and copyrights.

**legal tender:** currency accepted in payment of debt.

**less-developed countries (LDC's):** countries in which per capita real income is much lower than in industrialized nations.

**leveraged buyout (LBO):** the purchase of a company using borrowed money. Usually the buyer secures the loan with the assets of the company to be purchased.

**liability:** any claim on, or debt of, a business or individual.

**limited liability:** advantage of a corporation allowing a stockholder no legal responsibility for its debts beyond the sum he or she has invested in the corporation.

**limited partner:** an owner in a limited partnership who's liable only up to the amount of money invested.

**line of credit:** financial institutions offer this to some customers. It allows the customer to borrow up to a certain amount of money without applying for another loan.

**liquidity:** the ease with which savings or other assets can be converted to cash.

**load fund:** a mutual fund that charges a commission for the stockbroker or financial planner who's marketing it.

**lockout:** suspending business and wages to pressure a union to accept management's terms. Management prevents union employees from entering the workplace and doing their jobs.

**long-term loans:** loans that mature (come due) in more than a year.

**loss leader:** article which is sold at a loss to attract customers.

## M

**M1:** the narrowest definition of the U.S. money supply: includes currency in circulation, demand deposits, other checkable deposits, and travelers' checks.

**M2:** a border definition of the U.S. money supply; includes all of M1 plus savings and time deposits of less than \$100,000, money-market deposit accounts, and shares of money-market mutual funds held by households and small businesses.

**M3:** broader definition of money; includes all of M2 plus deposits of \$100,000 or more and shares of money-market mutual funds that are used by large institutions and corporations.

**macroeconomics:** the study of the economy as a whole.

**margin:** the amount a customer deposits in a special account kept by a stockbroker. The customer uses the money in this margin account, combined with money borrowed from the broker, to purchase stock (called buying on margin).

**market:** place where buyers and sellers come together. The group of people who can and want to buy a product now or later. As in, is there a market for this \$3,000 bicycle?

**market economy:** an economic system in which national economic decisions are the result of decisions by individual buyers and sellers in the marketplace.

**market price:** price at which goods or services and money will actually be exchanged. The price at which supply exactly equals demand.

**market segmentation:** division of the market or consumers into certain categories according to their buying habits.

**market share:** a company's or product's portion of the total market for that good.

**marketable securities:** securities, like government bonds, that can be sold easily. On balance sheets, they are listed as current assets because they're expected to be converted to cash in the near future, usually one year.

**marketing:** the process of identifying needs and satisfying these needs with suitable goods or services, through product design, distribution and promotion, either as a business or as a non-profit-making organization.

**marketing agreement:** contract by which one company undertakes to market another company's products.

**marketing board:** organization set up by the government or by a group of producers to help producers market a certain type of product.

**marketing budget:** money set aside by an organization for its marketing activities.

**marketing communications:** all methods of communicating used in marketing, such as television, radio and sales literature.

**marketing concept:** business idea or philosophy based on the importance of profit, consumer satisfaction and the welfare of the general public.

**marketing department:** department in a company which specializes in using marketing techniques to sell a product, and which is responsible for taking marketing initiatives such as advertising and public relations.

**marketing effort:** company's marketing activities.

**marketing intelligence:** information about a market that can help a marketing effort.

**marketing manager:** person in charge of a marketing department.

**marketing mix:** combination of all the elements that make up marketing, such as price and distribution and advertising.

**marketing model:** overview of the entire marketing process which can be shown graphically, possibly using a computer, and used to solve problems.

**marketing opportunity:** possibility of going into a market for the first time.

**marketing plan:** plan, usually annual, for a company's marketing activities, specifying expenditure and expected revenue and profits.

**marketing policy:** basic attitudes underlying a company's marketing activities.

**marketing research:** all research carried out in the interests of successful marketing, including market research, media research and product research.

**marketing services:** marketing functions other than selling, such as market research and advertising.

**marketing strategy:** strategy or planning for marketing activities.

**marketplace:** open space in the middle of a town where a market is held; situation and environment in which goods are sold.

**mass production:** the production of goods and services on a large scale using division of labor and machinery or technology.'

**mediation:** method for settling labor disputes in which a third party makes non-binding suggestions (using a neutral third party to settle a dispute by fostering compromise among battling groups). Can be used in labor-management disputes.

**mercantilists:** Some of the first modern economists who believed that nations should behave like merchants competing with one another; they wanted government support to keep the nation's businesses competitive-merchandizing: organizing the display and promotion of goods in retail outlets.

**merger:** combination of previously separate firms into one.

**microeconomics:** the study of the individual parts of the economy, with special attention to the market process and how it works.

**minimum wage laws:** establish the lowest legal wage that an employer can pay.

**mint:** to make coins.

**mixed economy:** economic system that combines elements of public ownership of the means of production with private ownership.

**monetary:** referring to money or currency.

**monetary policy:** use of the Federal Reserve's power to control the supply of money and credit to influence economic activity in the nation as a whole, particularly to control inflation and stimulate economic growth.

**monetary system:** the system used by a country to provide the public with money for internal use and to control the exchange of its own currency with those of foreign countries.

**money market deposit accounts:** a bank account that pays a variable rate of interest based loosely on market rates. Often used by people who need to keep money readily available, but want to try for a higher return than on regular bank accounts. Added bonus: they're federally insured.

**money market funds:** mutual funds that use the resources of their investors to buy money-market certificates. Funds that put their money in short-term investments. Considered pretty safe because the funds invest in such things as U.S. government securities and bank certificates of deposit.

**money market:** market for short-term credit instruments such as Treasury bills.

**money:** can be anything that is generally accepted in payment for goods and services.

**monopolist:** seller who controls the supply of a good or a service.

**monopolistic competition:** a market in which many firms are selling similar (but not identical) products.

**monopoly:** market in which there is only one seller. What you tried for in the game with the same name: complete domination of a market. When you have a monopoly, you have no competitors for what you're selling.

**mortgage:** a long-term loan usually used to finance a building.

**municipal bond:** these bonds are issued by state or local government entities, such as cities and counties. Interest earned is generally tax-free.

**mutual funds:** corporations that sell stock and use the proceeds to invest or speculate in the securities markets.

These funds pool money from many investors, and fund managers invest the money in specific types of securities. Money market funds are a type of mutual fund.

## N

**NASDAQ (The National Association of Securities Dealers Automated Quotations System):** a computerized system that lists price quotes for many over-the-counter stocks, as well as some other stocks.

**National Labor Relations Act:** federal law that created the National Labor Relations Board to supervise union elections and that banned certain unfair labor practices by employers. The NLRB can rule on whether labor practices are unfair, although the decisions are appealable to the courts.

**nationalization:** government takeover of a privately owned industry.

**natural resources (land):** the things provided by nature that go into the creation of goods and services.

**negotiable order of withdrawal (NOW) accounts:** interest-bearing accounts on which the depositor is entitled to write checks.

**net exports:** the difference between total exports and total imports over the course of a year.

**net income:** the bottom line, after everything is paid up, • including taxes. What's left after all expenses are deducted from total revenue. Dividends are paid from net income.

**net interest:** an item in the federal budget representing the difference between the interest earned by the government on its investments and the interest it must pay on its debts.

**net worth:** the difference between a firm's assets and its liabilities. Equity. Fair market value of total assets minus total liabilities.

**no-load fund:** mutual fund that doesn't charge a commission.

**nonprice competition:** methods other than selling-price changes used by firms to compete with one another.

**nonprofit corporations:** or simply nonprofits. Organizations that don't exist to make a profit. Usually, the groups are dedicated to charitable or educational efforts; they are, therefore, exempted from income taxes.

**note receivable:** what you put on the books if you're owed money by someone who has signed a promissory note, which states you will be paid a certain amount by a certain time.

**notes payable:** short-term loans owed by the corporation.

**not-for-profit corporation:** one that has been organized to serve some particular educational, social, charitable or religious purpose rather than to earn a profit.

## O

**Occupational Safety and Health Administration (OSHA):** an arm of the U.S. Department of Labor that attempts to keep people safe in their workplace by setting safety standards and enforcing them. OSHA will inspect for such problems as contaminants in a factory's ai-

**oligopoly:** market dominated by a few large firms. Not quite a monopoly, but getting there. A small group of large suppliers dominate a market, providing similar versions of a product, like cars.

**OPEC (Organization of Petroleum Exporting Countries):** a cartel of crude-oil producing countries formed to

regulate the production and prices of petroleum on international markets.

**open (or public) corporation:** one whose stock is sold to the public.

**Open Market Committee:** agency of the Federal Reserve that regulates the nation's money supply.

**open shop:** a business open equally to union and non-union workers.

**open-end fund:** mutual fund that doesn't limit its number of shares.

**open-market operations:** refer to the purchase and sale of government securities by the Fed's Open Market Committee.

**opportunity cost:** the amount of goods and services that must be given up in order to obtain other goods and services.

**option:** the right to buy or sell stock at a given price within a certain period of time. Options are often traded.

**output per worker per hour:** terms in which productivity is usually measured.

**overhead costs:** money spent on the day-to-day cost of a business.

**over-the-counter market (OTC):** brokerage firms around the nation that buy and sell securities of smaller firms not listed on the large exchanges. A virtual marketplace for trading securities. Dealers conduct transactions via computer or telephone, rather than through an auction at a central location, like the New York Stock Exchange.

## P

**partnership:** unincorporated business owned by two or more people who share profits and losses. Owners are personally liable for the partnership's debt.

**passbook and statement savings accounts:** savings accounts offering ease of withdrawal, safety of principal, and low interest rates.

**patent:** a monopoly to use a new product or idea exclusively for 17 years.

**peer review panels:** committees made up of management and labor representatives who listen to worker grievances and rule on them.

**penetration pricing:** pricing a product low enough to achieve market penetration.

**penetration strategy:** selling more of a company's products into a market segment, shown as a percentage of the total market, by aggressive pricing and advertising.

**per capita real GNP:** GNP adjusted for changes in average prices and divided by the population; a figure showing the amount of real goods and services per person produced in the nation in a given year.

**perfect competition:** a market for uniform products in which there are many buyers and sellers, no one of which is big enough to affect the price, and full knowledge of market conditions.

**physiocrats:** thinkers in 18th-century France who believed that because natural resources were the source of wealth, it made little sense for government to promote business.

**picketing:** effort by unions to inform the public of a labor dispute by parading in front of their workplace with signs listing their grievances.

**poison pill:** companies resort to poison pills when someone is trying to take them over. To discourage the suitor, the takeover prospect takes on a heap of new debt or does something else to make the stock less attractive.

**political action:** refers to the effort by labor unions to enlist the support of government and politicians for their programs.

**popularity appeal:** suggestion that simply using the advertised product will make you popular.

**preferred stock:** stock that receives a specified dividend before any dividends are paid on common stock and that receives a share of the assets of a liquidated corporation ahead of common stockholders. If you own this higher class of stock, you get your dividends before common stockholders. If the company folds, you also get assets before common stockholders do. The one thing you usually don't have is voting rights.

**premium:** an amount of money paid in addition to the usual amount; at a premium - difficult to obtain and more expensive than usual.

**price:** the money value of a good or service.

**price discrimination:** practice of selling the same product for less to one company than to another.

**price-earnings ratio:** one measure of how much faith investors have in a particular stock, it shows how much they're willing to pay for each share of a corporation's earnings. You calculate it by dividing the current price per share by the earnings per share for the last year.

**price stability:** the absence of inflation or deflation - a period of time in which there is little change in what the dollar can buy.

**price system:** economic system in which resources are allocated as a result of the interaction of the forces of supply and demand.

**price war:** a situation in which businesses compete to attract customers by lowering prices.

**primary market:** market where new issues of securities, like stocks, are sold and the proceeds go to the issuer.

**prime rate:** interest rate banks charge their most credit-worthy commercial customers for loans. Often given to large corporations.

**principal:** the amount borrowed.

**private property:** basic right of the free enterprise system that guarantees the individual's right to own, use, and dispose of things of value.

**pro forma income statement:** a statement of revenue and expenses that includes some hypothetical values. It shows what could be expected to happen if a corporation decided to go through with a takeover, for example.

**producer co-ops:** manufacturers and marketers of products on behalf of their members.

**product:** the good or service one receives in an exchange.

**product differentiation:** process of creating uniqueness in a product.

**product labeling:** attaching to a product statements identifying its contents and use.

**production-possibilities curve:** a curve showing the possible combinations of total output that could be produced if a nation's resources were fully employed.

**productive capital:** things used to produce goods and services; machines, tools, factories, equipment, etc.

**productivity:** the output of goods and services as measured per unit of time, or per person, per company, per industry, or for the whole economy. What plummeted nationwide during the President Clinton-Monica Lewinsky controversy. Productivity measures how much work you get done in a given period of time.

**profit:** the money that remains after the costs of doing business have been paid. Difference between a firm's total revenues and its total costs. Same as income, the difference between revenue and expenses, before taxes.

**profit margin:** difference between cost and selling price. A good measure of a company's efficiency, this essentially tells you how much the company makes off sales after expenses are paid. Generally, the higher the profit margin, the more efficient the company. Net profit margin is net income divided by net sales. Gross profit margin is gross profit divided by net sales.

**profit motive:** the desire to benefit from the investment of time and money in a business enterprise.

**profit-and-loss statement:** summary of a firm's revenue, costs and taxes over a period of time.

**profit-sharing plan:** if your company's doing well, this is one great perk. The company gives employees bonuses tied to the amount of profit it makes.

**progressive tax:** one that takes a larger percentage of a higher income and a smaller percentage of a lower income.

**promote a new product:** to increase sales of a new product by a sales campaign.

**promotion:** program designed to sell goods or services to the public. All means of conveying the message about a product or service to potential customers (by publicity or sales campaign or TV commercials or free gifts, etc.).

**promotional allowance:** discount which is offered to a buyer in return for some promotional activity in connection with the product sold.

**promotional budget:** forecast cost of promoting a new product.

**promotional campaign:** coordinated activities to increase sales of a new product.

**promotional discount:** special discount offered as part of the promotion for a product.

**promotional mix:** combination of all the elements that make up a company's promotion.

**proportional tax:** one that takes the same percentage of all incomes regardless of size.

**promotional tools:** material used in promotion, such as display material and sales literature.

**prospectus:** a statement containing pertinent financial information published when a corporation is about to issue new securities.

**protective tariff:** tariff levied to protect a domestic industry from foreign competition (see *revenue tariff*).

**proxy:** a written authorization transferring voting rights to another at a stockholders' meeting.

**public utilities:** privately owned firms that provide an essential public service and are subject to government regulation.

**purchasing power:** value of money.

**push strategy:** attempt by a manufacturer to push the product towards the customer.

**put:** an option to sell a certain amount of stock at a specific price during a specific time.

## Q

**qualification:** something such as a degree or a diploma that you get when you successfully finish a course of study.

**quality circles:** small, voluntary groups of employees who meet regularly to identify and solve work problems.

**quality control:** maintaining acceptable and dependable levels of quality in production.

**quotas:** restrictions on the number of goods that can enter the country from abroad.

## R

**raise:** collect money for a particular purpose, get a loan from a bank.

**rate of exchange:** the price at which a particular currency sells in terms of other currencies.

**rate of inflation:** annual percentage increase in the general level of prices.

**rate of return:** the amount of interest or dividends stated as a percentage of the principal of an investment.

**rational appeals:** rely on logic or reason to convince the consumer to buy a product.

**raw materials:** raw as in unfinished. The stuff finished products are made of.

**real GNP:** GNP adjusted for changes in the price level; the value of goods and services produced in the nation in a given year.

**recession:** the bottom of the business cycle; a period of low business activity and high unemployment. A time when business is slow, people lose jobs and sitting presidents worry about their re-election prospects as people tend to blame them for economic woes. Technically speaking, six

months or more of a decline in the gross domestic product.

**regional exchanges:** national securities exchanges (not in New York City). These exchanges are registered with the U.S. Securities and Exchange Commission. Chicago has one.

**regressive tax:** one that takes a higher percentage of a low income and a lower percentage of a high income.

**rent:** return paid to those who supply the factor of production known as land.

**research and development (R&D):** activity directed toward discovering new products and processes.

**reserve ratio:** the proportion of a bank's deposits that must be kept on reserve at the Federal Reserve bank or in its own vaults.

**reserve requirements:** set by the Federal Reserve, these rules require member banks to keep a certain amount of cash and other liquid assets on hand or at a nearby Federal Reserve bank. The amount is stated as a percentage of deposits. The rules help the Fed control lending and the nation's money supply.

**reserves:** fixed portion of bank's deposits that cannot be loaned.

**resources:** anything used as an input in the creation of goods and services.

**retail margin:** the difference in price between what retailers pay for a product and what they sell the product at.

**retailer:** person who runs a retail business, selling goods direct to the public.

**retail price:** price at which the retailer sells to the final customer.

**retained earnings:** undistributed profits, often used to finance major projects. What's left of earnings after dividends are paid. These are cumulative; they're additions to capital earned since a company's birth. return on owners' equity: a measure of profitability. Net income is divided by common stock equity. revenue tariff: tax on imports designed to raise money for the government (*see protective tariff*).

**revolving credit agreement:** you have one of these for your charge cards. The lender lets you borrow up to a certain amount again and again; once you pay off part of the loan you can reborrow that part. In other words, once you pay off one shopping spree, you can start on another. right-to-work laws: state laws guaranteeing individuals the right to hold a job without being required to join a union. Right-to-work laws have been enacted in: Alabama, Arizona, Arkansas, Florida, Georgia, Idaho, Iowa, Kansas, Louisiana, Mississippi, Nebraska,

Nevada, North Carolina, North Dakota, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, and Wyoming.

**rural community:** one in which there are fewer than 2,500 residents and one that is far from any urban community.

## S

**S corporation:** business organization that enjoys the advantages of the corporation without being subject to corporate taxes.

**sales tax:** a regressive tax added to the price of goods at the time they are sold.

**Savings institution:** financial institution that holds personal savings for safekeeping and pays interest.

**scarcity:** a limit to the supply of productive resources or consumer goods in relation to producers' or consumers' demand for them.

**secondary boycott:** when a union puts the squeeze on. It organizes a boycott of companies that do business with the company the union is battling. The idea is to isolate the company fighting with the union, hurting its business by cutting off supplies or buyers.

**secondary market:** where securities are traded after their initial issuance. Money from trades goes to dealers and sellers, not to the company that originally issued the security. Secondary markets include exchanges, as well as virtual marketplaces - the over-the-counter markets of computer and telephone lines.

**secured bonds:** bonds backed by collateral or a lien. If the bond issuer defaults, he or she must hand over whatever asset was pledged - such as a house - so the creditor can recoup the loss on the bond.

**secured loan:** to get one, you have to promise to hand over specific assets if you default.

**securities:** stocks, bonds and a host of other investments, including certificates of deposit. Investments for consumers; ways of raising cash for the issuer, including corporations and governments.

**Securities and Exchange Commission (SEC):** Federal agency charged with protecting the public against wrongdoing in the sale of securities.

**security exchange:** market where brokers meet to buy and sell

**stocks and bonds.** security: something such as property or other goods used to provide a guarantee for a loan.

**selling costs:** costs involved in distributing, promoting and

**selling a product.** selling price: price at which someone is willing to sell.

**selling short:** gamblers love this technique that lets them bet a stock price will drop. It works this way: you borrow stock from your broker and sell it. If the price drops, you buy the shares you owe the broker and return them, pocketing the difference between what you sold them for and what you bought them back for. You're in trouble if the price rises since you still owe the broker his shares.

**seniority:** the importance assigned to a worker's length of service when it comes to questions of raises or layoffs, etc.

**service industries:** businesses which provide services, such as health care, legal advice or appliance repair.

**services:** intangible items of value, such as the work of physicians, lawyers, actors or mechanics.

**share:** one of the equal parts of a company that you can buy as a way of investing money.

**share capital:** value of the assets of a company held as shares less its debts.

**Shareholder - stockholder:** a person who owns shares in a company.

**Sherman Antitrust Act:** a law passed by Congress in 1890 that prohibits monopolies or any business combination that restrains trade. First U.S. antitrust law. Outlawed price-fixing - when competing companies collude to set similar, high prices.

**short-term credit instruments:** notes and other items that come due in a year or less.

**short-term loans:** loans that must be repaid in a year or less.

**slogans:** words or phrases used in advertising that sound great but mean little or nothing.

**small business:** a little company with low turnover and few employees.

**Small Business Administration (SBA):** U.S. agency that nurtures small businesses. Provides low-interest loans.

**socialist economy (socialism):** economic system in which the principal means of production are owned by the state, and resources are allocated by central planning.

**sole proprietorship:** a business that is owned by one person.

**specialization:** production of a limited variety of products by a business, region or country.

**specie:** money in the form of coins.

**stability:** being steady or not moving up and down.

**standard of living:** a measure of the amount of goods and services an individual or group considers essential.

**stock:** share in the ownership in a corporation. stock insurance companies: an insurance company owned by stockholders.

**stock market indicators:** indexes of stock-market performance, including the S&P 500 and the Dow Jones Industrial Average. Indicators help investors figure out if their mutual fund or stock is doing as well as the rest of the market.

**stock option:** popular form of employee compensation, most often given to executives. The options allow executives

to buy stock for a number of years at or below the share price when the option was granted. This is an added incentive for executives to maximize company profit and increase share prices.

**stock split:** corporations do this to make shares more affordable. They multiply the number of shares, while keeping the aggregate value of stock even. In a 2-for-1 split of shares worth \$50, an investor would have twice as many shares as he had, but each would be worth \$25.  
**stockbroker:** person in charge of a client's stock trades. If the stock is traded on an exchange, the broker relays buy and sell orders to representatives on the exchange floor. Full-service brokers give advice on which stocks to buy; discount brokers generally charge less, but usually don't offer advice.

**stockholder=shareholder:** owner of stock in a corporation.

**strike:** work stoppage to pressure management to accept union demands.

**structural unemployment:** unemployment resulting from changes in technology, consumer preference or movement of jobs from one region to another.

**subsidy:** financial aid.

**subsistence level:** the level of income necessary to maintain a minimum standard of living; any less will result in hunger and disease.

**supply:** refers to the number of items that sellers will offer for sale at every price at a particular time and place.

**supply schedule:** a table showing the quantities of a product that would be offered for sale at various prices at a given time.

**surplus:** excess of revenues over expenditures.

## T

**target:** thing to aim for.

**target market:** market in which a company is planning to sell its goods.

**tariff:** a federal tax or duty on imports or exports. Japan's import tariffs drive U.S. trade negotiators nuts. The tariffs protect Japan's domestic industries by raising foreign producers' expenses - and usually the price of their goods.

**tax base:** the money, property and people on whom taxes could be levied.

**tax incidence:** the final effect of a tax; who will really have to pay the tax.

**technological revolution:** refers to a relatively sudden change resulting from the introduction of new products or processes.

**technology:** the application of science to commerce and industry.

**term loans:** loans that are generally several years' long.

**testimonials:** advertisements in which a famous person claims that he or she uses and enjoys a particular product.

**thrift institutions:** savings and loan associations, mutual savings banks and credit unions.

**trade deficit:** what the U.S. has with Japan. Imports exceed exports - or we buy more than we sell. Opposite of *trade surplus*.

**trade loans:** credit extended by vendors to their customers.

**trade surplus:** exports exceed imports - or you sell more than you buy. Opposite of *trade deficit*.

**trademarks:** special designs, names or unique symbols that identify a product, service or company.

**trade-off:** giving up one thing in order to obtain something else.

**traditional economy:** an economic system that allocates scarce resources according to custom; change and growth are very slow; people do what their parents did before them; and most goods are produced and consumed locally.

**transfer payments:** payments that represent a redistribution of wealth, such as Social Security benefits, pensions, welfare, rather than an exchange for goods or services.  
**travelers' checks:** checks sold by certain banks and specialized firms (such as American Express) that are refundable if lost or stolen.  
**treasurer:** someone who is in charge of the money that belongs to an organization.

**Treasury (the):** a government department responsible for a country's financial matters.

**Treasury bills:** securities of the federal government issued for terms of less than a year. The purchasers are lending money to the government.

**trust:** an arrangement whereby a bank provides safekeeping and management of funds for individuals, estates or institutions such as pension funds. The term also refers to a specific form of monopolistic practice, and sometimes to monopoly in general - as in "antitrust law".

**turnover:** amount of sales of goods or services by a company in a particular period of time.

## U

**underground economy:** exchanges of goods and services not reported to the government for tax purposes.

**underwrite:** to assume risk, as in the case of those who underwrite the sale of securities by purchasing an entire issue from the corporation and marketing it on their own.

**underwriting:** buying an initial stock or bond offering and selling it to the public. Investment bankers are underwrit-

ers; they make money by charging more for the stock or bonds than they paid for the securities.

**unemployment rate:** indicator of economic activity that compares the number of people in the labor force to the number looking for work; percentage of the labor force unable to find jobs.

**Uniform Commercial Code (UCC):** a comprehensive set of business laws adopted by almost all the states. The idea was to make the rules of commercial transactions - such as the sales of goods - universal.

**union shop:** allows nonunion workers to be hired on condition that they join the union.

**unit cost:** the cost of producing an item, determined by dividing total costs by the number produced.

**unit price:** the price of one item.

**United States savings bonds:** small-denomination certificates issued by the U.S. government for relatively long terms; purchasers are lending money to the government.

**unlimited liability:** requirement that the owner or owners assume full responsibility for all losses or debts of a business.

**urban community:** one in which 50,000 or more people live in a central city and its surrounding suburbs.

**urban enterprise zone:** area offering special tax incentives to businesses locating within its boundaries.

**Utopian socialists:** creators of small, ideal communities in which factories were owned by the workers and profits shared by all.

## V

**value added:** the amount added to sales value through production. It's considered good for an economy to produce lots of value-added goods, which adds jobs, rather than shipping raw materials elsewhere to be processed. Smoked salmon is a value-added product because it's processed and more expensive than regular salmon.

**value-added tax (VAT):** tax levied on the value added to goods at every stage of production.

**variable costs:** costs that increase as the number of units produced increases.

**variable expense:** expenses that increase or decrease with the volume of business.

**variable-rate loan:** a loan with an interest rate that changes, tracking market conditions.

**velocity:** the number of times that the money supply is spent in a year; the speed at which money circulates.

**venture capital:** money available for high-risk investments.

**vertical integration = vertical merger**

**vertical merger:** combination of companies involved in different steps of the same production process; also called vertical integration.

## W

**wages:** the price paid for the use of labor. (To the economist, the term refers to the nation's wealth paid to labor, as distinct from other forms of income - rent, interest, and profit.)

**wampum:** a form of money used by Native Americans.

**wealth:** the total value of one's tangible assets.

**World Bank:** officially, the International Bank for Reconstruction and Development, the bank is an international agency that makes loans to less-developed countries as a way of stimulating economic growth. (This international bank focuses its lending on helping developing countries develop.)

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