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МЕТОДИЧНИЙ ПОСІБНИК З РОЗВИТКУ НАВИЧОК

ЧИТАННЯ ТА ГОВОРІННЯ ДЛЯ СТУДЕНТІВ ЗА

СПЕЦІАЛЬНІСТЮ «ФІНАНСИ І КРЕДИТ»

Elementary Finance

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UNIT 1

scarce	дефіцитний, рідкий
raw materials	сировинні матеріали
entrepreneurship	підприємництво
production of goods and services	виробництво товарів та послуг
to bring about	викликати, приводити (до чогось)
equitable	справедливий
revenue	прибуток (який получають від збору податків)
allocation	розміщення
transaction	угода
income	прибуток
the law of supply and demand	закон попиту та пропозицій
input	ресурс що вводиться
output	продукція, випуск
customer	споживач
wants	потреби
to allow	дозволяти
social security	соціальне забезпечення
rationing device	механізм розподілення
production costs	витрати виробництва
to be subject	залежати від, бути схильним до
alternate	чергування
fiscal policy	бюджетно-податкова політика
monetary policy	кредитно-грошова система

1. Find the nouns in the word list and put them in alphabetical order.

2. Work with the a list of new words as in the example(students have to name words by heart)

Student A: scarce

Student B: raw materials

3. Find the antonyms to the following words.

Widespread, unfair, collection, expenditure, expense, producer.

4. Find the verbs and put them in alphabetical order.

5. Make up sentences with these verbs.

6. Find the word combinations and make up sentences starting with the phrases:

I know..., It is very important to...

7. Read and translate sentences only with new lexis.

1. Scarcity of resources makes it necessary to save them.
2. The modern market economy is populated by three types of economic agents.
3. In free markets, prices direct allocations of inputs of firms...
4. Anyone who studies economics knows that...
5. They are subject to a business cycle that...
6. Another recent change has been in the growth of self-employment.
7. Given the scarcity of resources, the market functions as a rationing device with the price mechanism as its principal instrument.
8. The Industrial Revolution allowed Britain to become the first industrialized trading nation.
9. The rational solution of the problem brings about the maximum economic growth, full employment, equitable distribution of revenues, and social security of the needy.

8. Put in the missing letters.

scarce, raw materials, entrepreneurship, production of goods and services, equitable distribution, revenue, allocation, transaction, income, the law of supply and demand, input, output, customer, to allow, social security, fiscal.

9. Work in pairs. One student has to name all the words he/she memorized from the word list another student has to translate them.

10. Read these words paying attention to their translation.

Economic	економічний
Economics	економічна наука
Economize	економити
Economy	1. економіка, хазяйство, 2. економія
Economic growth	економічний зріст

11. Choose the correct word:

1. I am a student of (economy, economic) department now.
2. At school I didn't study the (economy, economics) of Great Britain.
3. I hope he will make a good (economist, economy).
4. There are many (economic, economical) problems in the world.
5. This car is very (economic, economical).
6. I try to spend money and time (economical, economically).
7. This car (economize, economizes) fuel.

Read the text and find out its main ideas.

WHAT IS ECONOMICS ALL ABOUT?

It is characteristic of any society that while wants of people are growing constantly, the economic resources required to satisfy these wants are limited and scarce. Economic resources may be classified as material resources (raw materials and capital) and labour resources (labour force and entrepreneurship). Scarcity of resources makes it necessary to save them. As a result any economic system is trying to find most effective and efficient ways of utilizing resources for the production of goods and services. The rational solution of the problem brings about the maximum economic growth, full employment, stable prices, equitable distribution of revenues, and social security of the needy¹.

There are different economic systems in the world today. Many economists argue that free enterprise, or the market economy is the most effective system, because businesses are free to choose whom to buy from and sell to and on what terms, and free to choose whom to compete with. How can a market economy solve what, how and for whom to produce?

It is done through a market, which is a set of arrangements through which buyers and sellers make contact and do business, in which choices concerning the allocation of resources and transactions among members of society involving factors of production, incomes, goods and services are left to countless independent decisions of individual consumers and producers acting on their own behalf.

One of the main laws of the market is the law of supply and demand. It says that if demand exceeds supply, the price tends to rise and when supply exceeds demand the price tends to fall.

Given the scarcity of resources², the market functions as a rationing device with the price mechanism as its principal instrument. In free markets, prices direct allocations of inputs of firms that make the most profitable use of them. The price mechanism also guides the decisions of producers concerning the composition of their output. Finally, the price mechanism also governs the distribution process.

Thus, the market mechanism brings about an allocation of resources that reflects two basic factors: consumer preferences and production costs. The prices which play the coordinating role of the market mechanism are determined through the interaction of demand and supply.

Another important force of the market is competition. On the one hand, it protects the customers - they have the right of choice and they benefit from the fact that competition keeps prices close to

costs; on the other hand, it makes producers and suppliers of scarce resources utilize them economically, using most sophisticated technologies.

All businesses produce goods and services and seek profits. They all compete with other businesses for inputs of labour, capital and natural resources, including foreign partners.

Freedom of enterprise is not total in the market economy. Businesses are subject to laws and government regulations.

Economic machines do not always run smoothly. They are subject to a business cycle that alternates between periods of rapid expansion and periods of recession in which outputs fall and unemployment rises.

Economic environment is determined by the economic policies of the government, fiscal and monetary policies being the major factors.³ So, if an economic system is to perform well⁴ it must deal with many economic challenges.

Words you may need:

1. the needy- нужденний
2. given the scarcity of resources- з урахуванням нестачі ресурсів
3. fiscal and monetary policies being the major factors- причому бюджетно-податкова та кредитно-грошова політика є основними факторами
4. if an economic system is to perform well – для того, щоб економічна система функціонувала успішно

Exercises

1. Answer the questions.

1. What is characteristic of any society?
2. How can economic resources be classified?
3. What is the most efficient economic system?
4. How does the market operate?
5. What is the price determined by?
6. What role does the price mechanism play in free market economy?
7. What does the allocation of resources reflect?
8. Why is competition an important source of the market?
9. What do businesses compete for?
10. Are businesses totally free in their policies?
11. What is the business cycle?
12. What determines the economic environment?

2. Find in the text English equivalents for the following Ukrainian phrases:

Потреби людей зростають; ресурси, необхідні для потреб людей, обмежені; нестача ресурсів робить їх економію необхідною; використовувати ресурси найбільш ефективним образом; виробництво товарів та послуг; викликати максимальний економічний ріст; справедливе розподілення доходів; соціальне забезпечення потребуючих; вільне підприємництво-найбільш ефективна економічна система; установлювати контакти; вести справи; закон попиту та пропозицій; попит перевищує пропозицію; ціна має тенденцію до підвищення (зниження); виділення ресурсів; діяти від свого імені; ціновий механізм є основним інструментом ринку.

3. Find and read sentences explaining the title of the text.

4. Find in the text sentences expressing such ideas.

1. Economic policies of the government, fiscal and monetary policies have an influence on the economic growth.
2. The demand and supply have an influence on price formation.
3. The competition has an influence on the producer.
4. Scarcity of resources has an influence on economic.
5. Price mechanism has an influence on the distribution process.

5. Choose the word with the opposite meaning for the word underlined.

1. The rational solution of the problem brings about the maximum economic decline, full unemployment, stable prices, unfair collection of expenditure.
2. The law of supply and demands means that if demand exceeds supply, the price tends to fall, and when supply exceeds demands the price tends to rise.
3. The price play insignificant role in the market mechanism.
4. Scarcity of resources makes it necessary to spend them.

6. Choose the word with the similar meaning for the word underlined.

1. The main social purpose of economy is to produce goods and services for the satisfaction consumer needs and wants.
a) thought b) requirement c) business d) growth
2. Labour resources include labour force and entrepreneurship.
a) labour b) instruments of labour c) employer d) business undertaking
3. The market mechanism brings about an allocation of resources.
a) direction b) distribution c) disintegration d) sale
4. A lot of economics factors have an influence on transaction.
a) transform b) transformation c) deal d) bargain
5. The businessman must pay attention to his revenue.
a) cloth b) car c) income d) family

7. Match the words from (a) with the words from (b)

- | | |
|---------------|-----------------------|
| a) to satisfy | b) wants |
| to distribute | factors of production |
| to save | goods |
| to produce | services |
| to utilize | policy |
| to perform | enterprise |
| to run | allocation of inputs |
| to conduct | functions |
| to choose | resources |
| to pursue | needs |

8. Make up sentences putting the words in the correct order:

1. are, different, today, in, world, there, systems, economic, the.
2. demand, if, price, exceeds, tends, rise, to, the, supply.
3. wants, constantly, people, are, of, growing.
4. is, competition, force, the, market, of, an, important.
5. producers, must, scarce, economically, and, suppliers, utilize, resources.
6. sluggish, is, activity, economic.
7. figures, dropped, according, production, to, official, oil, of.
8. service, of, consists, the, transport, banking, sector, insurance, and.

9. Form nouns from the following verbs and translate them.

- a) Economize, compete, regulate, produce, allocate, grow, consume, expand.

Form adjectives from the following words and translate them.

- b) Importance, attention, success, expense, scarcity, count, economy, limit, to produce.

10. Checking facts and ideas.

Economics is a science about such things as

- a) using the economic resources in an efficient manner;
- b) determining what goods and services are to be produce ;
- c) distributing scarce resources among the industries producing goods and services ;
- d) eliminating the market competition;

- e) studying the law of supply and demand
- f) satisfying human needs.

11. Single out the main points of the text. Use the following opening phrases:

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

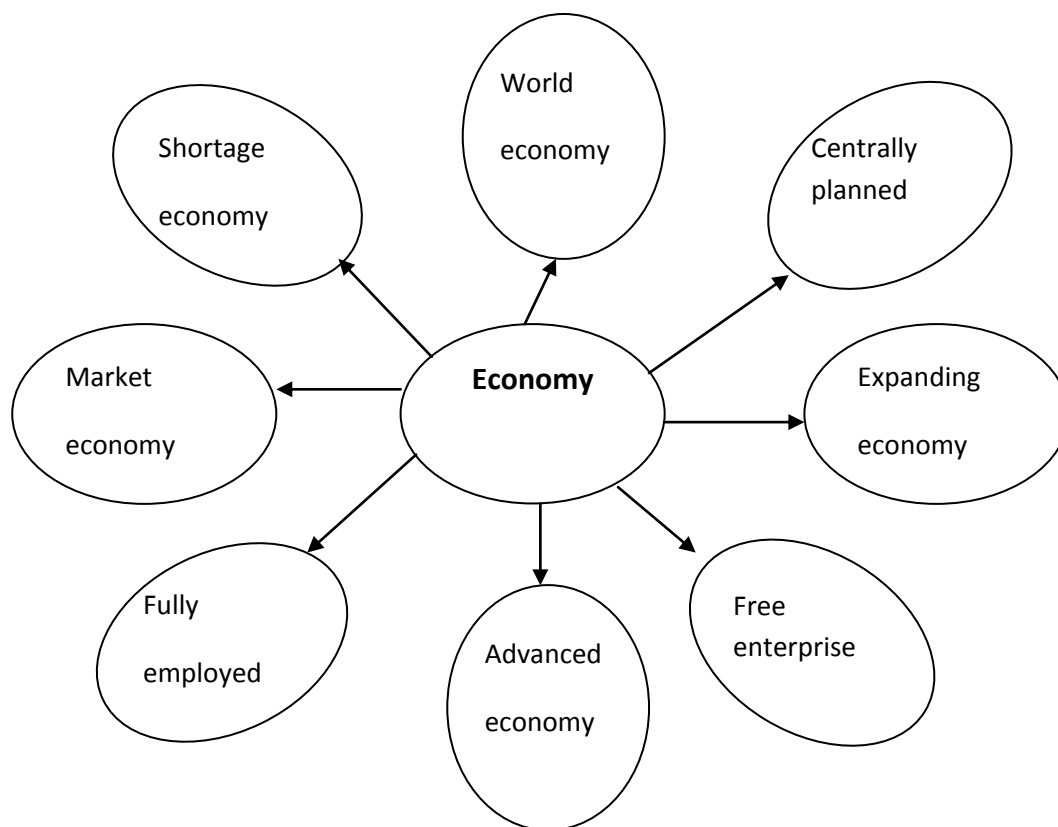
I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

12. Divide the text into logical parts and give them titles.

13. Look at the scheme, answer the questions and make a little summary.



Advanced economy - економіка промислово розвинутої країни

Fully employed economy - економіка з повним використанням трудових ресурсів

Free enterprise economy - економіка вільного підприємництва

Shortage economy - «дефіцитна» економіка

Centrally planned economy - планова економіка

Expanding economy - економіка, яка розвивається

1. What types of economy do you know?
2. What can we say about the economy in Ukraine in 1982?
3. What type of economy do we have nowadays?
4. Do you know the countries with advanced economy?

Grammar exercises.

1. You are going to take part at the scientific conference. Choose subjects you need there and put them in plural form.

Pen, pencil, copy-book, bag, scarf, trousers, shirt, skirt, blouse, shoes, scientific material, coat, hat, brush, combs, rose, flower, spectacles, food, sausage, bread, butter, knife, folk, wife, child, money, scissors, clothes, wages.

2. Find nouns in plural forms from the column B to the column A. What does it change?

Translate them.

A) Analysis	B) Data
Basis	Criteria
Thesis	Phenomena
Datum	Theses
Criterion	Bases
Phenomenon	Formulas-formulae
Stimulus	Stimuli
Formula	Analyses

3. Read the text and open the brackets, choosing the correct form of the verb to be. Put the questions to the text.

EARLY ECONOMIC THOUGHT: MALTHUS (1766-1834)

Most early economists had no idea of how to make a country grow to be prosperous or to help people become healthy and happy. In fact, economics (to be) once known as the «dismal science», because economists (to be) so pessimistic. In England, for example, an economist named Thomas R. Malthus saw that most of his countrymen (to be) starving. Poverty, hunger, and disease (to be) the norm. Malthus felt conditions could only get worse, because population was increasing geometrically (for example, 200, 400, 800) while food supplies (to be) only slowly increasing. (He published this idea in 1798.) He anticipated more hunger and disease as a result. Today there (to be) some people who feel Malthus (to be) right, and it (to be) just a matter of time before there (to be) too many people in the world and too few resources.

Recently, economists have predicted that the world would run out of resources such as oil, water, and coal and that pollution would get worse and worse. They cite nations such as Mexico as their model of the future. Other writers (to be) more optimistic and predict world prosperity. They feel that the population growth can be an asset. Their model of the future (to be) the United States. Which predictions (to be) correct? Nobody knows for sure, but we do know some strategies for creating prosperity. The basis for optimism began in 1776. What (to be) need (to be) a social and political base for growth. That base (to be) established in America.

4. The following sentences have mistakes. Correct them.

1. The year is 1776. 2. The Declaration of Independence state that everyone had the right to life, liberty, and pursuit of happiness. 3. Certainly, those early American feel they knew how to made a country prosper. 4. They feel that the key was freedom and they fight to get it. 5. There is an economist who understand the American dream and helped shape it, even though he was not an American. 6. His name will be Adam Smith. 7. He will publish his book, An Inquiry into the Nature and Causes of the Wealth of Nation in 1776, the same year that the Declaration of Independence is signed.

5. Make the sentences 1, 2, 6, 7 (previously corrected) negative and interrogative.

6. Form Participle II from the following verbs:

Assign, reverse, encourage, bring, make, allow, change, determine, reflect, limit, classify.

7. Find the correct translation of this sentence.

Economic environment is determined by the economic policies of the government.

- a) Економічне навколишнє середовище буде визначатися економічною політикою уряду.
- b) Економічне навколишнє середовище визначається економічною політикою уряду.
- c) Економічне навколишнє середовище визначалося економічною політикою уряду.

8. Use the verbs in brackets in the required tense and Voice.

1. Economic resources may (classify) as material resources and labour resources. 2. The prices which play the coordinating role of the market mechanism (determine) through the interaction of demand and supply. 3. Economic environment (determine) by the economic policies of the government. 4. The economic resources required to satisfy human wants (to be limit) and scarce. 5. All businesses (produce) goods and services and seek profit.

UNIT 2

to match	приводити відповідно до чогось, вирівнювати
effective demand	дійсний (фактичний) попит
maintenance	підтримування
fixed capital investment	вкладення до основного капіталу
to single out	виділяти, вибирати
mixed	змішаний
to split	ділити
non-profit making	некомерційний
amenity	обслуговування, зручності
natural monopoly	природна монополія
capital costs	капітальні затрати
disposable income	чистий прибуток
durable	тривале користування

1. Find the nouns and put them in alphabetical order.

2. Work with the a list of new words as in the example(students have to name words by heart)

Student A: scarce

Student B: raw materials

3. Find antonyms to the following words:

Profitmaking, discomfort, harm, uneconomic, different, reasonable, fall, low, fast, to spend.

4. Find the verbs and put them in alphabetical order.

5. Make up sentences with these verbs.

6. Find word combinations and make up sentences starting with phrase:

It is necessary...

7. Read and translate sentences only with new lexis.

1. One of the functions of an economic system is to provide for maintenance and expansion of fixed capital investment.
2. The ongoing reforms have drastically altered the environment in which Ukrainian's enterprises are operating now.
3. Many countries operate a mixed system splitting the economy into public and private sectors.
4. Such activities as education and medical care are best operated as socially provided amenities

for the benefit of all citizens.

5. The liability of shareholders is limited.
6. The value of all goods and services produced in the country is measured by gross domestic product.
7. These natural monopolies have, for economic, political, or social reasons...
8. People tend to spend increasing proportions of their disposable income on durable goods and certain services.

8. Put the missing letters.

To ma..ch, ef..ctive, d..mand, ma..nt..nance, fixed cap.,tal inv..stm..nt, to sin..le o..t, am..nity, disp..sable, inc..me, d..rable.

9. Work in pairs. One student has to name all the words from word list he\she memorized another student has to translate them.

Read and discuss the text. Single out the main facts and present them in a short review.

ECONOMIC SYSTEM

The functions of an economic system may be defined as follows:

- a) to match supply to the effective demand for goods and services in an efficient manner;
- b) to determine what goods and services are to be produced, and in what quantities;
- c) to distribute scarce resources among the industries producing goods and services;
- d) to distribute the products of industry among members of the community;
- e) to provide for maintenance and expansion of fixed capital investment;
- f) to fully utilize the resources of society.

Depending on how decisions are made and how the above functions are fulfilled different economic systems can be singled out. Many countries like Britain, Sweden, and France operate a mixed system (mixed economy) splitting the economy into public and private sectors.

In Britain, for example, about two-thirds of the economy and about five-sixths of commerce is conducted by private firms. The remainder of the activities of the economy is conducted by socially owned enterprises. Some, like the Army, Navy, and Air Force, are clearly the sort of institutions that the state itself should control. Others have tended to be performed by the state because they are nonprofit making, and as such are unlikely to be attractive to businessmen. Such activities as education and medical care are best operated as socially provided amenities for the benefit of all citizens.

In the commercial field certain goods and services are by their nature monopolies. Among these natural monopolies are gas, electricity, and water supply. The capital costs of such enterprises are too great for competition to be possible.

Transport is another natural monopoly. It would be uneconomic to run two railway lines from one place to another, or two different sets of half-empty buses along a country road.

These natural monopolies have, for economic, political, or social reasons, come to be run in the United Kingdom by nationalized institutions, or the municipal authorities, who provide the services required at reasonable prices.

1. Answer the questions.

1. What are the functions of the economic system?
2. What are the peculiarities of mixed system?
3. What kinds of institutions should be controlled by the state?
4. What are the fields of nature monopolies?
5. Is the transport natural monopoly? Why?
6. Do the natural monopolies include nationalized institutions, municipal authorities, which provide the services required at reasonable price?

2. Find in the text English equivalents for the following Ukrainian phrases:

Можуть бути визначені як; розподіляти рідкі ресурси; забезпечувати збільшення вкладів до основного капіталу; проводиться приватними фірмами; решта видів діяльності проводяться державними підприємствами; бути привабливими для бізнесменів; соціально-передбачене обслуговування; обслуговування для користі громадян; занадто великі, щоб конкуренція була можлива; було б не економічно прокладати.

3. Find and read sentences explaining the title of the text.

4. Find in the text sentences expressing such ideas.

1. The functions of an economic system are diverse.
2. The natural monopoly doesn't provide competition.
3. We can single out different economic systems.
4. A mixed system splits the economy into two sectors.

5. a) Choose the word with the opposite meaning for the word underlined.

1. Others have tended to be performed by the state because they are profitmaking.
2. The capital costs of such enterprises are too little for competition to be possible.
3. Such activities as education and medical care are best operated as socially provided discomfort for the harm of all citizens.
4. It would be economic to run two railway lines from one place to another.

b) Choose the word with the similar meaning for the word underlined.

1. One of the functions of the economic system is to determine what goods and services are to be produce.
a) to clear b) to define c) to look d) to find
2. A mixed system splits the economy into two sectors.
a) to subdivide b) to change c) to provide d) to require
3. It is necessary to maintain and expand the fixed capital investment.
a) to keep up b) to bring up c) to produce d) to utilize
4. Different economic systems can be singled out.
a) be chosen b) be picked out c) be looked for d) be gathered
5. The first function of an economic system is to match supply to the effective demand for goods and services in an efficient manner.
a) to involve b) to make c) to bring into accord d) to do

6. Match the words from a) with the words from b).

- | | |
|-------------------|------------------|
| a) distribute | b) monopoly |
| utilize | amenities |
| conduct by | demand |
| split | sector |
| natural | scarce resources |
| capital | the economy |
| effective | costs |
| socially provided | private firm |
| private | |

7. Make up sentences putting the words in the correct order.

1. Functions, as, may, defined, be, follows, economic, the, system, an, of.
2. It, necessary, is, to expand, fixed, to maintain, capital, and, the, investment.
3. It, very, is, the, resources, to utilize, of, important, society.
4. Singled, can, out, be, systems, economic, different.
5. Mixed, split, economy, private, into, public, sector, system, the, and.
6. In, field, certain, commercial, the, services, and, goods, are, their, by, monopolies, nature.
7. Is, natural, transport, another, monopoly.
8. Natural, come to be run, monopolies, by, institutions, nationalized, who, the services, provide, required, price, at, reasonable.

8. Form nouns from the following verbs:

a) To maintain, to operate, to conduct, to perform, to compete, to grow, to combine, to achieve, to pay, to employ, to regenerate.

Form adjectives from the following verbs:

b) To change, to understand, to value, to profit, to market.

9. Checking facts and ideas.

1. The main task of economic system work does not include the definition what goods and services are to be produce.
2. The thought about fully utilizing the resources of society is false by itself.
3. In market economy such activities as supplying gas, electricity and water are conducted by state –owned enterprises.
4. Natural monopolies including transport are controlled by the state.

10. Single out the main points of the text. Use the following opening phrases:

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

11. Divide the text into logical parts and give them titles.

12. Look at the scheme and give the examples of enterprises in your town. Answer the questions.

Socially-owned enterprise

State-owned enterprise

Unitary state and municipal enterprises

To run an enterprise

To set up an enterprise

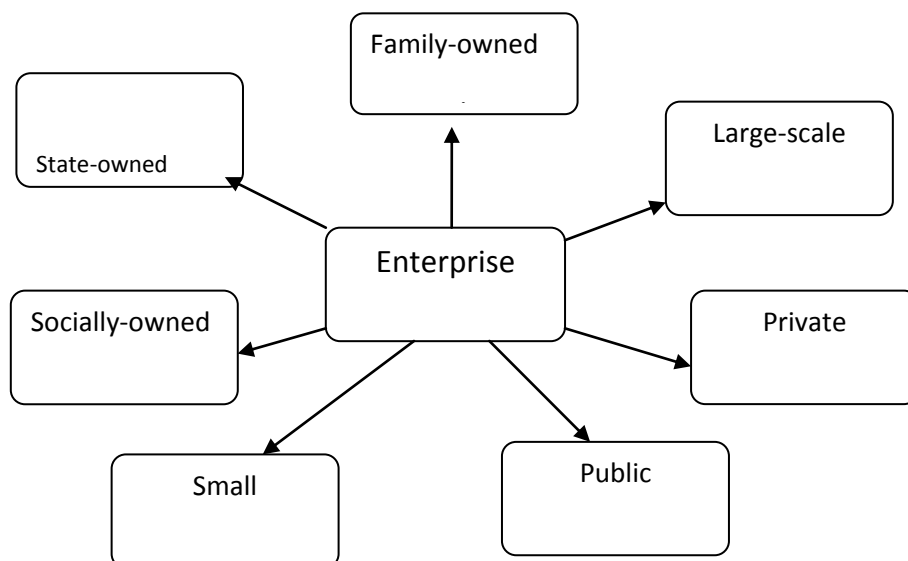
державне підприємство

державне підприємство

державні та муніципальні унітарні підприємства

керувати підприємством

організувати підприємство



1. What type of enterprise do you want to have?
2. Would you like to be a director of socially-owned enterprise? Why?
3. Is it difficult to run a large-scale enterprise?
4. What do you think, is it difficult to set up an enterprise? What is necessary for this process?

Grammar exercises

1. Form three degrees of comparison of adjectives and adverbs.

Low, high, great, fast, effective, efficient, attractive, good, bad, little, many, reliable, limited, soon, quickly, often, slowly, much, well, significant.

2. Use the words in the brackets in the required form and translate the sentences.

1. The Government economic policies are directed towards the achievement of (high) and stable levels of growth employment, enabling everyone to share in (high) living standards and (great) job opportunities.
2. Growth slowed during 1998, with a (slow) rise in domestic demand.
3. Recent decades have generally seen the (fast) growth in the services sector.
4. The level of productivity in the UK has been (low) than in many other industrialized countries.
5. Spending on leisure pursuits and tourism, health and financial service have all shown (significant) growth in recent years.

3. Form Participle I from the following verbs.

To go, to talk, to plan, to offer, to improve, to change, to starve.

4. Put the verbs in the Present Continuous and Past Indefinite where it is necessary.

1. Good morning, ladies and gentlemen.
2. I (to go) to be talking this morning about a new product which we (to plan) to launch in two month time.
3. It is called KOOL-OUT.
4. It is a lemon-flavoured drink.
5. As you remember we (to stop) producing lemonade two years ago.
6. Now we (to offer) a similar drink with an improved flavour, packaging and design.
7. In England an economist named Thomas R. Malthus saw that most of his countrymen (to starve).
8. Malthus felt conditions could only get worse, because population (to increase) geometrically, while food supplies (to increase) only slowly.
9. As the demand for fish goes up, the price goes up as well, because people (to will) to pay more.

a) Make 2nd, 6th, 7th, 8th sentences negative and interrogative.

5. Translate sentences with Participle I.

1. Adam Smith pictured farmers working long hours growing food to sell locally and to other countries.
2. He pictured business people working long hours to make shoes, tools.
3. Smith believed that people would work hard if they knew they could make a lot of money by doing so.
4. Knowing that their resources are limited, people make a decision how to allocate them in the best possible ways.

UNIT 3

provision	забезпечення
saver	вкладник
turnover	оборотність
borrower	позичальник
to comprise	включати, охоплювати, утримувати
estimate	оцінка, кошторис
tax	податок
forecasting	прогнозування
intermediary	посередник
economic entity	економічний суб'єкт
unit of government	державна організація
surplus	надлишок
thrift institution	ощадна установа
mutual fund	взаємний фонд
financial flows	фінансові потоки
encouragement	підтримка, стимулювання, заохочення
implementation	здійснення
adequate planning	розумне планування

1. Find the nouns in the word list and put them in alphabetical order.

2. Work with the a list of new words as in the example(students have to name words by heart)

Student A: scarce

Student B: raw materials

3. Find antonyms to the following words.

Deficit, punishment, unreasonable, mistaken, absence, secondary, insignificant, finish, war, owner, convenient.

4. Find the verbs and put them in alphabetical order.

5. Make up sentences with these verbs.

6. Find the word combinations and make up sentences starting with the phrases:

I know..., It is very important to...

7. Read and translate sentences only with new lexis.

1. Firms, households and units of government get the funds they need and put surplus funds to work through the network of institutions.
2. Finance comprises two parts: public finance and finance of economic entities.
3. Local authorities have the right to levy local taxes independently.
4. The budget process includes all activities of government bodies.
5. The executive branch is responsible for the preparation and execution of the budget.
6. Savers and borrowers are connected by financial intermediaries, including banks, thrift institutions and etc. .
7. Budget revenues are formed and distributed at different levels.
8. It is a collective term for the financial flows.
9. Adequate planning of recurrent and capital expenditure depends on an accurate forecast of revenue availability.

8. Put the missing letters.

Prov.s..n, tu..n..ver, econom..c ent.ty, su..pl..s, b..rrower, interm..d..ry, t..r..ft instit....n, m..tual f..nd, c..mpr..se, enco..rag..ment, impl..m..ntat...n, fo..casting, ade....ate pl..nning.

9. Work in pairs. One student has to name all the words he/she memorized from the word list another student has to translate them.

Read the text and find out its main ideas.

FINANCE AND FINANCIAL SYSTEM

Finance is the provision of money at the time when it is needed. It is a system of monetary relations leading to formation, distribution and use of money in the process of its turnover between economic entities.

The financial system is the network of institutions through which firms, households and units of government get the funds they need and put surplus funds to work.

Savers and borrowers are connected by financial intermediaries including banks, thrift institutions, insurance companies, pension funds, mutual funds, and finance companies.

Finance in an economic system comprises two parts: public finance and finance of economic entities.

Public finance is the provision of money (by the community through taxes) to be spent by¹ national and local government authorities on projects of national and local benefit. It is a collective term for the financial flows and also the financial institutions of the public sector.

Public finance has the following four functions: a) the provision of essential services; b) the encouragement or control of particular sectors of the economy; c) the implementation of social policy in respect of social services, and d) the encouragement of the growth of economy as a whole.

The major instrument of any financial system is the budget. In a market-oriented economy, the budget is the most important tool for achieving national priorities and goals through the allocation and distribution of resources, and the maintenance of a stable macroeconomic environment.

The budget is an estimate of national revenue and expenditure for the ensuing fiscal year. When expenditure exceeds the revenue the budget has a deficit.

Revenue and expenditure forecasting is the most fundamental step in the process of budget preparation. Adequate planning of recurrent and capital expenditure depends critically on an accurate forecast of revenue availability. The determination of the expected overall deficit in the public sector and therefore the macroeconomic impact of fiscal policy requires accurate forecast of tax collection and expenditures.

The Ministry of Finance (MoF) is the central coordinating institution in charge of compiling and presenting the budget. It has major inputs from² ministries in various sectors of the economy and the state tax bodies.

Words you need:

1. Money to be spent on – кошти, що підуть на
2. It has major inputs from-Воно отримує основну інформацію від...

Exercises

1. Answer these questions:

1. What is finance and financial system?
2. What parts does finance comprise?
3. What functions does public finance perform?
4. What is a country's budget?
5. What does the process of budget preparation include?

2. Find in the text English equivalents for the following Ukrainian phrases:

Надання фінансових коштів; система грошових відношень; створення, розподілення та використання коштів; оборот коштів між суб'єктами економіки; мережа організацій; примусити зайві кошти працювати; бути зв'язаними фінансовими посередниками; включати дві складові частини; здійснення соціальної політики; основний інструмент фінансової

системи; розрахунок прибутків та видатків; підготовка бюджету; планування поточних та капітальних видатків; макроекономічний вплив на бюджетно-податкову політику.

3. Find and read sentences explaining the title of the text.

4. Find in the text sentences expressing such ideas.

1. Finance – the function in a business responsible for acquiring funds for the firm, managing funds within the firm, and planning for the expenditure of funds on various assets (economic resources owned by a firm, such as land, building and machinery).
2. Financial intermediaries help savers and borrowers receive the funds.
3. Public finance is used by national and local government authorities on projects of national and local benefit.
4. Budget plays an important role in the financial system.
5. Budget preparation is impossible without revenue and expenditure forecasting.

5. Find antonyms for the words underlined.

1. When expenditure exceeds the revenue the budget has a benefit.
2. One of the functions of public finance is the punishment or control of particular sectors of the economy.
3. The secondary instrument of any financial system is the budget.
4. Adequate planning of recurrent and capital expenditure depends on a mistaken forecast of revenue availability.

b) Find synonyms for the words underlined.

1. Finance is a provision of money at the time when it is needed.
a) supplying b) delaying c) planning d) forecasting
2. Savers and borrowers are connected by financial intermediary.
a) baker b) cooker c) middle-man d) dancer
3. The budget is the most important tool for achieving national priorities and goals.
a) target b) purpose c) task d) end
4. The budget is an estimate of national revenue and expenditure for the ensuing fiscal year.
a) idea b) appraisal c) agent d) protection
5. Revenue and expenditure forecasting is the most fundamental step in the process of budget preparation.
a) explaining b) discussing c) prediction d) predisposition

6. Think of the verbs that are most commonly used with:

a) money, policy, services, goals, priorities, resources, expenditure, revenue, budget, tax, responsibilities, principle, data, law, deficit, funds, assistance.

b) Think of the nouns that are most often used with:

to comprise, to provide, to distribute, to encourage, to implement, to achieve, to allocate, to maintain, to forecast, to plan, to determine, to prepare, to share, to hand down, to contradict, to influence, to pass, to grant, to execute, to benefit.

c) Form nouns from the following verbs.

To provide, to form, to distribute, to connect, to encourage, to implement, to achieve, to allocate, to maintain, to estimate, to prepare.

d) Form adjectives from the following words.

Finance, nation, fundament, success, science, to suit, to create.

7. Match the words from (a) with the words from (b)

- | | |
|----------------|-------------|
| a) to make | b) funds |
| to approve | provisions |
| to provide | payments |
| to formulate | expenditure |
| to cut | revenue |
| to cover | deficit |
| to provide for | proposal |
| to consider | budget |

8. Make up sentences putting the words in the correct order:

1. Finance, it, needed, is, at, the, money, of, time, the, provision is.
2. The, is, budget, an, national, estimate, and, revenue, expenditure.
3. Budget, is, system, the, of, instrument, financial, the, major.
4. Savers, are, financial, connected, intermediaries, by, borrowers, and.
5. Finance, two, economic, an, system, in, comprises, parts.
6. When, the, revenue, expenditure, the, budget, exceeds, has, deficit, a.
7. The, Ministry, is, the, central, of, coordinating, Finance, institution.
8. Public, is, finance, used, national, by, local, government, authorities, and.

9. Checking facts and ideas.

1. An accurate forecast of revenue availability determines the adequate planning of recurrent and capital expenditure.
 2. The budget has a deficit, when expenditure is higher than the revenue.
 3. Public finance and finance of economic entities are two parts of economics.
 4. Finance of economic entities is the provision of money to be spent by national and local authorities.
 5. The encouragement of the growth of economy as a whole is one of the function of budget.

10. Single out the main points of the text. Use the following opening phrases:

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

11. Divide the text into logical parts and give them titles.

Grammar exercises

a) Supply the articles where necessary.

b) Write down 3-5 questions about the text.

c) Open the brackets putting the verbs in the correct form.

THE WORLD'S MAJOR FINANCIAL CENTRE

The financial heart of England (to be) the City. It (to be) ... square mile in London on the bank of ... Thames. In the centre there (to be) the Bank of England, and the head offices and foreign departments of other English banks.

It is ... home of commodity, financial, and insurance markets that (to be) all concentrated in the narrow streets, which form the financial core of... City.

The position that the City holds is due in no small measure to the integrity of its members. The City (to be) jealous of its honour, punctilious in fulfilling its obligations and, where deals of thousands of pounds (to be) made merely by a word, is proud to make its word its bond.

The population of the City (to be) almost entirely ... daytime one. Each morning about half a million people come in from north, south, east and west, and then as evening comes and business finishes they hurry home by ... train, bus, car or ... underground. Prior to 1914 this population (to be) almost completely

... male one, with top hat, black tail coat, black and white striped trousers, stiff-fronted shirt and stiff

white collar. Two wars have changed all that. There (to be) probably as many women employed in the City as there are men these days.

From ... earliest times the City has been ruled by its own elected Lord Mayor and Aldermen, and to this day ... king or queen of England may not pass the bounds of the City until he or she has had permission of ... Lord Mayor, and then he or she comes only as ... guest.

Generally speaking, the City performs four financial functions:

- a) the City gathers in ... country's savings and provides channels and machinery for their investment;
- b) it provides ... safe, speedy and convenient means of payment without the actual use of banknotes or coins;
- c) through the medium of... Foreign Exchange Market it makes it possible to exchange one currency for another;
- d) it provides the organization to finance, transport, and insure foodstuffs, manufactures and raw materials on their way from producer to consumer.

Words you need:

core	серцевина
jealous of its honour	який ретельно захищає свою честь
punctilious	пунктуальний
bond	зобов'язання
stiff	накрохмалений
striped	смугастий
bound	границя
medium	засіб

UNIT 4

expectations	види на майбутнє, очікування
compile	складати
cash	готівка
expenses	видатки, витрати
projection	проекування, план
assets	активи, капітали, фонди
to occur	відбуватися
disbursement	оплата, сума, яку сплачено
master budget	підсумковий бюджет
cash budget	касовий бюджет
capital budget	бюджет капіталовкладень

1. Find the nouns in the word list and put them in alphabetical order.

2. Work with the a list of new words as in the example(students have to name words by heart)

Student A: scarce

Student B: raw materials

3. Find the word combinations and make up sentences starting with the phrases:

I know..., It is very important to...

4. Read and translate sentences only with new lexis.

1. Most firms compile yearly budget from short-term and long-term financial forecast.
2. If there is no such audit, accounting statements would be less reliable.
3. The capital budget concerns itself with the purchase of such assets as property, buildings, and equipment.
4. Taxes represent an outflow of money from the business and must be paid.
5. Most organizations will have a manager in charge of financial operations.
6. An operating budget is the projection of dollar allocations to various costs and expenses needed to run or operate the business, given projected revenues.
7. A cash budget is the projected cash balance at the end of a given period.

8. A manager cannot be effective at finance without understanding accounting.
9. Accounting and finance – the two go together like bread and butter.

5. Put the missing letters.

Exp..ct..tion, c..mp..le, exp..n..es, pro..ect, as..ets, to oc...ur, disb...rs..ment, b..dg..t.

Read the text and find out its main ideas.

DEVELOPING BUDGETS.

A budget is a financial plan. Specifically, a budget sets forth management's expectations for revenues and, based on those financial expectations, allocates the use of specific resources throughout the firm. You may live under a carefully constructed budget of your own. A business operates in the same way. A budget becomes the primary basis and guide for financial operations in the firm.

Most firms compile yearly budgets from short-term and long-term financial forecasts. There are usually several budgets established in a firm:

- ◆ An operating budget
- ◆ A capital budget
- ◆ A cash budget
- ◆ A master budget

An operating budget is the projection of dollar allocations to various costs and expenses needed to run or operate the business, given projected revenues. How much the firm will spend on supplies, travel, rent,

advertising, salaries, and so forth is determined in the operating budget.

A capital budget highlights the firm's spending plans for assets whose returns are expected to occur over an extended period of time (more than one year). The capital budget primarily concerns itself with the purchase of such assets as property, buildings, and equipment.

A cash budget is the projected cash balance at the end of a given period (for example monthly, quarterly). Cash budgets can be important guidelines that assist managers in anticipating borrowing, debt repayment, cash disbursements, and short-term investment expectations. Cash budgets are often the last budgets that are prepared.

A master budget ties in all the above-mentioned budgets and summarizes the proposed financial activities of the firm.

Clearly, financial planning plays an important role in the operations of the firm. This planning often determines what long-term investment to make, when specific funds will be needed, and how the funds will be generated. Once a company has projected its short-term and long-term financial needs and established budgets to show how funds will be allocated, the final step in financial planning is to establish financial controls.

Exercises

1. Answer the questions.

1. What is the budget?
2. In what ways do short-term and long-term financial forecasts differ?
3. What is the organization's purpose in preparing budget?
4. Can you identify at least three different types of budget?
5. What is an operating budget?
6. What is a capital budget?
7. What is a cash budget?
8. What is a master budget?
9. What is the role of financial planning?

2. Find in the text English equivalents for the following Ukrainian phrases:

Фінансовий план; фінансові види на майбутнє; ретельно спланований бюджет; керівництво для фінансової діяльності; складати річний бюджет; фінансові прогнози; визначається робочим бюджетом; касовий бюджет; встановлення фінансового контролю; відбуватися на протязі тривалого періоду часу.

3. Find and read sentences explaining the title of the text.

4. Find in the text sentences expressing such ideas.

1. Financial planning of firm's activity is a budget.
2. Budget is based on the future revenues.
3. Firms have possibility to compile two types of financial forecasts.
4. Operating budget includes current expenses
5. Capital budget is the spending plan for capitals, which must be compensated over an extended period of time.
6. Master budget is the financial plan that summarizes the operating, capital and cash budget.

5. Find synonyms for the words underlined.

1. A budget sets for management's expectation for revenues.
a) reimbursement b) income c) money d) expenses
2. A business operates in the same way.
a) work b) go c) jump d) run
3. Most firms compile yearly budgets from short-term financial plan.
a) make b) do c) compose d) draw
4. Cash budget assists managers to work.
a) help b) do c) destroy d) prevent

6. Match the words from (a) with the words from (b)

- | | |
|--------------|---------------|
| a) Financial | b) Resources |
| Management's | Budget |
| Specific | Plan |
| Operating | Expenses |
| Cost and | Balance |
| Cash | Expectation |
| Given | Managers |
| Assist | Period |
| Debt | Disbursements |
| Cash | Repayment |
| Long-term | Step |
| Final | Investment |

7. Make up sentences putting the words in the correct order:

1. You, of, constructed, a, carefully, own, budget, live, may, under, your.
2. A, way, operates, in, same, the, business.
3. Most, from, firms, short-term, long-term, and, compile, yearly, financial, budget, forecast.
4. Operating, includes, budget, expenses, current.
5. Capital, includes, long-term, budget, capital, investment.
6. A, is, projected, budget, cash, at, end, the, balance, given, cash, the, of, a, period.
7. Financial, plays, plan, role, an, important.

8. a) Form nouns from the following verbs and translate them.

To lead, to offer, to fear, to challenge, to develop, to agree, to invest, to model.

b) Form adjectives from the following verbs and translate them.

To remark, to change, to exchange, to understand, to value, to vary, to profit, to market.

9. Checking facts and ideas.

1. Final step in financial planning is to establish financial control.
2. A cash budget includes current expenses on supplies, travel, rent, advertising, salaries.
3. A master budget summarizes the proposed financial activities of the firm.
4. Any firm can operate without compiling a budget.
5. A capital budget directs to the receiving of profit from long-term capital investment.
6. Financial planning shows how to allocate funds to get revenue.

10. Complete the sentences: rearrange them to get a summary of the text.

1. Financial plan is....
2. Your family has the own...
3. The guide for financial operations of the firm is a...
4. The projection of money allocation to various costs and expenses, which are necessary for running or operating the company, is the...
5. The spending plan for assets whose return are expected to occur over the extended period of time is..
6. The projected cash balance at the end of a given period is...
7. The financial plan, including three types of budget is...
8. It determines what long-term and short-term investments to make.

11. Single out the main points of the text. Use the following opening phrases:

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

12. Divide the text into logical parts and give them titles.

13. Imagine that you are a president of corporation. Choose the right type of budget and explain your choice and stages of approving the budget. What can you say about each type of budget?

To approve the budget

To consider the budget

To draw up the budget

To endorse the budget

To execute the budget

Reading of budget

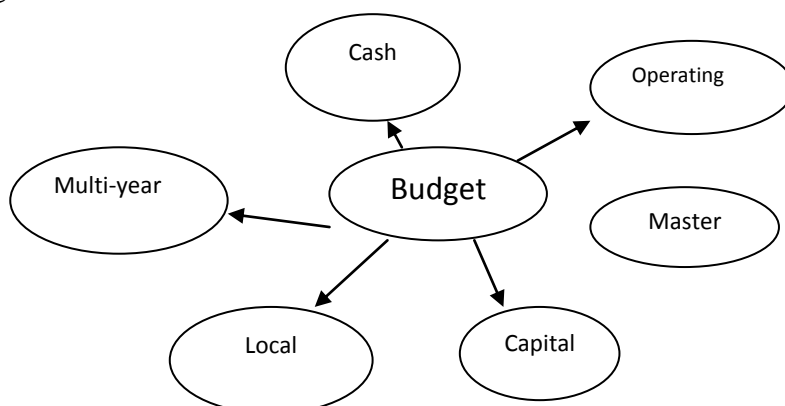
схвалити, затвердити бюджет

розглядати бюджет

підготувати бюджет

затвердити бюджет

виконувати бюджет



Grammar exercises

1. Fill in the gaps with the necessary prepositions.

For, of, in, on, of, on, of

1. A budget becomes a guide...financial operations in the firm.
2. You may construct budget...your own.
3. A business operates .. the same way.
4. Operating budget determines how much the firm will spend...supplies, travel, and rent.
5. The future growth...the whole world depends... the grows...entrepreneurship throughout the world.
6. The US government could promote investment... giving tax breaks.

2. Use the correct verb form.

1. Financial planning (to play) an important role in the operation of the firm.
2. The finance manager must also be sure, that the company (do not) lose so much money to bad debts.
3. This function (to be) critical to all types of business.
4. Chrysler Corporation (to have) a lot of problems in late 1970s.
5. We (to be) future financiers.
6. Taxes (to represent) an outflow of cash from the business and must be paid.

UNIT 5

to be treated
offsetting changes
excessive
to roll forward
to negotiate
to facilitate
to impact
to levy
fine
donation
to outlay
requited
multiyear budget

тракуватися
зміни, які компенсують
надмірний
переносити
вести переговори
полегшувати, сприяти
впливати
обкладання податком, стягування
пеня, штраф
дар, грошове пожертвування
витрачувати
зворотний
багаторічний бюджет

1. Find the nouns and put them in alphabetical order.

2. Work with the a list of new words as in the example(students have to name words by heart)

Student A: scarce

Student B: raw materials

3. Find the verbs and put them in alphabetical order.

4. Make up sentences with these verbs.

5. Read and translate sentences only with new lexis.

1. A lot of countries have multiyear expenditure plans.
2. Capital revenues are classified by the type of asset sold.
3. Each year the government reviews and rolls forward the Fiscal Plan.
4. Some non-tax revenues are classified by the nature of inflow, such as income from government property, fines and donations.
5. The transition economies needed to create basic market based institutions.
6. On the expenditure, outlays are classified by the responsible institution or organization.

6. Put the missing letters.

Of...set, neg...ti...te, exce...sive, faci...te, don...on, re...u...ted, out...y, rol..., lev..., f...ne.

Read the text and say what you know about the use of multiyear budgeting and budget classification.

MULTIYEAR BUDGETING AND TYPES OF BUDGET CLASSIFICATION

It has become quite common for ministries of finance around the world to practice some variety of multiyear budgeting. For example, Canada, Germany and the United Kingdom all have multiyear expenditure plans which get reviewed and approved every year. In these countries, the starting point for the next year's budget is the expenditure level approved for this year in the multiyear expenditure plan. Any changes to these previously approved levels have to be treated as additions to the budget, to be financed by raising total spending or by making offsetting changes in other programs. In Germany, the annual budget is integrated in a multiyear financial plan, which is presented to parliament at the same time the annual budget is presented.

The most important objective of the multiyear financial plan is to monitor the possible existence of excessive demands on public resources.

In Canada, each year the federal government reviews and rolls forward the Fiscal Plan which comprises in more detail the current fiscal year and three more years. Each spending unit develops its own multiyear expenditure plan with the levels needed to keep the current level of services running for the next three years, which are then negotiated with the Treasury Board.

In the United Kingdom, the multiyear public expenditure survey also covers the next three fiscal years.

Even when they do not have multiyear expenditure plans other countries carry out forecasts of the financial consequences of current expenditures (for example, the future liabilities implied by increases in pension plans) or capital investment projects (such as future expenditure on maintenance and operation). For example, in Denmark, there is an appendix to the annual budget showing the expenditure level for the next three years.

A system of budget classification enables the myriad government operations and transactions to be organized into relatively homogeneous categories that facilitate the analysis of the impact, nature, and composition of revenues, expenditures, and other financing activities of government.

On the revenue, taxes are classified by the type of activity on which the tax is levied (income, sales, property and so on). Other current non-tax revenues are classified by the nature of the inflow, such as income from government property, sales proceeds, fines, and donations. Capital revenues are classified by the type of asset sold.

Grants are distinguished by whether they come from domestic or foreign governments and international institutions and whether they are for current or capital purposes.

On the expenditure, outlays are frequently classified by the responsible institution or organization. The two most useful types of classifications of government expenditures are the functional classification and the economic classification.

In functional classification, expenditures (and lending) are classified according to the main purpose or function, such as defense, education, and health. The three-level Classification of the Functions of Government published by the Statistical Office of the United Nations is commonly accepted. The value of functional classifications is that they permit analysis of trends in government expenditures even when the organizational structure of government changes.

The economic classification groups expenditures into current and capital and by whether they are required or unrequired; if required, for what kind of goods and services, and if unrequired, by the type of person or institution receiving the payment. The objective is to show the kinds of transactions through which the government performs its functions and their impact on markets, financial conditions, and the distribution of income. These transaction categories are wages and salaries, purchases of goods and services, interest on the debt, subsidies to enterprises, transfers to households and other governments, and lending.

One of the most useful ways to analyze government outlays is by means of a cross-classification by economic character and function. This classification reveals the means by which government

performs its functions and the impact these activities will have on the rest of the economy.

Words you may need:

functional classification

функціональна класифікація

economic classification

економічна класифікація

cross-classification

перехресна класифікація

Exercises

1. Answer the questions:

1. How often are the multiyear expenditure plans reviewed and approved?
2. What is the starting point for the next year's budget?
3. How can we call changes to the previously approved levels?
4. What is the most important objective of the multiyear financial plan?
5. What are the differences between the multiyear financial plan of Germany, Canada and Great Britain?
6. What is the aim of budget classification system?
7. How are taxes classified?
8. What are the most useful types of government expenditures classification?
9. What are the differences between functional and economic classifications?

2. Find and read sentences explaining the title of the text.

3. Find in the text sentences expressing such ideas.

1. The future budget for the current year starts from the approving of the expenditure level for this year in the multiyear expenditure plan.
2. Canada and Great Britain have the same approaches to the working at the multiyear expenditure plan.
3. The forecasts of the financial consequences of current expenditures can substitute the multiyear expenditure plan.
4. A system of budget classification facilitates the financing activities of government.
5. All types of taxes have their own classifications.
6. The aim of functional classification is to analyze the trends in government expenditures.
7. The objective of economic classification is to show the kinds of transaction through which the government performs its functions.
8. These two classifications help to analyze government outlays.

4. Each sentence has a word underlined, replace it by the antonym with the help of prefixes *un, dis*.

1. It has become common for ministries of finance to practice some variety of multiyear budgeting.
2. All have multiyear expenditure plans which get reviewed and approved every year.
3. In Germany, the annual budget is integrated in a multiyear financial plan.
4. The objective of the multiyear financial plan is to monitor the possible existence of excessive demands on public resources.
5. The three-level Classification of the Functions of Government published by the Statistical Office of the United Nations is commonly accepted.

5. Match the words from a) with the words from b).

- | | |
|-----------------|----------------|
| a) The starting | b) Levels |
| Approved | Budget |
| Offsetting | Financial plan |
| Annual | The analyses |
| Multiyear | Activities |
| Facilitate | Point |
| Financing | Changes |
| Type | Of activity |
| Non-tax | Of the inflow |
| Nature | Classification |

Functional
Distribution

Of income
Revenue

6. Make up sentences putting the words in the correct order.

1. A, budget, of, facilitates, classification, the, system, financing, of, government, activities.
2. The, objective, classification, of, economic, is, show, to, kinds, the, at, through, transaction, the, government, which, its, functions, performs, of, the.
3. The, aim, multiyear, of, plan, the, is, monitor, to, possible, the, of, excessive, on public, demands, resources.
4. Capital, of, sold, by, type, the, asset, are, revenues, classified.
5. On, taxes, the, revenue, classified, by, are, of, activity, the, type, which, on, is, the, tax, levied.
6. Countries, do, multiyear, not, have, which, budget, out, carry, of, the, financial, forecasts, consequences, expenditures, of, current.
7. Outlays, classified, the, by, are, institutions, responsible, or, organization.
8. These, categories, wages, are, transaction, salaries, goods, of, purchases, debt, on, the, interest.

7. Form nouns from the following verbs:

To treat, to negotiate, to facilitate, to donate, to outlay, to review, to approve, to monitor, to exist, to maintain, to classify, to operate, to transact, to compose, to accept, to pay, to perform, to distribute, to analyze.

8. Checking facts and ideas.

1. It should be stressed that country can't develop successfully without multiyear budget.
2. The annual budget must be reviewed and approved.
3. In Germany, the annual budget is integrated in a multiyear financial plan and it is presented to parliament before the studying of multiyear plan.
4. It would not be true to affirm, that forecast of the financial consequences of current expenditures is the same as a multiyear financial plan.
5. A system of budget classification has only a theoretical meaning and nothing else.
6. Functional classification has the same theoretical meaning as economic classification.

9. Single out the main points of the text. Use the following opening phrases:

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

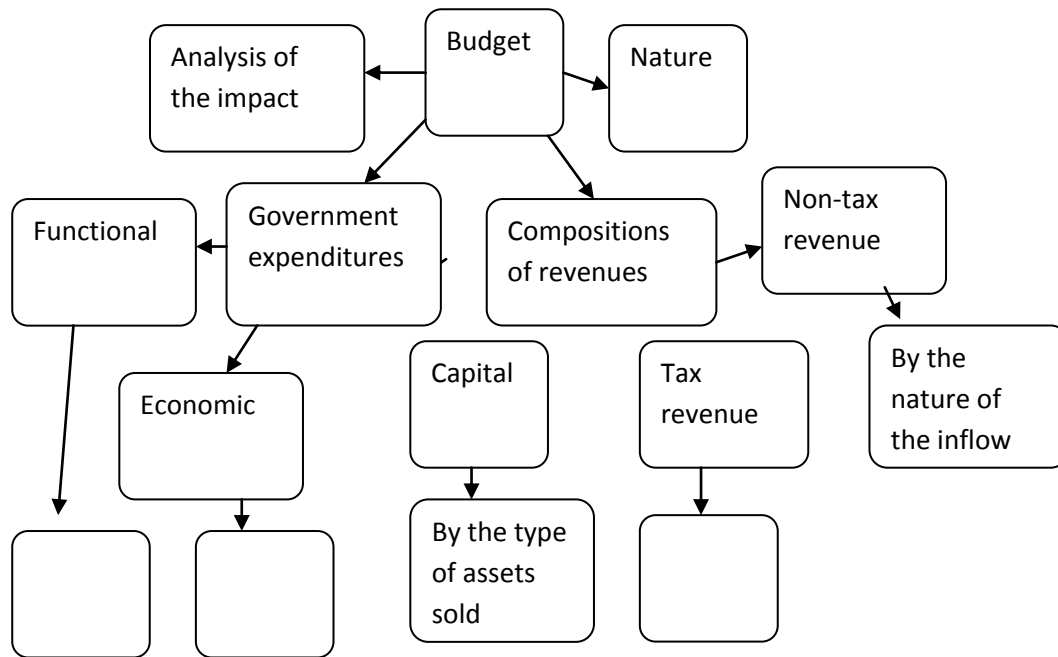
I think that...should be mentioned here as a very important...mechanism of... .

10. Divide the text into logical parts and give them titles.

11. Prepare the short talk on the following.

1. Do many countries face fiscal problems? What causes these problems?
2. What measures should countries seeking to overcome fiscal problems take?
3. Do many countries operate fiscal federalism? What about Ukraine?
4. What types of Budget Classification are used by economists?
5. What is multiyear budgeting practiced in some countries?

Using the scheme give the types of budget classification.



Grammar Exercises

1. a) Fill in each gap with a suitable word from the box.

repaid	supply	occur	reliance	adversely
reduced	leads	bank	limit	

b) Find in the text Participle I and the ing-form of a verb. Define their functions in the sentences.

c) Sum up the text in 5-7 sentences and present your summary in class.

FINANCING THE DEFICIT

Since the early 1970s quite a number of countries have been experiencing serious financial problems which have caused growing budget deficits.

Trying to find solutions to swollen budget deficits, governments undertake austerity programmes, work out harsh budgets, implement macroeconomic stabilization, establish priorities for government spendings, analyse effects of different ways of financing their budget deficits.

In principle, budget deficits may be..... by borrowing from domestic bank and nonbank sources, and from the rest of the world. Excessive.... on any of these methods of finance may be dangerous because:

- Government borrowing from the central....directly affects the monetary base and the money..... Excessive growth in the money supply leads to high inflation rates and balance-of-payments problems.
- Substantial borrowing from the nonbank sector mayaffect the structure of demand and growth potential. In particular, this borrowing may.....the availability of resources to finance private investment. Such "crowding out" of private investment may....through the impact of government borrowing on domestic interest rates.
- Reliance on external finance....to the accumulation of debt, which needs to be serviced and eventually.....

A prudent fiscal policy permits a public deficit, but it must be maintained at a level consistent with other macroeconomic objectives: controlling inflation, promoting private investment, and maintaining external credit worthiness.

Words you may need:

austerity programme	програма жорстокої економії
harsh	жорсткий, суворий
"crowding out"	витиснення приватних інвестицій державними витратами

2. Translate these sentences containing Gerund and the ing-form of a verb (віддіслівний іменник)

1. The output can be increased by raising labour productivity.
2. Any changes to these previously approved levels have to be treated as additions to the budget, to be financed by raising total spending or by making offsetting changes in other programs.
3. The discussing of this complex project will take much time.
4. The OPEC is an international organization established for the purpose of regulating quantities of oil sold.
5. In a command economy, the central planning requires large capital investments.

UNIT 6

to enable	надавати можливість
coin	монета
bill	банкнота
currency	валюта, гроші
account	рахунок
deposit	вклад, депозит
to store	зберігати
to measure	вимірювати
transaction	угода
demand deposit	безстроковий вклад
to withdraw	вилучати, забирати
the supply	запас

1. Find the nouns and put them in alphabetical order.

2. Work with the a list of new words as in the example(students have to name words by heart)

Student A: scarce

Student B: raw materials

3. Find antonyms to the following words:

To spend, to give, to buy, quickly, to build, to receive, similar, possible, heat, ancient, rare.

4. Find the verbs and put them in alphabetical order.

5. Make up sentences with these verbs.

6. Find word combination and make up sentences starting with the phrase:

It is necessary...

7. Read and translate sentences only with new lexis.

1. Money has not always been the coins and paper bills known to us.
2. The widespread use of debt and equity is a way of obtaining capital.
3. Money serves as a measure of relative value.
4. It is in terms of money that we think of value.
5. These items include time deposits, from which funds can be withdrawn.
6. To define money as currency would be considered too narrow for most economists.
7. Money enables us to function in society and to have the thing we need to survive.
8. Money has three basic functions.

8. Put the missing letters.

To ..n..ble, bil, c..r..enc.., c..n, ac...nt, withd...w, d..p..sit, to m..sure, tr..s..tion.

Read the text and give main characteristics and functions of money.

CHARACTERISTICS OF MONEY

Money is anything is commonly accepted as a means of paying for the goods and services individuals need and want. Money enables us to function in society and to have the thing we need to survive - things such as housing, food, clothing, transportation, heat and water.

Money has not always been the coins and paper bills known to us. Trough out history various things of value have been used as money. For example, in many parts of the ancient world, salt was used as money because it was rare and necessary to life. Among many early cultures, furs or pelts were used as money. Eventually valuable metals became the most common type of money; in fact, gold coins were used as money in the United States as recently as 1933.

Currency, which is dollar bills and coins, fits most of the definition of money. However, checks are accepted payment for purchases, and checking account deposits are considered money and not currency.

To define money as currency would be considered too narrow for most economists.

Money has three basic functions. It serves as a medium of exchange, as a measure of relative value, and as a store of value.

As a medium of exchange, money enables two individuals to exchange without having to barter; that is the carpenter doesn't have to build a step for the grocer every time he wants a carton of milk. The carpenter can build steps or anything else for anybody, receive money for his services, and use the money to purchase milk from the grocer. The grocer can in turn use the money received from the carpenter and others to purchase a suit from the tailor.

As a measure of relative value, money allows two dissimilar items to be purchased on a similar base. It is in terms of money that we think of value. How many cartons of milk should the grocer pay for a suit? If asked that question, you might ask, how much is a carton of milk worth? And how much is the suit worth? You would want to define the exchange in terms of the relative value of the two items and would use the value in dollars (money) to determine how many cartons of milk it should take to buy a suit. Money helps to think of different things in terms of a common value base.

As a store of value, money makes it possible for us to hold onto the value over time. If the grocer would have to hold the value of his milk in milk, he could not hold it for long because it would spoil. If he sells the milk and gets money for it, he can hold the money until he wishes to purchase something.

To measure the money supply, we measure the amount of money in the economy. However, what to measure is a problem. Should someone's home be considered money? After all, it can be sold for cash.

To understand the money supply you have to first understand the concept of liquidity.

Liquidity is simply a measure of how quickly an item can be converted to cash. Obviously the most liquid item is cash itself, since it does not need to be converted. However, many other items approach cash in liquidity because they function as cash in many transactions. These items include demand deposits, against which checks can be written or from which funds can be withdrawn; time deposits, from which funds can be withdrawn; and money market funds, which can be immediately sold for cash.

Exercises

1. Answer the questions.

1. What do we understand under the term "money"?
2. What does money do for people?
3. What were the analogues of money?

4. What do we understand under the term “currency?”
5. What are the functions of money? Describe them.
6. What is liquidity?
7. Money is said to have a time value. What exactly does it mean?

2. Find in the text English equivalents for the following Ukrainian phrases:

Загальноприйнятий; засіб сплати; гроші надають нам можливість; на протязі усієї історії; серед багатьох ранніх культур; хутра та шкіра; коштовні метали; сплата, яка прийнята; засіб обміну; вимірювання відносної вартості; засіб накопичування; отримати гроші за свої послуги; може у свою чергу; двом різним товарам; на однаковій основі; грошова маса; кількість грошей; концепція ліквідності; безстроковий вклад; терміновий депозит.

3. Find and read sentences explaining the title of the text.

4. Find in the text sentences expressing such ideas.

1. Money helps us to live in a society.
2. Money can take different forms of expressing.
3. We can't define money as currency.
4. Money may serve as a medium of exchange.
5. Money expresses the store of value.
6. Liquidity helps us to understand the money supply.

5. Find antonyms for the words underlined.

1. Money gives us the things we need to die.
 a) to use b) to survive c) to determine d) to define
2. If the grocer would have to spend the value of his milk in milk, he could not hold it for long because it would spoil.
 a) to pour out b) to freeze c) to store d) to drink
3. These items include demand deposits from which funds can be given.
 a) taken b) stolen c) withdrawn d) painted
4. The carpenter could give money for his services.
 a) to choose b) to change c) to receive d) to keep
5. The tailor could buy a carton of milk from the grocer.
 a) to purchase b) to sell c) to stole d) to keep

b) Find synonyms for the words underlined.

1. Money enables us to function in society.
 a) gives us the opportunity to live b) gives us the opportunity to become a prisoner
 c) gives us the opportunity to be a vice-president
2. Money is a means of paying for goods and services.
 a) things b) clothes c) article
3. To measure the money supply, we measure the amount of money in the economy.
 a) to calculate b) to define c) to use

6. Match the words from a) with the words from b).

- | | |
|-------------|----------------|
| a)Time | b) supply |
| Money | deposit |
| Amount of | money |
| Concept of | value |
| Store of | relative value |
| Measure of | liquidity |
| A medium of | exchange |

Dollar	bills
Means of	paying
The goods and	services
Ancient	world

7. Make up sentences putting the words in the correct order.

1. Money, of, for, paying, a, the goods, means, services, is.
2. Three, has, money, functions.
3. We, think, can, of, value, money, terms, in.
4. Economists, define, currency, can't, money, as.
5. Liquidity, how, a, quickly, measure, item, an, be, can, to, cash, converted, is, of.
6. These, include, items, time, demand, deposit, and, deposits.
7. Money, individuals, two, to, exchange, enables, having, to, barter, without.
8. Money, in, terms, helps, to, think, of, base, value, common, different, things, a.

8. a) Form verbs from the following nouns:

Interest, mention, exchange, credit, import, export, decrease, increase, output.

b) Form nouns from the following verbs:

To cost, to own, to press, to low, to celebrate, to evaluate, to allocate, to estimate.

9. Checking facts and ideas.

1. The concept of liquidity underlies in the measuring of money supply.
2. Barter is a modern form of the society existing.
3. A medium of exchange means that money can serve as a way of exchanging without using barter.
4. Any thing can realize the function of money.
5. Money determines the real value of things.
6. We can define money as currency.

10. Complete the sentences. Rearrange them to get a summary.

1. A measure of how quickly an item can be converted to cash is a...
2. To measure the money supply, we measure the...
3. Money makes it possible for us to hold onto the value over time, they serve as a...
4. When money helps to think of different things in term of common value base, they serve as...
5. When people can exchange two items without using barter, money serves as...
6. We can't define money as a...
7. Money can exist in different...
8. A means of paying for the goods and services individuals need and want we call...

11. Single out the main points of the text. Use the following opening phrases:

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

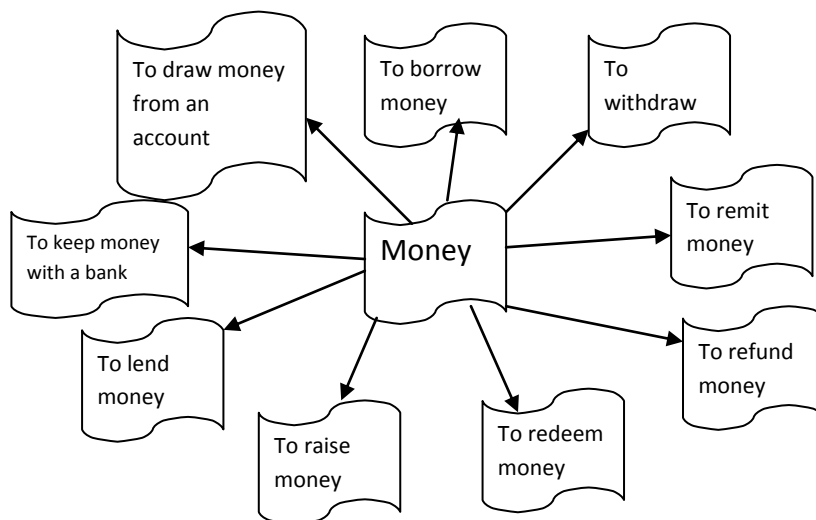
We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

12. Divide the text into logical parts and give them titles.

13. Imagine that you are a vice-president of the bank. Think, please, what can you do with money and describe the situation of using money. Use the scheme.

Money held in trust	гроші, які знаходяться у довірчому управлінні
Money in circulation	гроші у обігу
To borrow/change/create money	позичати/ міняти/ створювати гроші
To draw money from an account	знімати гроші з рахунку
To raise money	знаходити гроші
To redeem money	вилучати гроші з обігу
To refund money	відшкодовувати гроші
To remit money	переводити гроші
To withdraw money	вилучати гроші



14. a) Fill in each gap with a suitable word from the box.

b) Sum up the text in 5-7 sentences and present your summary in class.

coin	known	invented	handle
forms	small	using	big
used	objects		instruments
called	assets		

WHAT IS MONEY?

Money is an asset that serves as a means of payment, a store of value, and a unit of account. Money was..... a long time ago. Gold and silver coins are the best..... form of money.

They have the longest history and have been more widely accepted as payment than any other form of commodity money.

The popularity and universal acceptability of.....money is easy to understand. Coins are solid, attractive, hard-wearing and easy to In addition to the qualities mentioned above, coins can be produced inanddenominations.

Societies gold and silver have used other as money, including shells, beads and pelts. Anything can serve as that is easily recognized, widely accepted, and not easily copied. Gold, shells, and pelts are no longer used as money in the majority of countries.

Today two kinds of financial.....serve as money: currency (coins and bills) and checking deposits at banks and thrift institutions.

Currency plus checking deposits at banks and thrifts is often..... M1. The money that includes balances in money market funds, savings deposits in banks and thrifts and certain other liquid..... is called M2.

Along with coins, paper currency, and checking deposits, "plastic money" is widely.....today. Plastic money" comes in two..... - credit cards and debit cards.

Words you may need:

asset n (зд.)	інструмент
means of payment n	засіб сплати
store of value	засіб збереження
unit of account	розрахункова одиниця
commodity money	товар посередник у ролі грошей (наприклад, сіль, хутро)
solid adj (зд.)	міцний
hard-wearing adj	який не зношується
denomination n	вартість (грошей)
shell n	раковина
bead n	бусина
pelt n	шкіра
checking deposit	вклад на поточному рахунку
M1	грошовий агрегат M1
M2	грошовий агрегат M2

Grammar exercises

1. Define the function of the verb “to have” in the following sentences and translate them.

1. Money enables us to have the things we need to survive.
2. Money has not always been the coin and paper bills known to us.
3. Through out history various things of value have been used as money.
4. The carpenter doesn't have to build a step for the grocer every time he wants a carton of milk.

2. Translate the following sentences paying attention to the Modal verbs.

1. The consumer has to decide by how much the good A is preferred to the good B.
2. A great increase in the supply of money in the form of bank notes and bank credit is to result in inflation, that is, a rise in the general level of prices.
3. If prices change, the consumer will have to change the quantities demanded if he is to maintain utility at the same level.
4. Not all partners in a firm must take an active part in management.
5. The economist should be able to say which factors affect the allocation of resources for producing a particular good.
6. He ought to take a more active part in decision making on the exports strategy of the company.
7. Provided additional inputs are to be obtained, producers must have smaller risks of a fall of price between the time of making a decision and the time of selling their products.
8. Having the aim to maximize profit, the producer should make a decision how to reduce inputs.

3. Explain the using of the Perfect Tense in the following sentences.

1. Gold and silver coins have been more widely accepted as payment than any other form of commodity money.
2. They have completely changed the design of dollar bills.
3. The old bills will have been withdrawn from circulation by the end of the month.
4. We had found their bank by five o'clock.
5. They will have printed money before the police come.
6. They had been printed this money for an hour before the police came.
7. The prices have been steadily increasing the wages were increased.

4. Translate the sentences with Participle II and define the function of Participle II in the sentences.

1. The three thousand pounds sterling allocated to the marketing campaign were spent in time.
2. The fall predicted fortunately never came true.
3. The measures declared may change the situation for the better.
4. The functions of money described by these scientists are very important.
5. The money looked by us is not yet found.
6. When found the money was handed to the owner.

5. Find the correct form of Participle.

1. Market is an (organizing / organized) group of buyers and sellers of a particular good who are in contact with each other and who know the level of demand and supply so that there is only one price (calling/called) the market price.
2. Changes in prices of the products (producing /produced) with the same resources will change the supply.
3. The economist is interested in factors (affecting/affected) the allocation of resources for producing particular goods.
4. Excess supply is a situation in which, at a certain price, the quantity of a particular product (demanding/ demanded) by buyers is less than the quantity (supplying/ supplied) by industry.
5. Improvements in technology may be a factor (leading to / led to) changes in agricultural supply.
6. At constant prices, an increase in income leads to an (increasing/increased) budget.
7. Every day in thousands of markets, consumers show which goods they prefer (making/ made) practical choices and (spending/spent) money on some particular goods rather than others.

UNIT 7

fiscal management	керування державним бюджетом
fiscal sphere	бюджетно-податкова політика
major guidelines	основні напрямки
long-term	довгостроковий
attainment	досягнення
to exacerbate	погіршуватися
unsustainable	постійний; який важко ліквідується
fiscal policy	бюджетно-податкова сфера
fiscal deficit	дефіцит бюджету
revenue-raising powers	повноваження з збирання прибутків
to justify	виправдовувати, вважати доцільним
to create	створювати
to administer taxes	керувати збиранням податків
to define	визначати

1. Find the nouns and put them in alphabetical order.

2. Work with the a list of new words as in the example(students have to name words by heart)

Student A: scarce

Student B: raw materials

3. Find antonyms to the following words:

Destroy, short-term, improve, unjust, unimportant, unemployment, worst, universal, decline, wealth, simple.

4. Find the verbs and put them in alphabetical order.

5. Make up sentences with these verbs.

6. Find word combination and make up sentences starting with phrase:

It is necessary...; I understand; It is necessary to notice; I'm sorry, but I can't.

7. Read and translate sentences only with new lexis.

1. Public debts have reached unsustainable levels.
2. Fiscal policy is a policy adopted by a government for raising revenue to meet expenditures.
3. Financial policy is based on strategic guidelines which set long-term and medium-term prospects.

4. Some countries have problems with internal and external balance.
5. The revenue-raising powers and control over expenditure can be vested in various levels of government.
6. Central to these solutions is fiscal policy.
7. Governments give increasing attention to expenditure priorities and the structure of taxation.

8. Put the missing letters.

s...ere, r...fuse col...ect...on, exa...erbate, unsust...nable, gu...del...nes, ju...tify, at...a...nment, cre...te.

Read the text. Single out the main facts.

FINANCIAL POLICY. FISCAL SPHERE

Financial policy is a very complex notion covering measures aimed at working out basic concepts, major guidelines, goals and objectives, as well as at creating an adequate financial mechanism and at directing financial activities of a country. Financial policy is based on strategic guidelines which set long-term and medium-term prospects for using financial resources and ensure attainment of major economic targets and solution of goals in the social sphere. At the same time a country pursuing its financial policy sets current goals and objectives connected with mobilization and effective utilization of resources and development of productive forces.

Over the past two decades financial problems have exacerbated the world over. Public debts have reached unsustainable levels in a growing number of industrial countries. This development and its results - higher interest rates, lower investment, and slower growth in living standards - have stimulated efforts by policymakers to find solutions to swollen¹ budget deficits.

Central to these solutions is fiscal policy. Fiscal policy is the policy adopted by a government for raising revenue to meet expenditure.

For countries that now face unsustainable fiscal deficits, financial stabilization represents a top priority.

The answer to financial stabilization lies in the effectiveness of fiscal management - the principles, institutional arrangements, information flows, and techniques that govern the budget process and define fiscal relations between levels of government.

Most western nations operate some degree of fiscal federalism, which is the system of taxation and public expenditure in which revenue-raising powers and control over expenditure are vested in various levels of government² within a nation, ranging from the national government to the smallest unit of local government.

A system of multilevel finance may be justified in terms of allocative efficiency on the grounds that while some public goods, such as national defence, confer benefits on the nation as a whole, the benefits of other goods, such as refuse collection³, are more limited in geographical incidence. It is argued that⁴ by making decisions concerning the provision and financing of the latter type of goods at the level of local rather than national governments, the best or optimal level of provision is more likely to be achieved.⁵

Since the onset of the reforms Ukraine has been in the process of creating a new system of taxation and rules to administer taxes and to distribute those taxes and expenditure responsibilities among levels of government.

Words you need:

swollen ¹	роздутий
are vested in various levels of government ²	які передані різним рівням влади
refuse collection ³	збирання сміття
It is argued that ⁴	Стверджують, що
is more likely to be achieved ⁵	який ймовірно буде досягнутий

Exercises

1. Answer these questions:

1. What does the notion "financial policy" mean?
2. Do many countries face financial problems these days? What are they?
3. What is fiscal policy?
4. What fiscal trends have been registered in the industrial countries since the early 1970s?
5. What does the effectiveness of fiscal management imply?
6. What is fiscal federalism?
7. What has been done in Ukraine so far in the field of fiscal relations?
8. What expenditure responsibilities are practiced in Ukraine?
9. What measures should countries facing unsustainable fiscal deficits take?

2. Find in the text English equivalents for the following Ukrainian phrases:

Заходи, які направлені на...; створити відповідний механізм; направляти діяльність; забезпечити досягнення основних економічних показників; ефективне використання ресурсів; проблеми загострилися; рівень, який держава не може більше підтримувати; роздутий бюджетний дефіцит; прийняти політику; фінансова стабілізація; керування державним бюджетом; інформаційні потоки; повноваження з збирання прибутків; контроль за витратами.

3. Find and read sentences explaining the title of the text.

4. Find in the text sentences expressing such ideas.

1. Financial policy has versatile character.
2. Financial policy includes major guidelines.
3. Public debts are the main reasons of exacerbation of economical situation.
4. Financial stabilization depends on the fiscal management.

5. Find antonyms for the words underlined.

1. Financial policy is a very complex notion covering measures aimed at working out financial questions.
a) easy b) simple c) strong d) difficult
2. Financial policy based on strategic guidelines which set long-term and medium-term prospects.
a) temporal b) short-term c) current d) terminal
3. Over the past two decades financial problems have improved the world over.
a) destroy b) break c) create d) exacerbated
4. The economic policy of Ukraine is aimed at destroying conditions for sustained economic growth.
a) developing b) creating c) justifying d) exacerbating

b) Find synonyms for the words underlined.

1. One of the aims of financial policy is to ensure attainment of major economic targets.
a) aim b) goal c) object d) solution
2. Our country sets current goals and objectives.
a) install b) place c) establish d) put
3. Over past two decades financial problems have exacerbated the world over.
a) make worse b) break c) destroy d) create
4. Fiscal federalism is the system of taxation and public expenditure in which revenue-raising powers and control over expenditures are vested in various levels of government within a nation.
a) hand over b) transfer c) give d) reproduce

6. Match the words from a) with the words from b).

- | | |
|-----------------|-----------------|
| a) To establish | b) difficulties |
| To face | efforts |
| To make | situation |

To eliminate	deficit
To exacerbate	priorities
To improve	stability
To ensure	interbudgetary relations
To design	law
To enforce	policy

7. Make up sentences putting the words in the correct order.

1. Fiscal, the, is, adopted, policy, for, revenue, expenditure, meet, to, by, a government, policy, raising.
2. Fiscal, is, the, system, federalism, of, and, taxation, public, in, which, expenditure, powers, revenue-raising, over, and, are, control, expenditure, vested, in, levels, of government, various.
3. Over, have, the, past, decades, two, exacerbated, over, world, financial, the, problems.
4. Financial, depends, fiscal, on, stabilization, management.
5. Financial, is, policy, based, strategic, on, guidelines, set, and, medium-term, long-term, which, prospects, using, for, resources, financial.
6. Public, have, unsustainable, debts, reached, levels, in, number, a, growing, countries, of, industrial.
7. Since, Ukraine, the, onset, of, has, reforms, been, the, in, of, process, creating, of, a, system, new, taxation, rules, and, administer, to, taxes.

8. Form nouns from the following verbs:

To operate, cover, to measure, to create, to direct, to use, to adopt, to stabilize, to arrange, to define, to achieve.

9. Checking facts and ideas.

1. Tax and expenditure policy issues are central to an effective fiscal policy.
2. Fiscal policy is the system of taxation and public expenditure in which revenue-raising powers and control over expenditures are vested in various levels of government within a nation.
3. Fiscal federalism is a system adopted by a government for raising revenue to meet expenditures.
4. Public debts make to stimulate efforts by policymakers to find solutions to swollen budget deficits.

10. Single out the main points of the text. Use the following opening phrases:

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

11. Divide the text into logical parts and give them titles.

Grammar exercises

1. a) Supply the articles where necessary.

b) Write down 3-5 questions about the texts.

c) Compare the problems the two countries are trying to solve.

a) FINANCIAL POLICY

"... term is broad and its definition is likely to differ somewhat from country to country. On the widest definition, it covers ... fiscal policy (budgetary policy, i.e. policy on government revenues and expenditures), monetary policy, credit policy and management of government debt. The core of financial policy is fiscal policy. Some economists believe that fiscal policy is synonymous with ... state budgetary policy. There exists, however, ... wider definition that would cover the policy on the level and composition of all central and local government revenues and expenditures.

Financial policy whose main goal is provision of financial resources for ... implementation of ... state programmes of economic and social development is part of ... complex of economic policies influencing ... level and pattern of economic activity and income distribution.

The economic policy of... Ukraine is aimed at creating conditions for sustained economic growth by reducing ... inflation, by ensuring ... free operation of markets of goods and factors of production, by achieving ... balance of payments stability. These goals can be achieved mainly by elaborating and implementing ... adequate fiscal policy.

The fiscal policy implemented these days in Ukraine presupposes first of all the reform of... budget. The ongoing budget reform includes ... shift to the new budget classification, introduction of ... better system of interbudgetary relations, changes of budget planning principles, shift to ... treasury system of budget execution. Over ... last few years the collection of tax revenue has tended to fall. Thus the Government's fiscal adjustment programme provides for a package of measures aimed at increasing revenue collection through the reform. Attention is being paid to improvement of... tax legislation. The new tax administration system shall meet... following requirements: broad tax base, well-balanced system, equitable and transparent character, simplicity of administration. The main aim of ... tax reform is to strengthen ... budget, to provide financial resources for the budget system in the amount necessary to

finance ... state spendings for ... state apparatus, for defence, health care, and ... culture.

Words you may need:

management of government debt

керування державним боргом

core

серцевина

treasury system of budget execution

казначейська система виконання бюджету

b) FISCAL POLICY IN THE UK

Fiscal policy in ... UK is guided by two strict rules:

- ... Government will borrow only to invest and not to fund current spending; and
- net public debt as ... proportion of GDP will be held at ...stable and prudent level.
- These rules mean that... taxpayers pay for ... current spending and require public borrowing to be kept under firm control.
- The Finance Act 1998 established a new Code for Fiscal Stability, which requires fiscal and debt management policy to be carried out in accordance with five key principles:
- transparency in setting fiscal policy objectives, the implementation of fiscal policy and the publication of the public accounts;
- stability in ... fiscal policy-making process and in ... way that fiscal policy affects ... economy;
- responsibility in the management of the public finances;
- fairness, including between ... generations; and
- efficiency in the design and implementation of fiscal policy, and in managing both sides of... public sector balance sheet.
- In practice it means that the public finance and fiscal strategy in ... UK will be aimed at setting overall spending limits for individual departments and planning and controlling public expenditure more strictly within ... framework of capital and current budgets.

2. Open the brackets putting the verbs in the correct form:

Transition economies recently (to make) impressive steps towards reducing fiscal imbalances. Cuts of cash expenditure (to bring) about a decline of fiscal deficits for the CEE countries as a whole to about 4 per cent of GDP in 1995 from 10 per cent in 1994 on average. This was mainly the result of large reductions in enterprise subsidies, military spending, and capital expenditures. Despite these spending cuts, however, outlays for social services (such as schools and hospitals) and social security (to remain) relatively stable, relative to GDP. Over the same period, general government expenditures (to fall) on average to 30 per cent of GDP from 38 per cent. While the economies in transition (to make) solid progress over the past few years toward fiscal consolidation, macroeconomic stabilization (to require) additional reduction of inflation and successful implementation of:

- structural reforms, including reform of the tax system and the public expenditure system;
- improved revenue collection through elimination of loophole, tax evasion and exemptions, broadening of the tax base;
- greater political leadership of the reform process - especially by formulating long-term fiscal adjustment policies.

Words you may need:

transition economies

країни з перехідною економікою

on average

у середньому

loophole

лазівка

tax evasion

відхилення від сплати податків

leadership

керування

3. Using the example change the underlined part of sentences.

a) I think they can get a loan. – They are likely to get a loan.

1. With a financial panic, you can be sure \ certain that most depositors will want to withdraw their deposits all at one time.
2. It seems, banks are able to offer interest on checking accounts in some countries.
3. Each individual's expenditure necessarily adds to some other individual's income.
4. It seems to me that banks started offering trust services in the early 1980s.

b) We expect the banks to make the transaction within a day. – The bank is expected to make the transaction within a day.

1. Everyone knows computer technology to have had a great effect on the work of the Stock Exchange.
2. It is said that Simons and Co. have settled all their debts.
3. Everyone believes the firm's debts to have reached an unacceptable level.
4. Financial policy is based on strategic guidelines which set long-term and medium-term prospects for using financial resources and ensure attainment of major economic targets and solution of goals in the social sphere.

balance of payments

платіжний баланс

current account

поточний рахунок

capital account

рахунок руху капіталу

UNIT 8

visible trade	видима торгівля
invisible trade	невидима торгівля
transfer payments	трансфертні платежі
remittance	переказ (грошовий)
unrequited exports	некомерційний експорт
to settle a debt	урегулювати борг
balancing	збалансованість
invisible earnings	надходження від невидимого експорту
mercantile marine	торгівельний флот
to offset	компенсувати, зводити на ні
balance of payment	платіжний баланс
current account	поточний рахунок
capital account	рахунок руху капіталу
tangible	матеріальний

1. Arrange the words in alphabetical order.

2. Work with the a list of new words as in the example(students have to name words by heart)

Student A: scarce

Student B: raw materials

3. Find word combinations and make up sentences starting with the phrases:

Touching the problem, taking into consideration

4. Read and translate sentences only with new lexis.

1. The visible trade balance is almost always an adverse one.
2. It also arises from Britain's overseas holdings of property and business enterprises.
3. The accounts can be divided into the current account and the capital account.
4. At a practical level, macroeconomics attempts to accomplish three tasks.
5. Invisible trade is trade in services.
6. Unrequited exports are exports which are not exchanged for current imports.
7. It is usually done with the help of macroeconomics research.
8. Economic laws can be changed.

5. Put the missing letters.

a) B..lance of p..ment, of..set, trans...r, p..ment, v..s..ble tr..de, inv..s..ble e..nings, m..ch..nt m..r..ne.

Make word combinations.

b) Merchantile, invisible, capital, account, balance of, a debt, Earnings, unrequited, transfer

Read the text and find the definition of a country's balance of payments and the explanation of what the "current account" and "capital account" are.

BALANCE OF PAYMENTS

Balance of payments is a country's set of accounts with the rest of the world, reflecting the relation between the payments of all kinds made from one country to the rest of the world and its receipts from all other countries. The accounts can be divided into the current account and the capital account. The current account is that part of the balance-of-payments account which shows all payments made or received in respect of goods and services, including payments of interest on past lendings or borrowings.

Thus, the current account or the balance of trade consists of several items:

- Visible trade is the imports and exports of tangible goods such as plant and machinery, consumer goods, raw materials.
- Invisible trade is trade in services such as banking, insurance, transportation and tourism.

- Transfer payments are things like the remittances of migrant workers to their homeland and the payment of dividends and interest to foreign companies, governments and international organizations.
- Unrequited exports are exports which are not exchanged for current imports, but the value of which pays interest on loans raised abroad, or profits on investment made in the home country by foreigners.

The capital account is that part of the balance of payments account which shows all payments made or received by way of settling old debts or creating new debts. It deals with financial transactions. The capital account consists of long-term investment - either direct foreign investment (e.g. a company in one country buying a company in another), or portfolio investment (e.g. a foreigner buying shares on Wall Street) - and short-term capital flows of "hot money".

Many countries are faced with a severe balance-of-payments problem which arises from different local circumstances.

Britain, for instance, is a densely populated island and it has few natural resources left. Britain has problems to supply industry with its requirements. They have to import large quantities of food, minerals, timber, etc. In exchange, they sell large quantities of manufactured goods. Thus, the balancing of imports and exports is a permanent problem to the Government. The Treasury keeps the balance of imports and exports constantly under review.

The visible trade balance is almost always an adverse one and they should be permanently in debt to other countries were it not for the invisible items which are a second source of foreign earnings.

Britain's surplus on invisible earnings arises partly from their traditional skills and services, particularly in commerce, banking, insurance and finance. It also arises from Britain's overseas holdings of property and business enterprises. Besides, in Britain, with its large merchantile marine the earnings from shipping are an important source of foreign revenue.

In the US, exports of manufactured goods and farm goods are more than offset by imports of raw materials, especially oil.

Governments may influence the balance of payments through measures of fiscal policy or monetary policy designed to affect levels of domestic demand or interest rates.

Exercises

1. Answer the questions:

1. Explain the meaning of the word combination "balance of payment".
2. What types of account do you know?
3. What is the current account?
4. Is it true, that the current account and balance of trade have the same meaning?
5. What does the current account consist of?
6. How do you understand the meaning of the word combination "unrequited exports"?
7. What is the capital account?
8. What is the difference between capital account and current account?
9. What is the visible trade?

2. Find in the text English equivalents for the following Ukrainian phrases:

Взаємовідносини, які відображають; надходження матеріальних товарів; які включають відсоткові платежі; відправлення іноземних працівників додому; шляхом виплати старих боргів; довгостроковий вклад; стоять обличчям перед жорсткою; місцеві обставини; постійна проблема; у полі зору; за допомогою засобів бюджетно-налогової політики.

3. Find and read sentences explaining the title of the text.

4. Find in the text sentences expressing such ideas.

1. Britain is faced with a severe balance of payments problem, which arises from different local

circumstances.

2. Different measures of fiscal policy or monitoring policy help government to influence the balance of payments.
3. Long-term investment and short-term capital flows of "hot money" are the capital account.
4. Capital and current accounts have two different meanings.
5. The meaning of capital accounts includes the payments halting with debts.

5. Find antonyms for the words underlined.

1. The Treasury keeps the balance of imports and exports constantly under review.
a) take into consideration b) don't pay attention
2. Visible trade is the imports and exports of intangible goods.
a) inevitable b) tangible
3. The capital account shows all payments made or received by way of creating old debts or creating new debts.
a) acquitting b) settling
4. In exchange, they buy large quantities of manufactured goods.
a) give b) sell

b) Find synonyms for the words underlined.

1. The capital account shows all payments made or received by way of settling old debts or creating new debts.
a) acquitting b) pay off c) creating d) giving
2. Balance of payments reflects the relation between the payments of all kinds.
a) show b) reverberate c) adjust d) reject
3. Visible trade is the imports and exports of tangible goods.
a) pecuniary b) material c) fabric d) maternal
4. The balancing of imports and exports is a permanent problem to the Government.
a) constant b) invariable c) regular d) always

6. Match the words from a) with the words from b).

- | | |
|------------|-----------------|
| a) Capital | b) and services |
| Balance | of trade |
| Reflecting | trade |
| Goods | payments |
| Balance | account |
| Visible | the relation |
| Transfer | imports |
| Unrequited | circumstances |
| Current | investment |
| Profits on | of payments |
| Local | exports |

7. Make up sentences putting the words in the correct order.

1. Visible, and, of, tangible, trade, is, the, goods, imports, exports.
2. Trade, is, invisible, trade, is, services, in.
3. Unrequited, are, which, exports, are, not, exports, exchanged, for, import, current.
4. The, account, shows, capital, payments, made, all, by, or, received, way, debts, old, creating, or, settling, debts, new, of.
5. Account, the, current, all, made, payments, shows, in, respect, or, received, of, services, goods, and.
6. Britain, left, it, and, few, has, resources, natural, a, populated, is, densely, island.
7. In, they, exchange, quantities, sell, large, manufactured, of, goods.
8. Governments, payments, balance, of, influence, may, fiscal, through, measures, policy, or, policy, monetary, the, of.

8. Checking facts and ideas.

1. The definition of current account has the same meaning as the definition of capital account.
2. The current account shows all payments dealing with debts.
3. The capital account shows all payments made or received in respect of goods and services, including payments of interest on past lendings or borrowings.
4. Visible trade is trade in services.
5. Invisible trade is the imports and exports of intangible goods.
6. Many countries are faced with a severe balance of payments problem which arises from different external circumstances.
7. The balancing of imports and exports is a constant problem of the Government.
8. Visible trade is the imports and exports of pecuniary goods.

9. Single out the main points of the text. Use the following opening phrases:

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

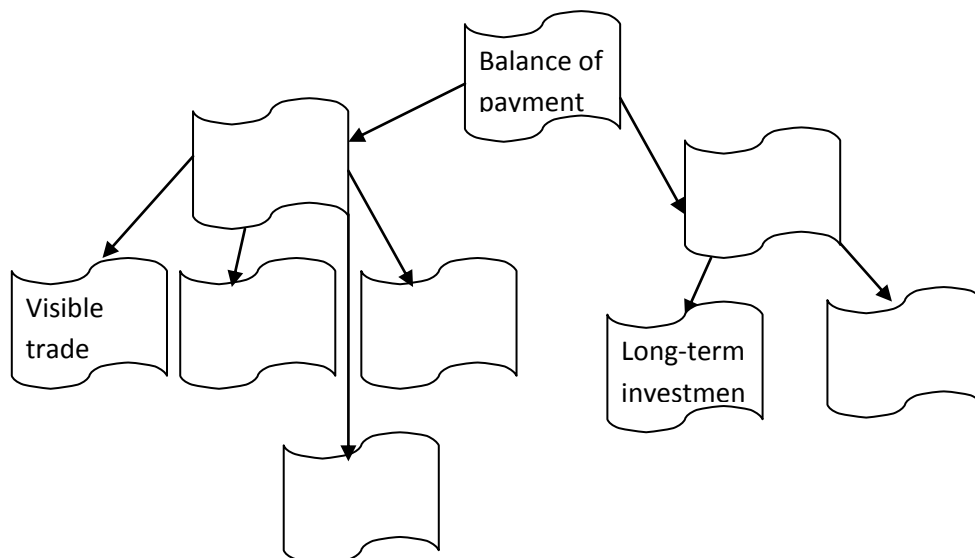
We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

10. Divide the text into logical parts and give them titles.

11. Compare the facts about the UK and the US with the situation in Ukraine.

12. Complete the scheme and make a summary.



Grammar Exercises

1. Translate sentences.

1. Виробництво може бути рентабельним, якщо як матеріальні так і нематеріальні активи знаходяться у правильному співвідношенні.
2. До довгострокових матеріальних активів відносяться такі речі, як земля, нерухомість та обладнання, тому що вони приймають участь у процесі виробництва на протязі тривалого часу.
3. Можна використовувати поточні матеріальні активи, наприклад, рахунки дебіторів, як засіб сплати.
4. Рахунок руху капіталу є частиною рахунку платіжного балансу, який показує всі виплати, які були зроблені або отримані шляхом сплати старих боргів або створенням нових.
5. Невидима торгівля це торгівля послугами, такими як туризм, страхування, перевозка.

2. Change the underlined parts of the sentences by Gerund with prepositions.

1. According to the special Copyright Act nobody is allowed to reproduce and make copies of any book if he doesn't receive the owner's permission. (without)
2. When the owner signed a number of documents, his real estate was transferred to this educational centre. (after)
3. When the accountant was preparing a balance sheet, he made a few serious mistakes. (in)
4. The company is able to increase its profits only if it introduces proper technologies. (by)
5. If the Sales Manager decides to sell company stock-in-trade, (товарний запас) he has to consult the company's president. (before)
6. The company can attract additional capital investments either issuing extra stocks or borrowing a loan from a bank. (by)
7. Even having sold a great share of its stock-in-trade, the company is reported to be bankrupt. (in spite of)
8. If the company does not enjoy a good reputation, it is not expected to be attractive to potential stockholders. (without)
9. If the Personnel Manager is going to hire a new employee, he always invites the latter to an interview. (before)

UNIT 9

central banking system	система центрального банку
money supply	грошовий обсяг, кількість грошей у обігу
lender	кредитор
lender of last resort	останній кредитор у критичній ситуації, центральний банк
exchange rate	курс обміну
to intervene	втручатися
foreign exchange market	ринок іноземної валюти
reserve requirements	резервні вимоги
to oblige	зобов'язувати, примушувати
deposit	вклад
"prudential ratios"	«коефіцієнт розсудливості»
liquid ratio	відношення ліквідних активів банків до сумарних депозитів
target	ціль, контрольна цифра
open market operations	операції на відкритому ринку
term of office	термін повноважень
money in circulation	гроші в обігу
to make sure	забезпечувати, гарантувати
to accept	акцептувати (дати згоду)
check clearing	кліринг чеків (взаємозалік)
worn currency	старі банкноти
security	цінний папір
to maintain accounts	вести рахунки
transfer of funds	грошовий переказ
to prevent	попереджувати
broad powers	широкі повноваження
regulation(s)	правила, інструкції
to be aimed at doing smth ..	бути направленим на...
sound business practice	чесна практика ділових відносин
fraction	частина, доля
to lend	позичати
government bond	державна облігація
stock market crash	крах фондової біржі

1. Find the verbs and put them in alphabetical order.

2. Make up sentences with these verbs.

3. Work with the a list of new words as in the example(students have to name words by heart)

Student A: scarce

Student B: raw materials

4. Find word combinations and make up sentences starting with phrases:

It seems to me that...; It is difficult to give answer....

5. Read and translate sentences only with new lexis.

1. The central banking system is a major sector of any modern monetary system.
2. Banking panic often took place in the nineteenth century.
3. Central banks in different countries impose different "prudential ratios" on commercial banks.
4. The system consists of twelve Federal Reserve banks and a board of governors.
5. The Fed's regulations are aimed at making sure that banks use sound business practices.
6. In the first years of the Great Depression, a great many banks failed.
7. To ensure the safety of the banking system, central banks impose reserve requirements.
8. Members of the Fed's board of governors are appointed by the president of the United States and confirmed by the Senate.

6. Put the missing letters.

money supply, reserve requirements, liquid ratio, appointment of office, regulation, exchange rate, security, warning, to maintain accounts, prevent, fraction, crash.

Read the text and divide it into two main parts. Name them.

The central banking system is a major sector of any modern monetary system. It is of great importance to the fiscal policy of the national government and the functioning of the private sector.

Central banks such as the Bank of England, the Federal Reserve Board of the US, the Bundesbank of Germany, the Central Bank of Ukraine function for the government and other banks, not for private customers. They are responsible for the implementation of monetary policy and supervision over the banking system.

In particular, they control the money supply, fix the minimum interest rate, act as lenders of last resort to commercial banks with liquidity problems, issue coins and bank notes, influence exchange rates by intervening in foreign exchange markets.

To ensure the safety of the banking system, central banks impose reserve requirements, obliging commercial banks to deposit a certain amount of money with the central bank at zero interest. Central banks in different countries also impose different "prudential ratios" on commercial banks such as capital ratio and liquid ratio.

In the course of market reforms in Ukraine the Central Bank has been pursuing moderately tight monetary policy aimed at further reduction of inflation and putting an end to direct budget deficit crediting. The CBU has been using the following main instruments of monetary policy:

- fixed targets for the money supply growth,
- refinancing of commercial banks,
- interest rates,
- open market operations,
- commercial banks reserve requirements,
- foreign currency control,
- direct quantity restrictions.

The Federal Reserve System or "Fed", as it is known in financial circles, is an independent agency of Congress founded in 1913. The system consists of twelve Federal Reserve banks and a board of governors. The board of governors has its headquarters in Washington, D.C.

Members of the Fed's board of governors are appointed by the president of the United States and confirmed by the Senate. However, the Fed maintains a degree of independence from both Congress and the executive branch. This is due in part to the governors' long terms of office - fourteen years. The chairman of the board of governors is chosen by the president from among the seven board members and serves as chairman for four years.

The Fed performs three major functions. It provides services to the banking system and the federal government; it stabilizes the banking system; and it controls the quantity of money in circulation.

The most important service of the Fed is check clearing, i.e. making sure that checks written on one bank can be accepted at any other bank in the country.

The Fed performs a number of other services for banks and thrift institutions. It provides currency to banks and collects worn currency. It also provides safekeeping for securities.

Finally, the Fed performs banking services for the federal and foreign governments. It maintains US Treasury accounts from which all federal government payments are made. In addition, it assists in international transfers of funds by private firms and international agencies.

A second function of the Federal Reserve is stabilizing the banking system.

Banking panics often took place in the nineteenth century. Preventing such panics was the main reason for setting up the Federal Reserve System. With this in mind, the Fed was given broad powers to regulate banks.

The Fed's regulations are aimed at making sure that banks use sound business practices. For

example, the Fed requires banks to hold a minimum fraction of their deposits as reserves.

The Fed was also given the power to supply extra reserves when needed. There are two ways in which the Fed can put reserves into the banking system. First, it can lend reserves to banks. Second, it can supply reserves to the banking system by buying government bonds from the public on the open market, in other words, by participating in open-market operations.

Despite its powers, the Fed failed to stabilize the banking system after the stock market crash of 1929. In the first years of the Great Depression, a great many banks failed. As a result, a new agency, the Federal Deposit Insurance Corporation (FDIC), was set up in 1934 to give the system further stability. The FDIC promises to pay depositors the full amount of their deposits, up to a limit, in the event that their bank fails.

Today the Fed continues to regulate and stabilize the banking system, but it has taken on another role as well, that of partner, with Congress and the executive branch, in the making of economic policy. The Fed's power as an economic policymaker comes from its ability to control bank reserves and, hence, to control the total amount of money in circulation.

Exercises

1. Answer these questions:

1. What is the major sector of any modern monetary system?
2. What are central banks responsible for?
3. What functions do central banks perform?
4. What is done to ensure the safety of a banking system?
5. Why are "prudential ratios" imposed on commercial banks?
6. What is the structure of the Federal Reserve System?
7. How are members of the board appointed?
8. What functions does the "Fed" perform?
9. What services does the "Fed" perform for banks and the government?
10. How does the "Fed" contribute to the stabilization of the banking system?
11. What role does the "Fed" play in the making of economic policy?

2. Find English equivalents for the following Ukrainian phrases from the texts:

Система центрального банку, бути важливим, бути відповідальним за проведення кредитно-грошової політики, контролювати грошову масу, установлювати відсоткову ставку, проблеми нестачі ліквідних засобів, проводити емісію грошей, надійність банківської системи, депонувати засоби у центральному банку під нульовий відсоток, бути відомим у фінансових кругах, рада керівників, це є результатом тривалого строку повноважень, члени ради призначаються, голова ради обирається, чеки, які виписані на банк, депонувати чеки у банку; реалізовувати кліринг чеків через Федеральну Резервну Систему; вести рахунки; основна причина організації ФРС; покупати державні облігації; операції на відкритому ринку; багато банків збанкрутувало.

3. Find and read sentences explaining the title of the text.

4. Find in the text sentences expressing such ideas.

1. The central banking system plays an important role in the life of society.
2. The functions of central banks are very complicated.
3. There is a difference between central bank and commercial bank.
4. Central banks are responsible for the safety of the banking system.
5. Central Bank in Ukraine has been pursuing moderately tight monetary policy aimed at further reduction of inflation and putting an end to direct budget deficit crediting.
6. The Federal Reserve System has strictly organized structure.
7. The Fed performs three major functions.

5. Checking facts and ideas. Decide if these statements are true or false.

1. The central banking system is of great importance only for the private sector.
2. Central banks function for the government and other banks, not for private customers.
3. Private banks control the money supply, fix the minimum interest rate, act as lenders of last resort to commercial banks with liquidity problems, issue coins and bank notes, influence exchange rates by intervening in foreign exchange markets.
4. Central banks impose different requirements on commercial banks which are aimed at ensuring of safety of the banking system.
5. The Federal Reserve System or "Fed", as it is known in financial circles, is an independent agency of Congress.
6. Members of the Fed's board of governors are appointed by the Senate of the United States and confirmed by president of the United States.
7. The most important service of the Fed is to provide currency to banks and collects worn currency.

6. Make up sentences putting the words in the correct order.

1. Supply, an, is, amount, available, of, goods.
2. Inflation, rise, is, a, in, the, of, goods, prices, services, and.
3. The, System, Reserve, Federal, agency, is, of, an, Congress.
4. Stabilizing, banking, function, the, system, second, of, is.
5. The, performs, FED, functions, three, major.
6. Check, clearing, the, important, most, is, function, of, the, FED.

7. Using the definition of the term "bank" and additional words to the definition describe the function of the bank.

Bank is a business organization that performs financial transaction – receiving and having deposits, paying sums out of them by order of the customer, lending money to individuals and organizations at interest, moving money from place to place, etc.

Deposit (money) with/pay (money) into/withdraw (money) from a bank;
commercial/correspondent/private bank;
investment bank;
arrange a mortgage (закладна, іпотека) with the bank.

8. Give derivatives of:

important adj	intervene v	choose v	tend v
national adj	independent adj	maintain v	represent v
function n	governor n	finances	stability n
supervise v	executive adj	deposit n	progress n

9. Think of the verbs that are most commonly used with:

money supply, exchange rate, banknotes, safety, requirements, powers, bank reforms, inflation, operations, restrictions.

10. Think of the nouns that are often used with:

to implement, to supervise, to issue, to influence, to ensure, to stabilize, to set up, to lend, to regulate, to strengthen, to exempt.

11. Match the verbs from (a) with the nouns from (b) below:

a) to deposit	b) ratios
to impose	targets
to fix	function
to appoint	chairman
to perform	money
to control	circulation
to clear	checks
to maintain	accounts

- c) time deposit - строковий вклад
- d) checking deposit - вклад на поточному рахунку

Exercises

1. a) Supply the articles where necessary.

b) Write down 3-5 questions about the text.

c) Describe the principal instruments of credit policy.

CREDIT POLICY

Credit policy is ... component of economic policy. It is a combination of measures taken by ... Central Bank to affect the supply of credit. The aims of ... credit policy may include stimulation or restriction of investment or consumer spending, ... avoidance of price inflation.

Credit policy and monetary policy tend to be closely related and in some countries credit policy is regarded as ... part of monetary policy.

Credit policy largely works indirectly. The Central Bank controls ... amount of credit advanced by commercial banks through the interest rate policy, by influencing ... liquidity, expanding or contracting the volume of Central Bank money. The principal instruments available for this purpose are ... discount policy, minimum reserve requirements and open market operations. Direct credit control involving ... establishment of credit ceilings is less frequently used now than in ... past, many governments regarding it as ... undesirable interference with the market mechanism.

Words you may need:

price inflation	цінова інфляція
the amount of credit advanced...	розміри наданого кредиту
discount policy	облікова політика
credit ceiling	стеля кредитування

UNIT 10

money is tight	грошей недостатньо
interbank market	міжбанківський ринок
velocity of circulation	швидкість обертання
to set targets	встановлювати орієнтири, показники
alternatively	та навпаки
to engage	займатися
short-term government bonds	державні короткострокові облігації
treasury bill	казначейський вексель
to abandon	відмовлятися
exhibit demand-driven	який залежить від попиту
interest-bearing	який приносить відсотковий дохід
currency-driven inflation	інфляція, яка є наслідком обсягу валютних засобів
to convert	конвертувати
versus prep	проти, в порівнянні
"steering" n	керування
civil servant	державний службовець
credit market	ринок кредитів
to clear the market	регулювати ринок

1. Read and translate sentences only with new lexis.

1. Monetary policy is the branch of financial policy.
2. Credit falls, because people and businesses borrow less high rates.
3. Many people believe that central banks should conduct an active interventionist monetary policy.
4. Currency, a key component of the money supply, is demand-driven when people can easily exchange unneeded currency for interest-bearing financial assets.
5. The amount of money in circulation and its velocity of circulation determine the average level of prices and wages.
6. These and other forms of intervention, such as agricultural policies and state ownership of business enterprises, waste economic resources and distort markets.

2. Put the missing letters.

c..nv..rt, to cl..r the m..rk..t, st...ring, ab..nd..n, int..st-b..ring, to s..t t...rgets, eng..ge, cr...d..t m..rk..t.

Read the text and give it the title.

Monetary policy is the branch of financial policy that is concerned of controlling the supply of money and credit. Monetary policy is important because of its impact on inflation and on interest rates. If a government pursues an "easy" monetary policy it means that it allows the amount of money in circulation to rise and it lets banks increase the volume of loans.

If government pursues a "tight" monetary policy, it restricts the amount of money in circulation and reduces the funds available banks for making loans.

When money is tight:

1. Interest rates rise, because commercial banks have to borrow a higher rate on the interbank market.
 2. Credit falls, because people and businesses borrow less higher rates.
 3. Aggregate demand falls, because people and businesses buy less, as they have less money.
 4. Output falls, too, because of less consumption, firms produce less.
 5. Unemployment rises, because companies are producing and selling less, and so need less labour.
 6. Inflation falls, because there is less money in circulation.
 7. The exchange rate will probably rise, if there is the same demand but less money, or if there is higher demand, as foreigners take advantage of the higher interest rates to invest the currency.
- Increasing the money supply, making more reserves available, has the opposite effects.

The amount of money in circulation and its velocity of circulation determine the average level of prices and wages. Many central banks now set money supply targets. Increasing or decreasing the money

supply, the central bank indirectly influences on interest rates, demand, output, growth, unemployment and prices. The central bank can reduce the reserves available for commercial banks by changing the reserve requirements. This reduces the amount of money that banks can create and makes the money tight or scarce.

Alternatively, the central bank can engage in what are called open- market operations, which involve selling short-term government bonds (such as three-month Treasury bills) of the commercial banks or buying them back.

And we can put up the question is monetary policy needed?

Many people believe that central banks should conduct an active interventionist monetary policy even though most countries are abandoning other forms of state intervention in their economies, such as price controls, income policies, and industrial planning. These and other forms of intervention, such as agricultural policies and state ownership of business enterprises, waste economic resources and distort markets.

Monetary policy, which represents government intervention in the marketplace for credit, exhibits the same negative effects. The time has come to challenge the need for monetary policy as practised by central bankers (often with finance ministry guidance). The financial markets, operating under

appropriate tax and structural policies, will produce far greater price stability and smoother economic growth than central bankers can.

Some people still believe that controlled growth of the money supply will minimise inflation. In fact, the quantity of money in the industrialised nations today is essentially demand-driven. Currency, a key component of the money supply, is demand-driven when people can easily exchange unneeded currency for interest-bearing financial assets, such as bank deposits and bonds. Currency-driven inflations occur only when governments finance their deficits by paying the obligations in currency that cannot be converted easily into other assets.

Bank deposits, the main component of the money supply in industrialised countries, are demand-driven as well. This demand reflects the willingness of individuals and businesses to provide credit to the economy in which they operate, versus investing in real assets or moving funds to other countries.

Reserve requirements on bank deposits, still a favoured monetary policy tool of some central bankers, do not restrict bank lending.

As a practical matter, monetary policy in the industrialised world today essentially takes the form of announced official rates for lending to banks and central bank "steering" of short-term rates.

The credit markets do not differ from other markets. Interest, like any other price, should clear the market at a rate that balances supply with demand.

Exercises

1. Answer the questions.

1. What is the monetary policy?
2. Why is monetary policy so important?
3. What happens when a country pursues a "tight" or an "easy" monetary policy?
4. What are the peculiarities of the situation when money is tight?
5. What does determine the average level of prices and wages?
6. How can central bank influence on interest rate, demand, output, etc.?
7. What are the negative effects of monetary policy?
8. Is it true that controlled growth of the money supply will minimise inflation?
9. When does currency-driven inflation occur?
10. What does demand reflect?
11. What practical matter does monetary policy have?
12. Is monetary policy needed?

2. Find in the text equivalents for the following Ukrainian phrases.

Грошово-кредитна політика, вплив на інфляцію та відсоткові ставки, дозволяє банкам підвищувати обсяг кредитів, обмежувати обсяг грошей в обігу, відсоткова ставка зростає, совокупний попит падає, обсяг виробництва падає, валютний курс буде зростати, швидкість обертання, міжбанківський ринок, визначати середній рівень цін та заробітної плати, шляхом змін резервних вимог, проводити активну інтервенціоналістську політику, демонструє негативні ефекти, прийшов час засумніватися у необхідності кредитно-грошової політики, рівний економічний зріст, який визначається попитом, ключовий компонент, відображає бажання, оголошених офіційних ставок.

3. Find in the text sentences expressing such ideas.

1. Monetary policy regulates inflation and interest rates.
2. There are two types of governmental monetary policy.
3. There are 7 indications of money shortage.
4. The central bank can influence on the work of commercial banks.
5. Monetary policy is not always wealth (благо) for the society.
6. Currency-driven inflation depends on the government activity.
7. Monetary policy takes the form of announced official rates for lending to banks and central bank "steering" of short-term rates.

4. Find synonyms for the words underlined.

1. Monetary policy is important because of its impact on inflation and on interest rates.
a) enclosure b) influence c) interference
2. If government pursues a "tight" monetary policy...
a) follow b) carry on c) provoke
3. Government restricts the amount of money in circulation and reduces the funds available banks for making loans.
a) rake b) limit c) disconcert
4. Many people believe that central banks should conduct an active interventionist monetary policy even though most countries are abandoning other forms of state intervention in their economies.
a) refuse b) break off c) convert
5. The financial markets, operating under appropriate tax and structural policies.
a) accompanying b) proper c) suitable
6. The financial markets will produce far greater price stability and smoother economic growth than central bankers can.
a) flat b) even c) equal

5. Match the words from a) with the words from b)

a) Bank	b) operations
Central	circulation
Interventionist	targets
Currency	market
Credit	government bond
Interbank	policy
Short-term	market
Velocity of	driven
To set	deposit
Open-market	bank

6. Make up sentences putting the words in the correct order.

1. Monetary, is, of, the, that, branch, policy, concerned, financial, controlling, of credit, and, money, supply, of, the.
2. Interest, is, rate, price, a, paid, use, for, the, of, money, a, borrower, by, to, lender, the, money, of.
3. Bond, a, is, formal, acknowledging, document, the, of, debt, existing.
4. Currency, money, is, of, country, the, particular, a.
5. Demand, wants, is, the, in, market, of, buyers.
6. Expenses, is, money, a, sum, of, on, the, running, spent, business, of.
7. Imports, are, the, services, bought, or, products, from, countries, other.
8. Bank, deposit, main, the, of, the, component, supply, money, industrialized, in, the, are, countries, demand-driven, well, as.

7. Checking facts and ideas. Decide if the statements are true or false.

1. If government pursues a "tight" monetary policy, it allows the amount of money in circulation to rise and reduces the funds available banks for making loans.
2. When money is tight the interest rates rise, because commercial banks have to borrow a higher rate on the interbank market.
3. The central bank can not influence on the work of commercial banks.
4. Monetary policy is a weal for every economic system.
5. The inflation of the currency depends on the government activity.
6. Bond is a formal document acknowledging the existence of a debt.
7. Currency is the money of a particular country.
8. Monetary policy in the industrialised world today essentially takes the form of announced official rates for lending to banks and central bank "steering" of short-term rates.

8. Single out the main facts from the texts and present them in a short essay. Use the following opening phrases:

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

Grammar exercises

1. Translate the following sentences with Present Participle Passive and Perfect Participle.

Having lowered the prices, the firm... – Знизивши ціни, фірма...

Having obtained a loan, the firm...- Отримавши позичку...

Having settled the debts, the bank...

Having imposed a high level of taxes, the government...

Having increased the money supply, the central bank...

Having provided currency to banks, the firm...

Being used in this way, money...- Коли гроші використовують таким чином, вони...

Being imposed by the government, ceiling prices... -Оскільки максимальні ціни встановлюються урядом, вони...

Being issued by the government, money...

Being pursued by government, a "tight" monetary policy...

Being determined by the average level of prices and wages, the amount of money circulation...

Being used as a medium of exchange, money...

Having been raised, the prices...- Після того, як ціни були підвищені...

Having been imposed, the protection tariff...- Після того, як був встановлений протекціоністський тариф, він...

Having been exhausted, natural resources...

Having been formed, the government...

Having been raised, the unemployment...

Having been fallen, the credits...

2. Translate the sentences.

1. Being responsible for the government's debts, the Central Bank...
2. Being implemented into the economy, a tight fiscal policy...
3. Having raised the interest rate, the bank...
4. Having set the clearing of the market, the bank...
5. Having been raised, the unemployment...
6. Having been fallen, the output...

UNIT 11

loan	позичка
advance	аванс
intermediary	посередник
deposit account	депозитний вклад, терміновий вклад
current account	поточний рахунок
expertise	професійний досвід
to acquire	одержувати
margin	різниця, маржа
bill	вексель
to discount	облікувати
valuables	цінності
to redeem	викуповувати, погашати
merging	об'єднання, злиття
withdrawal	зняття з рахунку
money at call	гроші до вимоги
to assess	оцінювати

1. Read and translate sentences only with new lexis.

1. Banks are institutions which accept money from people for safe keeping.
2. Retail banking involves business with individuals and small businesses.
3. They offer a variety of services such as deposit and current accounts.
4. Thus, personal, corporate and bank depositors are assured that their deposits can be redeemed at full value.
5. Later, other activities were added to the original function of the banks.
6. In this intermediation process costs are incurred which must be met out of the bank's margin between the borrowing and lending interest rates.
7. Banks make money work at all levels in industry and commerce.

2. Put the missing letters.

Val...bles, r..d...m, as...e...s, withd....al, itr...m...d..ry, l...n, exp...se, dis...nt, ac...re, m..rg...n.

BANKING SYSTEM COMMERCIAL BANKS

By definition, banks are institutions which accept money from people for safe keeping, lending it out to others, but particularly creating money by lending their credit, i.e. by making loans and advances to customers. Banks make money work at all levels in industry and commerce.

Thus, commercial (or in the UK clearing) banks are providers of payment services and they act as financial intermediaries. They offer a variety of services such as deposit and current accounts tailored to fit particular savers' preferences¹ and they lend the funds they receive on a variety of terms which satisfy the needs of a range of borrowers.

By pooling risks, by studying the experience of many individuals and by acquiring the expertise to assess the prospect of profit and loss inherent in lending, banks are able to provide their savers with a combination of interest, ease of repayment and protection against loss that are better than these savers could obtain by lending directly to the ultimate borrowers. Banks mediate between these borrowers and savers to achieve a profit. In this intermediation process costs are incurred which must be met out of the bank's margin between the borrowing and lending interest rates.² Banks are able to achieve these margins through economies of scale. But the margin is always under pressure from the basic costs of the business and from competition. They make their profit by paying a lower rate of interest for the money they lend.

Later, other activities were added to the original function of the banks. A modern joint-stock bank is expected to supply³ the following services: to accept deposits; to provide cheque facilities;⁴ to

collect and pay cheques, bills and dividends; to grant loans to customers and arrange for overdraft facilities; to discount bills; to open letters of credit; to issue travellers' cheques; to transact foreign exchange business;⁵ to provide safe-deposit strong-room facilities for clients' valuables; to transact stock and share business⁶ on behalf of their clients and hold securities in safe custody.

Banks write "insurance" type contracts⁷ with depositors and borrowers. Thus, personal, corporate and bank depositors are assured that their deposits can be redeemed at full value.

Retail banking involves business with individuals and small businesses. Wholesale banking involves business primarily with other large banks, as well as some business with governments and very large multinational companies.

The more recent development in banking is the merging of investment and commercial banking. Investment banking involves information intermediation and underwriting roles.

In addition, offshore banking, which is part of a country's banking business that is denominated in foreign currencies and transacted between foreigners, is developing too.

Since banks must always be able to meet demands for withdrawals, either immediately or at short notice, they keep a certain percentage of their deposits in actual cash with the Central Bank. This so called Cash Ratio is carefully guarded by banks through their credit policy. Bankers are cautious men and, besides organizing the first line of defence - maintaining the Cash Ratio, they guard carefully another percentage, which is the liquidity ratio, or near money i.e. cash, money at call and Treasury Bills, in their assets.

Words you need:

¹accounts tailored to fit particular savers' preferences – рахунки, які відкриваються з урахуванням потреб вкладників

²In this intermediation process costs are incurred which must be met out of the bank's margin between the borrowing and lending interest rates – Ця посередницька діяльність потребує витрат, які повинні бути покриті за рахунок різниці між відсотковими ставками на позиковий та позичковий капітал(заемный и ссудный)

³A modern joint-stock bank is expected to supply - Вважається, що сучасний акціонерний банк повинен...

⁴cheque facilities -

послуги з опрацювання чеків

⁵to transact foreign exchange business -

проводити угоди з іноземною валютою

⁶to transact stock and share business -

проводити угоди з цінними паперами

⁷Banks write "insurance" type contracts - страховим контрактам.

банки беруть на себе зобов'язання по

Exercises

1. Answer the questions:

1. What services do banks offer?
2. What is the nature of banking?
3. How do banks earn a living?
4. Do commercial banks play a very important role in an economy?
5. What are the more recent developments in banking?
6. What banking policy can guarantee stability?

2. Find in the text English equivalents for the following Ukrainian phrases:

По визначенню, приймати гроші на збереження, позичати гроші, давати позики, фінансовий посередник, депозитний рахунок, поточний рахунок, на різних умовах, задовольняти потреби, одержувати досвід, оцінювати перспективи, виступати у ролі посередника, покривати витрати, різниця між відсотковими ставками, відсоткова ставка на позичений капітал, ставку позикового відсотка, економія, яка обумовлена ростом масштабів діяльності, відчувати вплив, інкасувати та оплачувати чеки, обліковувати векселі, відкривати акредитиви, виписувати дорожні чеки, надавати овердрафт, проводити операції з іноземною валютою, надавати сейфові послуги, за дорученням клієнта, зберігати у сейфі, відшкодовувати за повну вартість, мати резерви, операції банків з широкою клієнтурою, операції крупних банків між собою, злиття банків, задовольняти потребам, зняття грошей з рахунків, з короткостроковим повідомленням, норма касових резервів, коефіцієнт

ліквідності, гроші до запитання, казначейські векселі.

3. Find synonyms for the words underlined.

1. Banks are institutions which accept money from people for safe keeping, lending it out to others.
a) to take b) to give c) to redeem
2. Banks mediate between these borrowers and savers to achieve a profit.
a) to work b) to intermediate c) to assess
3. Offshore banking, which is part of a country's banking business that is denominated in foreign currencies and transacted between foreigners, is developing too.
a) to do a deal b) to redeem c) to acquire
4. In this intermediation process costs are incurred which must be met out of the bank's margin between the borrowing and lending interest rates.
a) to need b) to require c) to reduce
5. By pooling risks, by studying the experiences of many individuals and by acquiring the expertise to assess the prospect of profit and loss inherent in lending, banks are able to provide their savers with a combination of interest.
a) to gain b) to evaluate c) to cut

4. Match the verbs from (a) with the nouns from (b) below:

- | | |
|----------------|---------------------|
| a) To discount | b) needs |
| To accept | bill |
| To provide | travellers` cheques |
| To issue | service |
| To achieve | profit |
| To pay | letter of credit |
| To acquire | interest rate |
| To withdraw | deposits |
| To satisfy | money |
| To meet | loans |
| To grant | demand |
| To open | expertise |

5. Think of the verbs that are most commonly used with:

Loan, bank, check, interest, bill, money, deposit, payment, service.

6. Think of the nouns that are most commonly used with:

To pay, to charge, to improve, to increase, to offer, to achieve, to expand, to provide.

7. Make up your own sentences with any five word combination from 5 and 6.

8. Say how the following words are formed:

banker — banking — bank
to serve — service — servant
to act — actor — active
reliable — reliability — to rely
employer — employee — to employ — employment — unemployment -the unemployed
to invest — investor — investment
issue — to issue — issuer — issuance
receiver — receipt — reception — to receive — receivable
to satisfy — satisfaction — satisfactory — satisfied — dissatisfied

9. Write down the Ukrainian equivalents:

current account _____
to deposit _____
depositor _____

deposit account _____
savings account _____
cash dispensers _____
free of charge _____

10. Make up the sentences putting the words in the correct order.

1. Banks, which, institutions, are, money, from, accept, for, it , safe, keeping, people, out, lending, to, others.
2. They, variety, offer, of, and, intermediaries, they, as, act, services, financial, a.
3. Banks, between, these, mediate, borrowers, a, profit, savers, to, achieve, and.
4. They, their, profit, make, rate, paying, by, a, lower, interest, of, they, money, for, the, lend.
5. Banks, with, write, depositors, and, borrowers, contracts, type, “insurance”.
6. Retail, involves, banking, with, and, businesses, business, individuals, small.
7. Wholesale, involves, primarily, banking, business, other, banks, with, large, and, governments, with, and, companies, multinational.

11. Complete the sentences with the following words: free of charge, depositor, activities, employer.

1. Banker's services cover an enormous range of.... , today.
2. A new...should be recommended by his or should present a reference.
3. A cheque book will then be issued ...

12. Find and read sentences explaining the title of the text.

13. Find in the text sentences expressing such ideas.

1. In a commercial sense, bank is an establishment which borrows money from the public, crediting them with a deposit.
2. Banks can act as financial intermediaries.
3. Banks may be said to provide financial services.
4. “Insurance” type contract means that bank has to redeem all deposits.
5. Offshore banking transacted between foreigners.
6. Cash Ratio is the guarantee of redeeming the deposit.

14. Checking facts and ideas. Decide if the statements are true or false.

1. The bank lends the deposited money to customers who need capital.
2. Nowadays banks handle huge amount of money deposited in them.
3. The bank borrows the funds from the public for the specific purpose lending them again to the customers.
4. New banks services are proved to be constantly coming into life.
5. Retail banking involves business with other large banks.
6. Cash Ratio is the “bank’s insurance”.

15. Explain the difference between current and deposit accounts.

Banker`s services cover enormous activities today. A full list would include:

- *Current account services*

They are extended to anyone whom banks regard as reliable. A new depositor should be recommended by his employer or should present a reference. If this proves satisfactory the bank will accept a deposit from him which be entered in his current account. A cheque book will then be issued free of charge. Once the customer has received his cheque book he may use the cheques to order the banker to pay out sums of money from his current account. Money is being paid into and paid out of the account so often the customer finds convenient.

- *Deposit account services*

Companies and individuals can deposit cash resources that are not needed at present. They can

withdraw the money either any day they need it or after a certain period in case of time deposits.

- *Savings account services*

It enables small savers to put money away for particular purposes, for example for holidays.

- *Other services*

Services in foreign trade payments

Granting loans

Investment management services

Economic information

Banker's credit cards

Foreign exchange¹

Foreign exchange transaction²

Discounting bills of exchange³

Cash dispensers and automated teller machines⁴

Safe custody⁵

And many others

Words you need:

Foreign exchange¹ - іноземна валюта

Foreign exchange transaction² - угода з іноземною валютою

Discounting bills of exchange³ - облік векселів

Cash dispensers and automated teller machines⁴ - автоматична касова машина та автомат з виплати готівки

Safe custody⁵ - зберігання банком цінностей клієнта

15. Divide the text into the logical groups and give them titles.

16. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of...

17. Give extensive answers to these discussion questions:

1. What is the nature of banking? How do banks earn their living?
2. What services do banks offer to individuals/corporations?
3. What kinds of banks exist? Describe their activities.
4. How can an individual get a bank loan?
5. What does the stability of a bank depend on?
6. What are the functions of central banks?
7. In what way do the discount houses earn money?
8. How is banking developing these days?
9. How do banks obtain funds?
10. Describe the banking system of Ukraine.

18. Prepare a short talk on the following:

- a) Explain how banks earn profit, how they act as financial intermediaries, how they create new money.
- b) Have you ever turned to a bank either as a depositor or a borrower? Have you ever done business

with banks offering intermediation services?

c) Do you have a credit card or a debit card? What was the most recent purchase you made with your cards? Describe the sequence of connected events with the use of the cards.

d) If you have a bank account and heard that your bank was not honouring its obligations towards depositors, what would you do about your account?

Grammar exercises

1. a) Supply the articles where necessary.

b) Write down 3-5 questions about the texts.

c) Say a few words about services provided by commercial banks.

a) A bank was originally ... bench set up in the marketplace for ... exchange of money. In a commercial sense, a bank is ... establishment where money is received on deposit to be repaid on demand or at notice, as may be arranged, and where loans are negotiated, bills discounted, and general financial business transacted. The main functions of... modern commercial bank are:

- to receive money on current accounts repayable on demand, or on deposit accounts repayable subject to an agreed notice;
- to lend money by granting ... loans and ... overdrafts or discounting bills of exchange and ... promissory notes.

Apart from these two chief functions - linking up lenders and borrowers of capital - the bank performs many other functions:

- ... obtaining and giving information as to ... financial standing of customers: transferring funds for ... payments or ... investments;
- making foreign currency transactions;
- issuing letters of credit, drafts and travellers' cheques;
- undertaking duties of... agents, trustees and guarantors;
- performing leasing and factoring operations and others.

A very important part of any efficient banking system is ... interbank market.

Some banks get more ... deposits than requests for loans, and vice versa. The interbank market smooths out these imbalances by providing ... way for ... bank with too many deposits to pass them on to ... bank with too many loan requests. In London there are different interbank markets for different currencies and for deposits with different maturities. Of these, ... Eurodollar interbank market is particularly important, and LIBOR (the London interbank offered rate) is ... key dollar rate for all the world's international borrowing and lending.

Words you may need:

bench	лавка
establishment	установа
negotiate	вести переговори
repayable	який належить оплатити
bill of exchange	переводний вексель
promissory note	простий вексель
apart from	окрім
link up	зв'язувати
financial standing	фінансове становище
to issue a letter of credit	виставляти/виписувати акредитив
draft	тратта, переводний вексель
trustee	попечитель
guarantor	гарант
leasing and factoring operations	операції по лізингу и факторингу
interbank market	межбанківський ринок
vice versa	навпаки
to smooth out imbalances	згладжувати, усувати диспропорції
maturity	погашення зобов'язання; час розрахунку
LIBOR	ставка пропозиції (продавця) на лондонському межбанківському ринку депозитів

2. Read the text.

a) Open the brackets putting the verbs in the correct form.

b) Say what you have learnt from the text about international banks.

Basic principles of commercial banking best (to demonstrate) in the case of international banks. These institutions are the dominant traders in the Euromarkets and the foreign exchange markets are very active in some domestic credit and bond markets. The Eurocurrency market (to consist) of banks, commonly referred to as "Eurobanks", which accept deposits and (to lend) in foreign currencies. Most of the banks active in the Eurocurrency market also (to trade) extensively in the foreign exchange markets. The Eurobanks concerned include some of the largest banks in the world.

Eurobanks are typically London branches of these large international banks and primarily (to engage) in intermediation in short-term deposits denominated in currencies other than Sterling. Eurosterling dealing (to take) place outside of British jurisdiction. The large American and Japanese banks (to dominate) the Eurocurrency business, but major British banks also (to be) very active throughout the 1980's. Some of the large world commercial banks also (to form) "consortium" banks as special purpose joint ventures set up to deal in the Eurocurrency market. From the parent bank's point of view, the Eurobank branch or consortium (to be) able to operate outside the range of domestic banking regulations and therefore (to achieve) considerable cost economies due to the absence of reserve requirements and other regulatory costs. International co-operation on capital adequacy standards (to begin) to erode this privileged position. As a result, the global financial intermediation activities of international banks are now increasingly subject to some form of international control. A further advantage of Eurobanking (to stem) from the scale of borrowing and lending in this market. This means that major economies of scale can be realized by banks. These factors explain why Eurocurrency deposit and lending rates fall within the equivalent domestic values. Thus the Eurosterling loan rate (to be) lower than the British domestic bank loan rate and the Eurosterling deposit rate (to be) higher than the British deposit rate. The resulting very narrow profit margin in the Eurocurrency market is only possible due to the transaction and regulatory cost savings achievable in this market compared with equivalent domestic markets.

depositors, what would you do about your account?

3. Discuss the kinds of banks described in the text and their functions.

In a country with a developed banking system there are different kinds of banks with widely varying activities. They are:

1. *The Universal banks.* Those banks (commonly found in Switzerland, West Germany and the Netherlands) are allowed to do almost anything financial, from lending other people's money to underwriting, advising on investments, stockbroking, etc. Some frown on universal banking in the belief that it creates too many conflicts of interest within one bank. Can a bank give advice on a share for which it is the underwriter and also broker and banker to the issuer? That question has not stopped foreigners from wanting a Swiss bank account and taking their Swiss banker's investment advice.

2. *The ordinary deposit banks.* These include the commercial or joint-stock banks, large and small, some private banks. All these have direct contact with the public which deposits money with them and draws cheques on them.

3. *The savings banks.* The chief function of these banks is explained their name. In old times savings banks were banks which accepted only the deposits of small savers. They did no business with industry and provided no money-transmission service, had no cheque-drawing facilities. These distinctions between savings banks and other banks now being eroded.

4. *The merchant banks, or "acceptance houses".* Merchant banks are British banks which concentrate on advising companies about raising new capital and about buying or selling other companies. They do a bit of lending too. Some of them also specialize in fund management. Merchant banking is the business carried out over the last two hundred years or so by a small

number of London-based institutions. The origins of merchant banking in London lie in the 18th century.

The name "merchant bankers" refers to their origin as mercantile houses specializing in the export of British products and the import of products from foreign countries. This involved remitting money from one country to another, and the bill of exchange on London became the means of financing the import and export trades, which

allowed the vendor and purchaser of traded goods to achieve liquidity; the role of the merchant was to put its name to or to "accept" a bill, which was then discounted in the market. The skill of the general merchant was to assess the credit of the purchaser whose bill it had accepted. Trade and its finance continued to form the backbone of their business and the growing significance of their ability to provide credit transformed a number of general merchants into merchant banks, specializing in accepting bills. In doing so they assisted London to become the world's financial centre: the bill of exchange on a London accepting house, denominated in sterling, became a means of settlement in trade throughout the world.

Merchant banks maintained excellent connections with leading British companies and frequently joined their boards. As a result, from the 1950s a small number of merchant banks, in addition to their acceptance business, came to dominate the business of corporate issues in the form of offers for sale of formerly private companies to the public, rights issues of equities and debenture issues. In these issues merchant banks acted both as advisers and as primary underwriters in guaranteeing a sale price to the vendor. Merchant banks took full advantage of the development of the Eurocurrency markets in London in 1970s, and were amongst the most active syndicators of currency loans to the international banking community. Merchant banks have built up a substantial business as investment managers on behalf of UK institutions, such as pension funds, as well as overseas governments and major institutions worldwide. They played a leading role in developing the international investment management industry in London.

5. *The consortium banks.* A consortium bank is a bank owned by a group of other banks from a number of different countries, no one of which owns a majority share. Consortium banks were children of the Euromarket. Born in the 1970s they gave smaller banks a way into the Euromarket hand in hand with bigger bank partners. The advantage to the bigger banks lay in their easier access to the big domestic customers of the smaller banks.

Some consortium banks continue to thrive by staying at the forefront of new financial techniques, acting as a type of merchant bank, some other were gobbled up by one or other of their shareholders.

Words you may need:

universal bank	універсальний банк
underwriting	андеррайтинг, гарантоване розміщення (цінних паперів)
frown	не схвалювати, відноситися негативно
erode	розмивати(ся), руйнувати
fund management	керування фінансовими коштами
London-based	який знаходиться у Лондоні
mercantile	комерційний, торговий
to remit money	переводити гроші (по телеграфу)
vendor	торговець, продавець
backbone	хребет, основа
rights issues of equities	випуск нових акцій, які пропонуються акціонерам компаній
debenture	облігація (акціонерної компанії)
consortium bank	консорційний банк
majority share	контрольний пакет акцій
thrive	процвітати
gobble	поглинати (букв. пожирати)

4. Read the dialogue, convert direct speech in indirect, sum up its content, write down the annotation.

COMMERCIAL BANKS IN UKRAINE

Foreigner: As far as I know, Ukraine has a two-tier banking system.

Ukrainian: Yes, our banking system consists of the Central Bank of Ukraine (CBU) and commercial banks, which is typical of many countries in the market economy.

F.: How do your commercial banks operate? Is the regulatory control strong enough?

U.: Banking in Ukraine is regulated by the Law on Banks and Banking in Ukraine. As to the CBU, it is constantly strengthening its regulatory and supervisory role. For instance, now banks can start operating only after they get registered and obtain a license from the CBU.

F: Your banking legislation provides for the existence of banks and credit institutions. How do they differ? U: Our credit institutions are only allowed to perform cash settlement operations, collect money and documents, buy and sell foreign currency.

F.: How are your banks run?

U.: It depends on the organizational and legal form of the bank. Banks with the authorized capital made up of contributions, have the status of limited liability societies. The founders' contributions may be in the form of money, property and other tangible assets. A joint-stock bank forms its authorized fund by issuing shares.

The governing body in a bank is a meeting of the founders or shareholders. Between the meetings, this function is performed by the bank's council. They determine the bank's policy.

Day-to-day management is carried out by the board, which is an executive body. The board is headed by the President. The board members determine the bank's structure and functions of its departments.

F.: In the West, bankers' services cover an enormous range of activities today. What about your banks?

U.: In principle, we offer practically the same services. All operations can be divided into active and passive. Passive operations are bank's resources consisting of a bank's own and outside funds. I mean the authorized capital, the reserve and special funds as well as the retained profit.

F: But the bulk of a bank's resources are formed by outside resources, in other words, loans obtained by the bank and deposits.

U.: You are right. Speaking about active operations, I'd like to stress that they are placement operations aimed to get a profit and guarantee a bank's liquidity. They are cash, credit and investment operations.

F.: What operations prevail in the assets structure?

U.: Lending operations. Their share is the largest.

F.: Then the loan management departments must be most careful with applicants.

U.: They are. They study creditworthiness of applicants and their credit history most carefully before they give recommendations to lending operations departments.

F.: Banks sometimes follow a risky credit policy. Are your banks tempted by quick and easy profits?

U.: They are. Moreover, sometimes they infringe normative documents of the Central Bank, particularly about the capital and reserve requirements. Some banks also infringe rules for accounting and reporting and requirements for reserves for possible losses.

F.: What is the position of the Central Bank in this critical situation?

U.: Banks are controlled regularly for capital adequacy, asset quality and liquidity, I mean cash and "near cash" investments.

F.: Refinancing is a tested technique to regulate bank's liquidity. Your Central Bank arranges refinancing, doesn't it?

U.: Yes, it does. Refinancing is done by granting lombard credits, through sale and repurchase agreements (REPOs), and by crediting correspondent accounts of banks acting as primary dealers in the GKO market.

F.: I see that your financial sector is really developing at a great pace.

Words you may need:

Credit institution	кредитна організація
cash settlement operations	розрахунково-касові операції
founder	засновник
contribution	внесок
tangible assets	матеріальні активи
outside funds	кошти, які залучаються
retained profit	прибуток, який нерозподілений
placement operations	розміщення засобів
primary dealer	первинний дилер, дилер по урядовим облігаціям
applicant	заявник
worthiness	кредитоспроможність
credit history	«кредитна історія», дос'є позичальника
tempt	спокушати
infringe	нарушати (правила, закони)

UNIT 12

taxation	оподаткування
tax on income	прибутковий податок
tax on wages	податок на заробітну плату
tax on salary	податок на заробітну плату службовців
tax on profit	податок на прибуток
tax on dividends	податок на дивіденди
tax on rent	податок на рентну плату
tax on interest	податок на відсотковий прибуток
direct taxes	прямі податки
indirect taxes	непрямий податок
to give effect	здійснювати, виконувати
to levy	обкладати податком
to impose	обкладати податком
after – tax income	прибуток після утримання податків
to complete a return	заповнювати податкову декларацію
to submit	представляти
return	податкова декларація

1. Read sentences only with new lexis and translate them.

1. Taxes on income (i.e. on wages, salaries, profits, dividends, rent and interest) and on capital are known as "direct" taxes.
2. Some small component of government spending is financed through government borrowing.
3. Taxes on commodities or services are known as "indirect" taxes.
4. Individual states levy their own taxes.
5. In most countries there are campaigns for cutting government spending.
6. When the after-tax income is paid out to stock-holders² as dividends, it is then taxed again as personal income.
7. This often imposes a double tax burden.
8. The Ukrainian government tries to create a climate in which business can thrive, to keep the tax burden as low as possible.

2. Put the missing letters.

t..x, l.v..., ret...rn, s..bm..t, imp..se, ind..rect and d..rect t..xes, to c..mpl..te a r..turn, t..x on pr..fit, t..x on d..v..dents, t..x on int..rest, t..x on w..ges, t..x on in..ome.

3. Work in pairs. One student has to name all the words he/she memorized from the word list another student has to translate them.

Exercises

1. Answer the questions.

1. What are taxes?
2. What are the purposes of direct and indirect taxation?
3. Are businesses taxed equally?
4. How is taxation levied in the UK?
5. What taxes are paid to the state budget?
6. What bodies collect taxes?
7. Do taxpayers have the right to appeal against additional tax liability?
8. What is the difference between tax evasion and tax avoidance?
9. In what situations can incomes be taxed twice?

2. Find in the text English equivalents for the following Ukrainian phrases:

Прибутковий податок; податок на заробітну плату; податок на заробітну плату службовців; податок на прибуток податок на дивіденди; податок на рентні сплати; податок на відсотковий прибуток; податок на капітал; прямі податки; непрямі податки; покривати витрати; відсоткові сплати по зовнішньому боргу; добробут громади; підлягають обкладенню податком; відноситися по-різному; прибуток після оподаткування; податкова декларація; податок на прибавлену вартість; збирати податки; проводити аудиторську перевірку; подавати апеляційну скаргу; відхилення від податкових зобов'язань, яке є незаконним; заборгованість по податковим виплатам.

3. Find the pairs of synonyms and antonyms.

Considerable, to buy, advantage, almost, mostly, great, home, expenditure, provided, unemployed, to need, to produce, to supply, to lead to, taxable, unproductive, efficient, to purchase, spending, to cut, to levy, taxed, productive, employed, to require, disadvantage, to sell, to provide, to impose, to reduce, domestic, to give rise to.

4. Match the verbs from (a) with nouns from (b) below:

a) to reduce	b) economic welfare
to improve	taxes
to correct	inequality
to increase	revenue
to check	imports
to withhold	business
to tax	adverse balance of payments

5. Say how the following words are formed.

Partnership	taxpayer
Assessment	employee
Installment	employer
Completion	independence
Deduction	reference
Information	emergency
application	

6. Make up sentences putting the words in the correct order.

1. Taxes, considered, to, are, three, have, functions.
2. Businesses, are, and, subject, individuals, forms, to, of, many, taxes.
3. All, entities, Ukrainian, legal, are, to, subject, law, tax, profit.
4. Ukrainian, provide, taxes, tiers, of, budget, three, revenue, for, the.
5. Ukrainian, eliminate, to, government, attempts, allowances, tax.

7. Complete the sentences with the following words: *corporation taxes, income taxes, a tax year, financial, fiscal, assessment, installments, tax.*

1. Individuals, partnerships and trusts pay.....

2. Income tax and capital gain tax are charged for....
3. A tax year is sometimes called.....year or year of..... .
4. Corporations taxes are charged for ayear.
5. Individuals usually pay taxes in two....
6. Companies pay... .
7. An amount of money taken by central or local government from people's income or company profits and used for public spending is called... .

8. Write down the Ukrainian equivalents.

Board of Inland Revenue, to lodge an appeal, tax coding, tax office, tax year, tax position.

9. Find in the text sentences expressing such ideas.

1. Everybody must pay taxes.
2. There are two forms of taxes.
3. We know three functions of taxes.
4. Partnerships and proprietorships from the one hand and corporations and companies are the subjects of different taxation.
5. The personal income tax is the most important source of tax revenue.
6. The systems of taxation in UK and the USA differ from each other.
7. Ukrainian taxes provide revenue for three tiers of the budget.
8. The tax authorities audit tax returns.

10. Checking facts and ideas using such expressions: *Exactly; Right you are; I agree with you; That goes without saying; There's no denying it; No doubt whatever; I can't agree with you; I'm against it; You are mistaken; Hardly.*

1. Taxes on commodities or services are known as direct taxes.
2. High tax rates are said to reduce the intensity of work.
3. If half of all we earn goes to the government, we may prefer to work fewer hours a week and spend more time in the garden or watching television.
4. Most of public expenditure is financed through taxation and government borrowing.
5. All the forms of business organizations are taxed equally.
6. Ukrainian taxes provide revenue for two tiers of the budget: regional and local.
7. If you receive income from a source in another country, you will pay taxes twice.

11. Find the definitions to the next terms:

<i>direct tax</i> <i>indirect tax</i> <i>tax burden</i> <i>tax revenue</i>	<i>value added tax</i> <i>sales tax</i> <i>public goods</i>	<i>corporation tax</i> <i>excise duty</i> <i>tax rate</i>	<i>tax</i> <i>income tax</i> <i>taxable income</i>
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1. A form of indirect tax which is included in the selling price of a product and which is eventually paid by the consumer.
2. An indirect tax which is based on the difference between the value of the output over the value of the input used to produce it.
3. The percentage rate at which a tax is levied on income or expenditure.
4. The money raised by government through imposing taxes.
5. A tax levied by the government on goods and services in order to raise revenue, such as value added tax and excise duty.
6. Goods and services provided by the state for all or most of the population such as education, health, housing, etc.
7. A tax levied by the government on the income or property of households or businesses.
8. A direct tax levied by the government on the income (wages, rent, dividends) received by

households.

9. The amount of an individual's income on which a tax is levied.

10. The total amount of taxation paid by the population of a country in the form of income tax, corporation tax, value added tax, etc.

11. A direct tax levied by the government on the profits of businesses.

12. An indirect tax levied by the government on certain goods, typically tobacco, oil, and alcoholic drink.

13. An amount of money taken by central or local government from people's income or company profits and used for public spending.

Talking Points

1. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

2. Prepare a short talk on the following:

1. The tax climate in Ukraine; recent changes in tax legislation. Give your opinion on whether they are good for the health of the economy as a whole. Say what you think about the possible impact on the survival of small firms.
2. Are you the type of person who should start a small business? Explain why or not.
3. Are people beginning to understand that to pay taxes is in their interest?
4. How do taxes in Ukraine compare with taxes in other countries?
5. What is the difference between tax evasion and tax avoidance?
6. What measures, in your opinion, can improve tax collection in Ukraine?

Grammar Exercises

1. Name the number of the sentences where the word *most* has the meaning а) «більшість, більша частина», в) «вельми, вкрай» (весьма, крайне).

1. In modern economies taxes are the most important source of government revenues.
2. By far the most important source of tax revenue is the personal income tax.
3. In 1999 there was a most sharp fall in world oil prices.
4. In a situation of full employment, the supply of most goods and services will be inelastic.
5. With some groups of population, payments from social security funds may be a most important contribution to household incomes.

2. Change the word order in the sentences using the Subjective Infinitive Complex.

Economists believe unemployment benefits to stop from looking for a job. - **Unemployment benefits are believed to stop people from looking for a job.**

1. Economists think youth employment to be low in Germany education is subsidized by the state.
2. Economists consider government spending cuts to be necessary in order to cut taxes.

3. Economists say economic system to be the particular way in which the economic activity in a country is organized.
4. Economists believe workers in poor countries to be much less productive as a result of bad working conditions.
5. Statistics say the 16 percent of world population living in the industrial countries receive nearly 80 percent of the world income.
6. We know public goods to be paid for out of general taxation.
7. We know a subvention to be money given by a government, a person or an organization to help somebody do something for the good of the public, for example, in education or sciences.
8. We consider a subsidy to be money given by a government to certain producers to help them to produce at a low price goods and services needed by the public.

TEST YOURSELF

I. Complete the sentences.

1. I try to spend money and time ...
a) economical b) economically c) economic d) economize.
2. The aim of ... is to analyze the trends in government expenditures.
a) budget classification b) functional classification c) economic classification d) cross-classification
3. ... is the projected cash balance at the end of a given period.
a) master budget b) capital budget c) cash budget d) operating budget
4. ... is a measure of how quickly an item can be converted to cash.
a) store of value b) liquidity c) money supply d) cash
5. Invisible trade is a trade in ...
a) tangible goods b) raw materials c) services d) consumer goods
6. Central bank functions for the ...
a) government b) private customers c) population d) fraction
7. The consumer ... to decide how much the good A is preferred to the good B.
a) had to b) must c) has to d) can
8. He ... to take more active part in decision making on the exports strategy of the company.
a) ought to b) should c) must d) is to
9. They ... completely ... the design of dollar bills.
a) are changing b) have been changed c) have changed d) had changed
10. The fall ... fortunately never came true.
a) predict b) predicted c) have predicted d) predicting
11. ... the retail price, the new company was able to attract thousands of customers.
a) decrease b) having decreased c) decreased d) being decreased
12. If company is in trouble, it ... happy to borrow at almost any interest rate the bank charge.
a) is b) was c) could be d) will be

II. Complete the sentences.

13. The law of supply and demand says that
a) if demand exceeds supply, the price tends to fall
b) if demand exceeds supply, the price tends to rise
c) if supply exceeds demand, the price tends to rise
d) demand and supply do not depend on each other
14. We can say that the budget has a deficit when
a) expenditure exceeds the revenue
b) expenditure is equal to the revenue
c) the revenue is lower than expenditures

15. When the government levies the tax on a good

- a) the price for that good will rise
- b) the price for that good will fall
- c) the price for that good will not change
- d) it will be free

16. When an economy has no transactions with the rest of the world

- a) we say it to be an open economy
- b) we say it to be a closed economy
- c) we say it to be a market economy
- d) we say it to be a social economy

III. Complete the sentences with following words: *market, financial policy, fiscal, installments, taxable income.*

17.... is based on strategic guidelines mechanism and at directing financial activity of a country.

18. ...is the organized group of buyers and sellers of a particular goods who are in contact with each other.

19. The amount of an individual's income on which a tax is levied is called...

20. A tax year is sometimes called a... year.

21. Individuals usually pay taxes in two...

IV. Find the correct translation of the sentences.

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

- a) Висока ціна за товар це ринковий механізм, який говорить постачальникам, що вже час збільшувати виробництво.
- b) Висока ціна за товар це ринковий механізм, який говорить постачальникам, що вже пройшов час збільшувати виробництво.
- c) Висока ціна за товар це ринковий механізм, який передав постачальникам, що ще прийде час збільшувати виробництво.
- d) Високі ціни за товари це ринковий механізм, який говорить постачальникам, що вже час збільшувати виробництво.

33. Частка податків в ціні товару не може залежати від купівельної спроможності населення.

- a) The share of tax in a commodity prices cannot depend on the profit.
- b) The share of tax in a commodity price depends on the purchasing power of population.
- c) The share of tax in a commodity price cannot depend on the purchasing power of population.
- d) The purchasing power of population cannot depend on the profit.

V. Find synonym or definition of the word.

22. A lot of economics factors have an influence on transaction.

- a) deal
- b) transformation
- c) production costs
- d) bargain

23. Savers and borrowers are connected by financial intermediary.

- a) baker
- b) middle-man
- c) banks
- d) employers

24. Visible trade is the imports and exports of tangible goods.

- a) fabric
- b) material
- c) maternal
- d) different

25. Levying taxes or borrowing, government pay for the goods they buy and for the transfer payments they make.

- a) imposing
- b) taking
- c) giving effect
- d) submitting

V. Complete the table.

		noun
26.	to allocate	
		noun
27.	expensive	
		verb
28.	existence	
		noun
29.	to estimate	
		adjective
30.	success	
		verb
31.	negotiation	

VI. Look through the sentences which were written by Ukraininan who studies English. Which of them are not correct? Match with “+” corrret sentences and “- “ sentences with grammar mistakes.

- 34.a) All bank-notes and coins must be accepted at their full nominal value without restriction.
- b) The strong an economy, the more fully its currency perform its functions.
- c) Nowadays events in other countries affect our daily lives much more than they did ten years ago.
- d) If kept accurately, accounts are easy to check.

VIII. which words are missed?

- 35. trade is trade in services.
- 36. ... is a means of paying for the goods and services individuals need and want.

IX. Put + near the sentences in Complex Subject.

- 37. Youth employment is thought to be low in Germany because education is subsidized by the state.
- 38. The UK government is known to take nearly 40 percent of national income in taxes.
- 39. Most of public expenditure is financed through taxation and government borrowing.
- 40. Social security payments and unemployment are known as transfer payment.

UNIT 13

international monetary system	міжнародна валютна система
international monetary institutions	міжнародні фінансові організації
to reconcile	примиряти
balance-of-payments position	стан платіжного балансу
to settle accounts	урегулювати рахунки
adjustment	коректування, виправлення
payment imbalances	нерівновага виплат
employment opportunities	вакансії
exaggeration	прибільшення
to leave smb. worse off	ставити когось в невігідне положення
imposition of controls	введення контролю

1. Read sentences only with new lexis and translate them.

1. 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.
2. Interdependence among nations has intensified lately.
3. The international monetary system is concerned with the financing of payments imbalances among countries by the use of credit or reserves.
4. The International Monetary Fund, an association of governments was set up on 27th December, 1945.
5. A movement in the exchange rate may benefit an individual in one his roles but leave him worse off in another.

2. Put the missing letters.

Int..rn..at...nal, mon..t..ry, s..stem, exag..r..ti..n, o..o..tunities, imp..s..t..on of contr..ls, ad..ust, rec..nc..le, to s..ttle a..ounts.

3. Read the text.

INTERNATIONAL MONETARY SYSTEM INTERNATIONAL MONETARY INSTITUTIONS

There is little exaggeration in saying that international monetary developments affect all individuals as workers, consumers, travellers, 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 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, interest rates, imposition of controls on exports or 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 monetary relations are governed by rules of *the Articles of Agreement* of the *International Monetary Fund* and also by agreements and consultations among nations through other international institutions: *the General Agreement on Tariffs and Trade (GATT)*, *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 Bank 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-payments 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, in 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.

Words you may need:

National boundaries¹ - державні кордони

Articles of Agreement - устав

International Monetary Fund - Міжнародний Валютний Фонд

the General Agreement on Tariffs and Trade (GATT) - Генеральне положення про тарифи та торгівлю

the Organization for Economic Cooperation and Development (OECD) - Організація економічного співробітництва та розвитку

the Bank for International Settlements (BIS) - Банк міжнародних розрахунків

the United Nations Conference on Trade and Development (UNCTAD) - Конференція ООН з торгівлі та розвитку

the World Bank Group - група Світового банку

is afflicted with problems - обтяжувати проблемами

discrepancy - розходження, протиріччя

to settle accounts - урегулювати розрахунки

broad terms - у широкому смислі

establishment and alteration of exchange rates - установлення та зміна обмінних курсів

Exercises

1. Answer the questions:

1. In what way are individuals affected by international monetary developments?
2. What is the international monetary system?
3. What is the international monetary system concerned with?
4. What are the international monetary relations governed by?
5. What are the major international monetary institutions?
6. Is the international monetary system afflicted with problems?

2. Find English equivalents for the following Ukrainian phrases.

Не буде великим прибільшенням сказати; позначатися на людях; шляхи, якими передається цей вплив різноманітні; число вакансій збільшується; експорт процвітає; конкурувати по цінам і по якості; зміна валютного курсу; введення експортного контролю; міжнародна валютна система це совокупність угод, правил, організацій і т.д.; характер взаємовідносин платіжних балансів; взаємовідносини регулюються; бути залежними економічно; визначати функції; положення з платіжним балансом; коректування положення з платіжним балансом; установлення та зміна валютних курсів.

3. Find the pairs of synonyms and antonyms.

Affect, thrive, dependence, impact, long-term, independence, weaken, short-term, to implement, permanent, to pursue, temporary, to exaggerate, to improve, to reduce, to make worse, discrepancy, agreement.

4. Match the verbs from (a) with the nouns from (b) below:

a) To address	b) Export controls
To affect	Individuals
To provide	Relationship
To define	Interests
To reconcile	Accounts
To impose	Benefits
To strengthen	Functions
To adjust	Problems
To settle	Impact

5. Make up sentences putting the words in correct order.

1. International, relations, by, are, of, the, of, Agreement, governed, monetary, rules, the, Articles, of, of, the, Monetary, International, Fund.
2. The, monetary, international, is, a, set, system, of, arrangements, practices, rules, under, which, and, payments, institutions, are made, and, for, received, transactions, out, carried, national, across, boundaries.
3. The, system, international, concerned, about, is, the, among, relationship, the, of, hundred or, of, individual, so currencies, countries, monetary.
4. The, monetary, is, system, afflicted, international, problems, with.
5. The, monetary, to reconcile, system, acts, international, the, economic, conflicting, its, politically, of, members, independent.

6. Complete the sentences with the following words:

a) <i>the international monetary system</i>	d) <i>imposition of controls</i>
b) <i>international Monetary Fund</i>	e) <i>leave him worse off</i>
c) <i>payments imbalances</i>	f) <i>employment opportunities</i>

1. 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.
2. Business activity is heavily influenced by international monetary conditions affecting prices, exchange rates, interest rates, on exports or imports or on capital movements.
3. is a set of arrangements, rules, practices, and institutions under which payments are made and received for transactions carried out across national boundaries.
4. The international monetary system involves the management, in one way or another, of three processes and one of them is the financing of among countries by the use of credit or reserves.
5. A movement in the exchange rate may benefit an individual in one his roles but in another.
6. ...a specialized agency of the United Nations encouraging international monetary co-operation and international trade.

7. Write down the Ukrainian equivalents.

Articles of Agreement

International Monetary Fund

The General Agreement on Tariffs and Trade (GATT)

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 Bank Group

8. Find in the text sentences expressing such ideas.

1. The international monetary developments affect the lives of all people.
2. The international monetary system touches a lot of problems.
3. The international monetary system works according to the rules.
4. The reason of monetary system problems is in the politically independence of nations and in the same time in their economically and financially interdependency.
5. The international monetary system is concerned with three main problems.

9. Checking facts and ideas using such expressions: *Exactly; Right you are; I agree with you; That goes without saying; There's no denying it; No doubt whatever; I can't agree with you; I'm against it; You are mistaken; Hardly.*

1. The international monetary system influences only on the lives of businessmen.
2. Employment opportunities for workers depend on the economical situation in their country and have no any connection with the international monetary system.
3. Business activity is heavily influenced by international monetary system.
4. The international system is concerned only with the supply of international money.
5. International monetary relations are governed by rules.
6. The international monetary system is not afflicted with problems.
7. The problem how nations settle their accounts with one another is not the problem of the international monetary system.
8. The international monetary system involves the management of three processes.

Talking Points

1. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

Grammar Exercises

1. a) Supply the articles where necessary.

b) Write down 3-5 questions about the text.

c) Describe the purposes for which the IMF was set up.

THE INTERNATIONAL MONETARY FUND

The International Monetary Fund, an association of governments was set up on 27th December, 1945, as a result of the Bretton Woods Agreements which *were designed* to translate the bitter lessons of global depression into ... stable and cooperative international monetary system. The organizational structure of the IMF is set out in its Articles of Agreement, which *entered into force* in December 1945. The goals of... IMF are to promote international monetary cooperation through a permanent institution; to facilitate the expansion and *balanced* growth of international trade; to promote exchange stability; to assist in the establishment of a *multilateral* system of payments *in respect* of current transactions between members; and to provide members with an opportunity *to correct maladjustments* in their balance of payments without *resorting* to measures destructive to national and international prosperity.

Over many years the IMF has been directly involved in supporting ... efforts of developing

countries to pursue broad *structural reforms* and achieve sustainable growth. As of August 1, 1994, 179 countries were members of the IMF. Each member government has been set ... quota to be paid into the Fund, payable partly in ... gold and partly in the member's own currency; the quota determines the member's *voting power* and ... amount of foreign exchange that it may draw from the Fund. A member may *purchase* foreign exchange, paying its own currency, but ... member must "repurchase" its own currency within three or, at the outside, five years *to maintain the balance* in the Fund pool.

Currencies drawn from the Fund may be used to relieve ... member's balance-of-payments difficulties; the funds may not be used for military purposes or for programmes of economic development. The aim is to assure ... maintenance of fixed exchange rates in the face of short-term fluctuations. Many countries have been helped in this way. Each member undertakes to establish and maintain an agreed par value for its currency, and to consult the Fund on any change in ... initial parity.

In addition, the Fund consults with members on their international financial situation and on specific problems as they arise. On request, the Fund furnishes expert missions to advise and assist... governments in working out monetary problems on the spot. In any event, members are kept informed of... latest developments. Policies are laid down by a Board of Governors, representing all members, which normally meet annually. Many of its powers are delegated to a Board of Executive Directors. In recent years, the resources of the Fund have been supplemented by resources of... Group of Ten.

Words you may need:

to be designed	бути призначеним
to enter into force	вступати в силу
balanced	збалансований
multilateral system	багатостороння система
in respect of	в відношенні
to correct maladjustments	виправляти диспропорції
resort (to) v	увадатися до
structural reforms	структурні реформи
voting power	голоси в органах, які керують
purchase v	купувати
to maintain the balance	підтримувати баланс

2. Prepare the short talk on the following:

1. In what way are individuals affected by international monetary developments?
2. Relations between Ukraine and international institutions such as GATT, OECD, BIS, UNCTAD, IMF. In what ways do countries benefit from the membership in these organizations?
3. Your opinion on Ukraine's borrowings from the IMF. Is it the only way to cover the budget deficit?

UNIT 14

bond market	ринок облігацій
maturity	строк боргового зобов'язання
to back	гарантувати, давати поручительство
to deal (in)	торгувати
to debt financing	фінансування шляхом отримання позики
equity financing	мобілізація капіталу за допомогою випуску акцій
share	доля
debtor	боржник
lender	кредитор
to underwrite	гарантувати розміщення цінних паперів
hard-currency market	ринок твердої валюти
short-term securities	короткострокові цінні папери
to issue stock	випускати акції
to trade	проводити угоди на ринку цінних паперів

1. Read sentences only with new lexis.

1. Money markets deal in short-term securities having maturities one year or less.
2. Mortgage bonds are debt that is secured by the pledge of specific property.
3. There is no uniform system for classifying the global bond markets.
4. Some sources of funds available to businesses (like issuing stock) are not available to governments.
5. 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.
6. When revenues fall short expenditures governments go into debt-they borrow short- long-term funds by issuing bonds.

2. Put the missing letters.

b...nd m...ket, m...t...r...ty, de...l, short-t...m sec...r...ties, e...ty financing, sh...re, de...tor, l...nd...r, to i...ue, under...te.

3. Read the text.

FINANCIAL MARKETS. THE BOND MARKET. TRADING IN THE BOND MARKET

People and organizations wanting to borrow money are brought 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 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. An investor who resells existing securities is participating in a secondary financial market.

So, when businesses, units of government or individuals cannot 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 management).

Some sources of funds available to businesses (like issuing stock) are not available to governments.

When revenues fall short expenditures governments **go into debt** - they borrow short-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, supranational⁶ (such as the World Bank, the Asian Development Bank), municipal governments, and nonfinancial and financial corporations.

By far the largest issuers 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 submarkets¹¹ 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.

Words you need:

in terms of the instrument maturity - з точки зору терміну погашення фінансового інструменту

capital markets - ринок довгострокового позичкового капіталу

When revenues fall short expenditures - Коли прибутки менше ніж витрати

governments go into debt- уряди здійснюють запозичення

issuer - емітент(особа, яка випускає облігації) цінних паперів

supranational - наднаціональна організація

By far - значною мірою

decompose - розкласти на складові частини

domiciled - який постійно проживає

submarkets - субринки

Exercises

1. Answer the questions.

1. What role do financial markets play?
2. In what ways do financial markets differ?
3. How can financial markets be classified?
4. In what way can capital be raised?
5. What ways of raising capital are available for governments?
6. What is a bond?
7. How can the global bond market be subdivided?
8. In what forms can government bonds be issued?

2. Find in the text English equivalents for the following Ukrainian phrases:

Мати справу з різними фінансовими інструментами; обслуговувати клієнтів; з терміном виплати менше одного року; брати участь в угодах на ринку; первинний(вторинний) фінансовий ринок; звертатися до; фінансування шляхом отримання позики; мобілізація капіталу за допомогою випуску акцій; випускати облігації; обговорений строк; емітент; єдина система класифікації; внутрішній ринок облігацій; емітент, який не проживає постійно у країні; облігації, якими торгують на ринку; випуск облігацій гарантовано міжнародним синдикатом; випускати у незареєстрованій формі; офшорний ринок облігацій; скоротити затрати, які пов'язані з купівлею та продажем облігацій; випускати облігації у формі сертифікату; випускати облігації у формі запису у комп'ютері.

3. Match the verbs from (a) with nouns from (b) below:

- | | |
|----------------------|-----------------------|
| a) to bring together | b) capital |
| to classify | people |
| to underwrite | issue |
| to invest into | debt financing |
| to speed up | role |
| to raise | use |
| to broaden | real sector |
| to rely on | financial instruments |
| to enhance | placements |
| to issue | bonds |

4. Make up sentences putting the words in the correct order.

1. Money, deal, in, markets, securities, short-term, of, maturities, having, or, less, one, year.
2. Financial, are, as, or, capital, money, markets, classified, markets, and, or, secondary, primary.
3. Capital, deal, in, markets, securities, long-term, maturities, having, greater, one, than, year.
4. Some, available, sources, of, funds, to, are, not, available, businesses, government, to.
5. There, is, uniform, no, for, system, the, global, classifying, bond, markets.
6. The, internal, market, bond, the, national, is, bond, also, market, called.

5. Complete the sentences with the following words:

- | | |
|--|---|
| a) <i>bond</i> | g) <i>foreign bond market</i> |
| b) <i>financial markets</i> | h) <i>domestic bond market</i> |
| c) <i>short-term securities</i> | i) <i>foreign bond market</i> |
| d) <i>long-term securities</i> | j) <i>domestic bond market</i> |
| e) <i>internal and external bond markets</i> | k) <i>the international bond market</i> |
| f) <i>national bond market</i> | |

1. are classified as money or capital markets and primary or secondary markets.
2. 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.
3. Money markets deal in having maturities one year or less.
4. The global bond market can be classified into two markets:
5. Capital markets deal inhaving maturities greater than one year.
6. The internal bond market is also called the
7. The national bond market can be decomposed into two parts:..... .
8. The external bond market, also called the..... .
9.is where issuers domiciled in the country issue bonds and where those bonds are subsequently traded.
10.of a country is where bonds of issuers not domiciled in the country are issued and traded.

6. Find in the text sentences expressing such ideas.

1. Financial markets play an important role for people and organizations.
2. The classification of financial markets depends on the work of institutions, dealing with the different instruments in terms of the instrument maturity and the assets backing it, and serving different types of customers.
3. Capital markets and money markets deal in securities.
4. Debt financing and equity financing can satisfy the individual's needs for money.
5. Government and businesses can not have the same sources of funds.
6. A bond is a formal document acknowledging the existence of a debt.
7. We can classify the global bond market into two markets.
8. The internal bond market and the national bond market is the same one.
9. The difference between domestic bond market and the foreign bond market is in the place where

the issuers of bonds are situated.

10. The external bond market has some distinguishing features.
11. The reducing of cost of trading bonds deals with computerization in bond market.

7. Checking facts and ideas using such expressions: *Exactly; Right you are; I agree with you; That goes without saying; There's no denying it; No doubt whatever; I can't agree with you; I'm against it; You are mistaken; Hardly.*

1. Due to the computer entries increased the costs of trading bonds.
2. The Eurobond Market is divided into different submarkets depending on the currency in which the issue is denominated.
3. We have to pay attention to the peculiarities of bonds, in different countries they have the same nickname.
4. The domestic bond market is where bonds of issuers not domiciled in the country are issued and traded.
5. The foreign bond market of a country is where bonds issuers domiciled in the country issue bonds and where those bonds are subsequently traded.
6. The external bond market can be decomposed into two parts: the domestic bond market and the foreign bond market.
7. Issuers include federal (central) governments and their agencies, supranational (such as the World Bank, the Asian Development Bank), municipal governments, and nonfinancial and financial corporations.
8. Bond is a formal document acknowledging the existence of a debt; securities issued by a government or a company.
9. Borrowing means the receiving money from a bank or other financial organization on the condition that is paid back later, with interest.
10. Offshore means based or registered abroad.
11. The offshore bond market is the same as international bond market.

8. Find the definitions to the next terms:

- | | |
|---------------------------------|-------------------------------|
| <i>a) short-term securities</i> | <i>e) foreign bond market</i> |
| <i>b) long-term securities</i> | <i>f) money market</i> |
| <i>c) bond</i> | <i>g) capital market</i> |
| <i>d) domestic bond market</i> | |

1. It 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.
2. The securities which have the maturity about one year or less are named....
3. Market which deal in short-term securities is named....
4. Market is where issuers domiciled in the country issue bonds and where those bonds are subsequently traded.
5. The securities which have the maturity greater than one year are called....
6. Market of a country where issuers of bonds are situated in another country but bonds are issued and trade in this country is called....
7. These markets deal in long-term securities.

Talking Points

1. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

US GOVERNMENT SECURITIES

2. a) Look through the text below to say what types of securities are described in it.

b) Reread the text more carefully and explain how the US government uses debt instruments.

The US government relies heavily on debt financing. Since the 1960s, revenues have seldom covered expenses, and the differences have been financed primarily by issuing debt instruments. Moreover, new debt must be issued in order to get the necessary funds to pay off old debt that comes due.

About two-thirds of the public debt is marketable, meaning that it is represented by securities that can be sold at any time by the original purchaser through government security dealers.

Marketable issues include Treasury bills, notes, and bonds.

US Treasury Bonds have maturities greater than ten years at the time of issuance, with denominations ranging from \$1,000 upward. Some Treasury bond issues have *call provisions* under which the Treasury has the right to force the investor to sell the bonds back to the government at *par value*.

US Savings Bonds are nonmarketable securities, offered only to individuals and selected organizations. There is a limit to the amount that may be purchased by any person in a single year. Two types are available: pure discount bonds and bonds that pay interest semiannually but can be redeemed for par value at any time.

To support credit for home purchase, the government has authorized the issuance of *participation certificates*. The most important certificates of this type are those issued by the **Government National Mortgage Association (GNMA or "Ginnie Mae")**, they are known as **GNMA Modified Pass-Through Securities**. Unlike most bonds, GNMA pass-through securities pay investors on a monthly basis an amount of money that represents both a *pro rata* return of principal and interest on the underlying mortgages.

US Corporate bonds. Corporate bonds are similar to other kinds of *fixed-income securities*. An issue of bonds is generally covered by an indenture, in which the issuing corporation promises a specified trustee that it will comply with a number of stated provisions, like the timely payment of required coupons and principal on the issue. The major types are as follows:

Mortgage bonds are debt that is secured by the pledge of specific property. In the event of default, the bondholders are entitled to obtain the property in question.

Collateral trust bonds are debt-backed by other securities that are usually held by the trustee.

Debentures are general obligations of the issuing corporation representing unsecured debt. A bond indenture will often require the issuing corporation to make annual payments into a sinking fund.

Words you may need:

treasury bond - довгострокові казначейські облігації

call provision - умова позики, яка передбачає право емітента достроково викупити цінні папери

par value - паритет, номінал

participation certificate - сертифікат участі

Government National Mortgage Association (GNMA) - Урядова Національна іпотечна асоціація

pass-through security - цінний папір, який випущено на базі пула іпотек

pro rata - пропорціональний, пропорціональна

fixed-income security - цінний папір з фіксованим прибутком

UNIT 15

stock market	фондовий ринок
intermediation	посередницька діяльність
expansion	розширення
to draw up	складати
equity	звичайна акція
quotation	котировка
to list	вносити до курсового бюлетеню
preferred stocks	привілейовані акції
listing	допуск цінного паперу у офіційній торгівлі на фондовій біржі
share index	фондовий індекс
indication	показник
dealer	дилер, біржовий торговець
cross-border trading	міжнародна торгівля
over-the counter market	позабіржовий ринок

1. Read sentences only with new lexis and translate them.

1. Stock Markets are the means through which securities are bought and sold.
2. The appearance of formal stock markets and professional intermediation resulted from the supply of, demand for and turnover in transferable securities.
3. The largest, most active and best organized markets were established in Western Europe and the United States.
4. Members of stock exchanges drew up rules to protect their own interests and to facilitate the business to be done by creating an orderly and regulated marketplace.
5. Investors were interested in a far wider range of securities than those issued by local enterprises.
6. Cross-border trading of international equities expanded.
7. Potential investors, insurance companies, pension funds, governments and corporate enterprises see securities as a cheap and convenient means of finance.
8. Investors need complete and reliable information about stocks and markets.

2. Put the missing letters.

St..ck m..rket, int..rm..d...tion, dr..w up, c..s-b..rder trade, eq..ty, d..l..r, q..tation, sh..re ind..x.

3. Read the text.

FINANCIAL MARKETS. THE STOCK MARKET STOCKS AND MARKETS

Stock Markets are the means through which securities are bought and sold. The origin of stock markets goes back to medieval Italy.¹ During the 17th and 18th centuries Amsterdam was the principal centre for securities trading in the world. The appearance of formal stock markets and professional intermediation resulted from the supply of, demand for and turnover in transferable securities. The 19th century saw a great expansion in issues of transferable securities².

The popularity of transferable instruments as a means of finance continued to grow and at the beginning of the 20th century there was an increasing demand for the facilities provided by stock exchanges, with both new ones appearing around the world and old ones becoming larger, more organized and increasingly sophisticated.

The largest, most active and best organized markets were established in Western Europe and the United States. Despite their common European origins there was no single model which every country copied.

Members of stock exchanges drew up rules to protect their own interests and to facilitate the business to be done by creating an orderly and regulated marketplace.

Investors were interested in a far wider range of securities³ than those issued by local enterprises. Increasingly, these local exchanges were integrated into national markets.

The rapid development of communications allowed stock exchanges to attract orders more easily from all over the country and later the barriers that had preserved the independence and isolation of national exchanges were progressively removed, leading to the creation of a world market for

securities.

The 1980s saw the growing internationalization of the world securities markets, forcing stock exchanges to compete with each other. Cross-border trading of international equities expanded.

Although many securities were of interest to only a small and localized group, others came to attract investors throughout the world. Increasingly, arbitrage between different stock exchanges ensured that the same security commanded the same price⁴ on whatever market it was traded. London, Paris, New York became dominant stock exchanges.

Stock exchanges emerged as central elements in the financial systems of all advanced countries.

Potential investors, insurance companies, pension funds, governments and corporate enterprises see securities as a cheap and convenient means of finance.

An investor who purchases new securities is participating in a primary financial market. An investor who resells existing securities is participating in a secondary financial market.

There are two basic types of stock markets – (1) organized exchanges, like the New York Stock Exchange (NYSE) or the London Stock Exchange (LSE), and (2) the less formal over-the-counter markets.

The organized security exchanges are tangible physical entities, which have specifically designated members⁵ and elected governing bodies – boards of governors.

In contrast to the organized security exchanges, the over-the-counter market is an intangible organization. It is a network of security dealers who buy and sell securities from each other, either for their own account or for their retail clients. The over-the-counter market is normally conducted by telephone and computer reporting of price quotations between brokerage firms that «make a market»; that is, agree to buy and sell a particular security. Securities that are not listed on exchanges are traded «over-the-counter». In general these include stocks, preferred stocks, corporate bonds, and other securities.

Investors need complete and reliable information about stocks and markets. In addition to the listings, the financial pages of newspapers in all countries contain price quotations and share indexes which give a broad indication of how the stock market, or a segment of the stock market, performed during a particular day.

Words you need:

The origin of stock markets goes back to medieval Italy¹ – зародження фондового ринку відноситься до епохи середньовічної Італії.

The 19th century saw a great expansion in issues of transferable securities² – у 19 сторіччі спостерігалось різке збільшення випуску цінних паперів.

were interested in a far wider range of securities³ – проявляли зацікавленість до значно більшого числа цінних паперів.

same security commanded the same price⁴ – одні і тіж цінні папери мали однакову ціну.

The organized security exchanges are tangible physical entities, which have specifically designated members⁵ – організовані фондові біржі є реально існуючими економічними суб'єктами, які мають конкретних членів.

Exercises

1. Answer these questions:

1. What is the Stock Market? What contributed to the emergence and growth of stock exchanges?
2. Where were the best organized stock markets established?
3. What general trend in the stock market development has been observed over the years of its existence?
4. What stock exchanges have become most dominant? What part do they play in the financial systems of advanced countries?
5. What are the basic types of stock markets? How are they conducted?

2. Find in the text English equivalents for the following Ukrainian phrases:

Цінні папери продаються та купуються; головний центр торгівлі цінними паперами; фондовий ринок з'явився у результаті; засіб фінансування; не існувало єдиної моделі; складати правила для захисту чийх-то інтересів; полегшити ведення бізнесу; упорядкований ринок, який регулюється; цінні папери, які випущені місцевими підприємствами; місцеві біржі були об'єднані у міжнаціональні фондові ринки; торгівля корпоративними цінними паперами розширилася; позабіржовий ринок; купувати та продавати цінні папери за свій рахунок; позабіржовий ринок проводить операції по телефону та за допомогою комп'ютерів; цінні папери, які незареєстровані на біржі.

4. Match the verbs from (a) with nouns from (b) below:

a) To expand	b) Barriers
To develop	Securities
To resell	Stocks
To remove	Trading
To issue	Shares
To list	Infrastructure
To possess	Standards
To meet	Capital
To submit	Documents

5. Make up sentences putting the words in the correct order.

1. Stock, are, Market, means, the, which, through, are, securities, bought, sold, and.
2. Cross-border, of, equities, trading, international, expanded.
3. Stock, exchanges, as, elements, emerged, central, the, in, system, financial, all, of, countries, advanced.
4. An, investor, purchases, who, securities, new, participating, is, a, in, primary, market, financial.
5. There, two, are, types, of, basic, markets, stock.
6. Investors, complete, need, information, reliable, and, stocks, about, and, markets.

6. Complete the sentences with the following words:

a) <i>stock exchange</i>	d) <i>securities market</i>
b) <i>over-the-country market</i>	e) <i>equities</i>
c) <i>"over-the-counter"</i>	f) <i>preferred stocks</i>

1. ...are the ordinary shares of a company traded in stock markets.
2. ...is a market where securities are bought and sold under fixed rules, but at prices controlled by supply and demand.
3. Securities that are not listed on exchanges are traded
4. ..is a market in unlisted securities; stock market where shares in newer and smaller companies are traded through a computer network.
5. ... is a market which enable businesses and individuals to buy and sell securities such as stocks and bonds.
6. ..are the stocks that give owners preference in the payment of dividends.

7. Write down the Ukrainian equivalents:

Stock market, stock exchange, equities, share, dealer, advanced countries, network, governing body, allow, retail client, conduct, preferred stocks, in contrast to, isolation, lead, force, facilities, expansion.

8. Find in the text sentences expressing such ideas.

1. The supply, demand and turnover in transferable securities led to the creating of stock markets.
2. At the beginning of the 20th century the stock exchanges became larger, more organized and increasingly sophisticated.
3. Members of stock exchanges drew up rules to protect their own interests.

4. We can say that 1980s were the years of growing internationalization of the world securities markets.
5. Securities acknowledged as the cheap and convenient means of finance.
6. There are two types of investors.
7. There are two basic types of stock markets.
8. There is a difference between organized exchanges and over-the-counter markets.
9. Investors can get information with the help of computers and newspapers.

9. Checking facts and ideas using such expressions: *Exactly; Right you are; I agree with you; That goes without saying; There's no denying it; No doubt whatever; I can't agree with you; I'm against it; You are mistaken; Hardly.*

1. Stock exchange is an organization whose members can buy and sell securities to the public.
2. Preferred stocks are the ordinary shares of a company traded in stock markets.
3. Equities are the stocks that give owners preference in the payment of dividends.
4. Over-the-country market is a market in unlisted securities.
5. The organized security exchanges are tangible physical entities.
6. The over-the-counter market is an intangible organization.
7. An investor who purchases new securities is participating in a secondary financial market.
8. An investor who resells existing securities is participating in a primary financial market.
9. Stock Markets are the means through which securities are bought and sold.
10. At the beginning of the 20th century there was an increasing demand for the facilities provided by stock exchanges.

Talking Points

1. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

2. Read the text and be ready to explain how to invest money in right place.

CHOOSING THE RIGHT INVESTMENT

Broadly speaking, investing means committing capital with the expectation of making a profit. The first step in an investment program is for the investor to analyze his or her specific situation. The analysis will contain specifics in terms of income desired, cash requirements, level of risk, and so forth. Investment objectives change over the course of a person's life. A second step is to select general investment options that best fit the specific needs of the investor. For example, investors should decide how much, if any, of their assets should be committed to real estate, bonds, or stocks. The third step is to select specific investments within the general areas. For example, should the investor choose the common or preferred stock of Procter & Gamble? Would the investor's objectives be best served by a corporate-issued or government-issued bond? Generally, there are five criteria to use when selecting an investment option:

1. Investment risk - the chance that an investment and all its accumulated yields will be worth less at some future time than when the investment is made.
2. Yield - the increase in the value of an investment over time, usually a year.
3. Duration - the length of time assets are committed.
4. Liquidity - how quickly one can get back invested funds when desired.

5. Tax consequences - how the investment will affect the investor's tax situation.

3. Name the number of the sentences where we have to use Russian words «по-видимому» and «оказалось».

1. Dividends and interest on capital are not likely to be paid in the years when the company has not received profit.
2. Since the Stock Exchange is a relatively free market, share prices are sure to fluctuate as market conditions change.
3. Where labour is expensive, firms are likely to substitute a lot of capital for labour.
4. The Stock Exchange operates mainly through stockbrokers who handle transactions for their clients.
5. The more goods are swapped for other goods without being recorded, the less accurate statistic information turns out to be.
6. The government policy proved to have resulted in a rapidly growing unemployment rate.
7. The bank unable to meet its liability in due time cannot expect to stay in business.
8. The clearing system proved to have become a convenient and economical means of settling debts between banks.
9. Their current account happened to have been opened by the same bank as ours.

4. Prepare a short talk using the Russian words «по-видимому» and «оказалось» on the following:

1. What a type of market is the stock exchange?
2. What services does the stock exchange render to the investors?
3. Is the stock exchange is a highly organized market? Why?
4. Do the dealings on the stock exchange affect the prosperity of a working man?
5. Is the stock market important to industry and the government?

UNIT 16

capital expenditure
physical productive assets
real investment
tangible assets
to embrace
capital gains
joint venture
diffusion
sharing
quantitative security valuation
dividend discount models
foreign direct investment

вкладення капіталу
матеріальні, виробничі фонди
інвестиції у реальний капітал
матеріальні активи
охвачувати
приріст капіталу
сумісне виробництво
розповсюдження
участь у
кількісна оцінка інвестиційних активів
моделі дисконтування фінансових потоків
прямі іноземні інвестиції

1. Read sentences only with new lexis and translate them.

1. Real investments generally involve some kind of tangible asset.
2. Investment is closely associated with other aspects of economic order.
3. As a financial term investment embraces purchases of stock exchange securities or deposits of money in banks, building societies.
4. There are two main channels for international investment.
5. In financial circles, individuals or households that own securities are known as individual investors.
6. 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.
7. FDI speeds the international diffusion of new technologies and other efficiency enhancing intangible assets, such as organizational skills.
8. Institutional investors have contributed to development of new types of investment management techniques.

2. Put the missing letters.

d.. v.. dend disc..nt m..dels, d..ffus..on, jo..nt vent..re, sh..ring, embr..ce, re..l inv..stm..nt, t..ng..ble ass..ts, capital g..ns, qu..ntit..tive sec..rity val..at..n.

3. Read the text.

INVESTMENTS

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.

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". 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 investors⁸. 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.

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 portfolios 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 Ukrainian market.

Words you need:

portfolio investment
 managerial control
 operation
 foreign branch
 individual investors
 institutional investors
 investment management
 obstacles

портфельні інвестиції
 адміністративний контроль
 організація: одиниця, яка хазяйнує
 закордонне відділення
 приватний інвестор
 інституціональний інвестор
 керування портфелем цінних паперів
 перешкода

Exercises**1. Answer the questions.**

1. What is investment?
2. Define the difference between real investment and financial investment.
3. In what ways can financial resources be raised?
4. Why does FDI take place?
5. What institutions handle investment in stocks and shares?
6. What role do institutional investors play?
7. How do investors make their choice of investment possibilities?

2. Find in the text English equivalents for the following Ukrainian phrases:

Інвестиції є вкладенням капіталу; реальні інвестиції зв'язані з матеріальними активами; фінансові інвестиції зв'язані з придбанням цінних паперів; депонування коштів у банках; користувачі; міграція робочої сили; режим міжнародної торгівлі, який існує на даний момент; досягнення у сфері технології; відміна валютних обмежень; скорочення об'єму втручання держави у фінансову сферу; розширення міжнародних фінансових потоків; головна риса міжнародного економічного розвитку; прямі іноземні інвестиції; портфельні інвестиції; придбати управлінський контроль; організація спільних підприємств; закордонне відділення фірми; організація закордонного філіалу фірми; багатонаціональна компанія; прискорювати розповсюдження нових технологій; організаційні навички; приймати участь в керуванні; приватні та інституційні інвестори; засоби керування портфелем цінних паперів.

3. Match the verbs from (a) with nouns from (b) below:

a) To make	b) exchange control
To invest in	management
To remove	investments
To expand	securities
To minimize	capital flows
To assess	risks
To stimulate	competition
To share in	return
To receive	techniques
To apply	situation

4. Make sentences with the word to invest, its derivatives and word combinations:

To invest – investor – investment

- | | |
|-------------------------------|-----------------------------|
| • To invest collectively | • Real investment |
| • To invest money at interest | • International investment |
| • Investment fund | • Foreign direct investment |
| • To make an investment | • Institutional investors |
| • Capital investment | • individual investors |
| • Financial investment | • investment management |
| • Investment activity | |

5. Make up sentences putting the words in the correct order.

1. Investment, expenditure, is, capital, productive, on, assets, physical.
2. Real, asset, kind, of, tangible, investments, involve, some.
3. There, two, are, channels, main, for, investment, international.
4. Individuals, or, individual, households, own, investors, known, are, securities, that, as.
5. Institutional, that, its, investor, own, invests, assets, an, organization, is.
6. Investor, is, that, invests, a, person, money, to, make, profit, a, an, organization, or, in order.

6. Complete the sentences with the following words:

- | | |
|-------------------------------------|---------------------------------------|
| a) <i>investment</i> | d) <i>foreign indirect investment</i> |
| b) <i>real investment</i> | e) <i>individual investors</i> |
| c) <i>foreign direct investment</i> | f) <i>institutional investors</i> |

1.are a group of investors who have funds to invest as a consequence of the conduct of their business.
2.is capital expenditure on physical productive assets.
3. Individuals or households that own securities are known as
4.occurs when citizens of one nation (the "home" nation) acquire managerial control of economic activities in some other nation (the "host" nation).
5. The process of supplying capital to a foreign institution, through a loan or purchase of stock, without sharing in the institutions management.....
6.involve some kind of tangible asset.

7. Write down the Ukrainian equivalents:

Direct investment, financial investment, foreign investment, government investment, intangible investment, long – term investment, portfolio investment, private investment, to allocate investment, to carry out investment.

8. Find in the text sentences expressing such ideas.

1. Investment is the act of investing in a company or business in order to obtain income or profit.
2. Users of capital depend on the investors.
3. The expansion of international capital flows depends on the technological advances, the removal of exchange controls and financial deregulation.
4. Foreign direct investment means that businessman in his country acquire managerial control of economic activities of businessman in another country.
5. "Multinational enterprises" (MNSs), "transnational corporations" (TNCs) and, more recently, "global corporations" have become known as firms controlling activities in several nations.
6. FDI in many national markets will stimulate competition among firms.
7. 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.
8. There is a difference between foreign direct investment and foreign indirect investment.
9. There is a difference between foreign direct investment and portfolio investment.
10. Individual investors and institutional investors are two different groups of investors.
11. The receiving of high profit deals with a high risk.
12. There is a possibility to minimize the level of risk.

9. Checking facts and ideas using such expressions: *Exactly; Right you are; I agree with you; That goes without saying; There's no denying it; No doubt whatever; I can't agree with you; I'm against it; You are mistaken; Hardly.*

1. In economic science, foreign direct investment-(FDI) and portfolio investment are the same things.
2. The process of supplying capital to a foreign institution, through a loan or purchase of stock,

without sharing in the institutions management is foreign direct investment.

3. Foreign indirect investment occurs when citizens of one nation (the "home" nation) acquire managerial control⁵ of economic activities in some other nation (the "host" nation).

4. Individual investors are a group of investors who have funds to invest as a consequence of the conduct of their business.

5. Institutional investors were the first who use the application of the quantitative security valuation techniques.

6. Investment is capital expenditure on physical productive assets, e.g. machinery, factory buildings, roads, bridges, houses, and stocks.

7. Constructing and diversifying portfolios and spreading the foreign investments among a number of different countries help investors to minimize the level of risk.

10. Find the definitions to the next terms:

a) *investment*

b) *investor*

c) *institutional investor*

d) *foreign branch*

e) *deregulat*

f) *intangible assets*

g) *investment company*

h) *managerial*

i) *multinational/transnational company*

1.is a large company with business operations in many countries.

2.is a limited company that uses its capital to buy securities as investments.

3.is a person or an organization that invests money in order to make a profit.

4.means connected with the job of being a manager.

5.means to remove or reduce the number of government controls over a particular business activity.

6.are assets owned by a person or company that do not have a physical substance.

7.is a foreign office that is a part of a larger organization with a main office in a different location.

8.is capital expenditure on physical productive assets.

9. Individuals or households that own securities are known as

Talking Points

1. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

Grammar Exercises

INVESTMENT COMPANIES

1.

a) Read the text

b) Supply the articles where necessary.

c) Write down 3-5 questions about the text.

d) Say what advantages individuals have when they invest in investment companies.

Investment companies are ... type of financial intermediary. They obtain money from investors and

use it to purchase financial assets such as stocks and bonds. In return, the investors receive certain rights regarding ... financial assets that the investment company has bought and any earnings that it may **generate**. In ...simplest and most common situation, the investment company has only one type of investor - stockholders.

For an individual there are two advantages of investing in such... companies instead of investing directly in the financial asset that these companies own. Specifically, the advantages arise from (1) economies of scale and (2) professional management. In describing these benefits, let's consider ... individual with moderate financial resources who wishes to invest in ... stock market.

In terms of **economies of scale**, the individual could buy stocks in **odd lots** and thus have ... diversified portfolio. However, the brokerage commissions on odd lot transactions are relatively high. Alternatively, the individual could purchase **round lots**, but would only be able to afford ... few different securities. Unfortunately, the individual would then be giving up ... benefits of owning a well-diversified portfolio.

In terms of professional management, the individual investing directly in the stock market would have to go through all... details of investing, including making all buying and selling decisions as well as **keeping records** of all transactions for tax purposes. In doing so, the individual would have **to be** continually **on the lookout** for **mispriced securities** in ... attempt to find undervalued ones for purchase, while selling any that were found to be overvalued. Simultaneously, the individual would have to **keep track of** ... overall risk level of the portfolio that did not **deviate** from some desired level. However, by purchasing stock of an investment company, the individual can turn over all of these details to ... professional **money manager**.

Investment companies have ... problems but potential advantages to be gained from ... investing in an investment company still outweigh any disadvantages, particularly for smaller investors.

Words you may need:

generate v (зд.)	получати
economies of scale	економія, яка зумовлена ростом масштабу виробництва
odd lot	неповний лот
round lot	повний лот
to keep records	реєструвати
to be on the lookout	бути насторожі
mispriced securities	цінні папери за ціною, яка завищена або занижена
to keep track (of)	відслідковувати
deviate v	відхилятися
money manager	менеджер, який займається купівлею та продажем цінних паперів

UNIT 17

foreign exchange market	валютний ринок
legal tender	законний платіжний засіб
monies	грошові суми
rate of exchange	курс обміну
unit of currency	грошова одиниця
currency mix	структура грошової маси
spot market	ринок готівки
forward market	форвардний ринок
futures market	ф'ючерський ринок
currency options market	ринок валютних опціонів ¹

1. Read sentences only with new lexis and translate them.

1. The rate exchange is the value of one unit of the foreign currency expressed in the other currency concerned.
2. The Market performs two major functions.
3. Somewhat more than half of all transactions are spot deals.
4. The cost of transacting in the wholesale market is reflected in the bid-ask (or bid-offer) spread.
5. The exchange market is global in character.

6. The operation is called currency arbitrage.
7. Trading in the Market occurs 24 hours a day in various centers around the world.
8. Currencies can be bought or sold in the Foreign Exchange Market.

2. Put the missing letters.

clearing, spot market, currency arbitrage, futures market, global tender, mines, rate of exchange, forward market, currency mix.

3. Read the text.

FOREIGN EXCHANGE MARKET. GLOBAL FINANCIAL MARKETS TRADING IN THE FOREIGN EXCHANGE 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 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 is 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,
- 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 centers 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 centers: 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.

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 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.

Words:

the interbank market
call for

міжбанківський ринок
вимагати, передбачати

remainder	частина, яка залишилася
outright	звичайний
swap	своп (обмін одних цінних паперів на інші)
volatility	мінливість
bid – ask spread	різниця між цінами продавця та покупця
currency arbitrage	валютний арбітраж
clearing	порівняння деталей фінансової угоди перед розрахунком
Option (опціон ¹)	право вибору; право купівлі та продажу цінних паперів за обумовлену ціну в обумовлений термін
the robustness	міцність

Exercises

1. Answer these questions:

1. Why is exchange of currencies necessary?
2. What makes exchange of currencies possible?
3. What is Rate of Exchange?
4. Where are currencies traded?
5. What major functions does the Foreign Exchange Market perform?
6. How does the Foreign Exchange Market operate? (Forex)
7. What are the major sectors of the Forex?
8. What deals are transacted in the market?
9. Why does the market depend on payment systems of individual countries?

2. Find in the text English equivalents for the following Ukrainian phrases:

Валютний ринок; бути законним платіжним засобом; у рамках національних кордонів; обмін валюти; валюти, які можна обміняти (одна на другу); виконувати функції; сприяти задоволенню потреб в іноземній валюті; домогтися структури грошової маси свого інвестиційного портфелю, угоди заключають з використанням телекомунікаційних систем; торгівля, яка зосереджувана в ...; які представляють великі комерційні банки; ринок готівки; форвардний ринок; ф'ючерський ринок; більшість угод є угодами «спот»; угода передбачає постачання валюти протягом двох робочих днів; відражати різницю між ціною продавця та ціною покупця; валюти, які приймають участь у валютній угоді; розрахунок по фінансовій угоді.

3. Match the verbs from (a) with nouns from (b) below:

a) To facilitate	b) needs
To perform	trade
To fix	legislation
To enhance	functions
To identify	opportunities
To seek	negotiations
To join	profits
To liberalize	financial community
To hold	exchange rate

4. Make up sentences putting the words in the correct order.

1. Currency, tender, legal, is, a, its, boundaries, only, national, within.
2. Interchangeable, are, currency, exchange, is, of, possible, if, currencies, national.
3. Currencies, be, bought, can, or, sold, the, in, Market, Exchange, Foreign.
4. Functions, performs, two, market, major, functions, the.
5. Spot, deals, market, in, actuals (фізичні товари), the actual, product, physical, delivery, for, immediate.
6. Futures, the, market, commodity, be, can, bought, or, for, sold, delivery, at, time, some, the, in, future.

7. In, market, futures, traders, option, an, take, to, to, buy, sell, the, in, future, product, or.
8. The, cost, transaction, of, reflected, is, in, wholesale, the, market, the, in, bid-ask, spread.
9. The, remainder, deals, of, the, be, can, classified, outright, as, forwards, swap, futures, options, and.

5. Complete the sentences with the following words:

- | | |
|--------------------------------|---|
| a) <i>currency</i> | e) <i>the spot market (2)</i> |
| b) <i>monies</i> | f) <i>the forward or future markets</i> |
| c) <i>rate of exchange (2)</i> | g) <i>options</i> |
| d) <i>interbank market</i> | h) <i>swap</i> |

1.is an exchange of one investment for another.
2. is a legal tender only within its national boundaries.
3. is the terms on which one currency will exchange against another.
4. is the amount of currency that can be bought with another.
5. is the right to buy or to sell securities at an agreed price on a future date.
6. ... is the purchase and sale of commodity for immediate delivery.
7. deals in actuals, with the actual physical product, for immediate delivery.
8. ... is the purchase and sale of commodity for delivery sometime in the future.
9. To trade beyond these boundaries involves exchange of....
10. The great majority of foreign exchange trading takes place in the ...

6. Write down the Ukrainian equivalents:

currency, monies, rate of exchange, interbank market, the spot market, the forward or future markets, options, swap, Foreign Exchange Market.

7. Find in the text sentences expressing such ideas.

1. Market dealing is conducted entirely through telephone and different systems of communications. It does not have one centralized location.
2. Bid-ask is an offer to buy something at a stated price.
3. Market depends on payment system of individual countries.
4. Currency is the main unit of currency in trade between countries.
5. Foreign Exchange Market performs a number of functions.
6. The interbank market plays an important role in the exchange market.
7. The market is divided in three major sectors.
8. Spot market means immediate delivery.
9. Swaps, futures and options are for customers who do not know when they will need foreign currency.
10. Currency arbitrage is a transacting with the aim of receiving profit.
11. 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.

8. Checking facts and ideas using such expressions: *Exactly; Right you are; I agree with you; That goes without saying; There's no denying it; No doubt whatever; I can't agree with you; I'm against it; You are mistaken; Hardly.*

1. Exchange of currencies is possible in any way.
2. Swap is the amount of currency that can be bought with another.
3. The spot market deals in actuals, with the actual physical product, for immediate delivery.
4. Option is the right to buy or to sell securities at an agreed price on a future date.
5. Swap is an exchange of one investment for another.
6. 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.
7. The basic idea of foreign exchange dealing is making profit on selling and buying currencies.
8. FOREX is really an integral, fundamental sector of the global financial market.
9. FOREX reflects economic relations between parties to currency deals.

10. The market is global in character. It is rather a network of dealing rooms connected by sophisticated communications systems, like telephones, telex machines, and electronic dealing systems.

9. Find the definitions to the next terms:

a) *currency*

b) *spot market*

c) *foreign exchange rate*

d) *future or forward market*

e) *swap*

f) *option*

1. It is a market where commodities have to be delivered immediately.
2. It is a market where commodities have to be delivered on a specified future date, at a price agreed in the present.
3. It is a contract giving the right to buy and sell securities at an agreed price within a particular period of time.
4. It is the possibility of exchange one investment for another.
5. It is the money of a particular country.
6. It is a price at which one currency exchange for another.

Talking Points

1. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

2. Prepare a short talk on the following:

1. Instruments and transactions made in the currency markets (spot trading, futures and forward contracts, swaps, options).
2. Explain the global character of the exchange market.
3. What is the rate of exchange determined by?

Grammar Exercises

1.

a) **Supply the prepositions where necessary *with, of, by, to, in, over, for* .**

b) **Write down 3-5 questions about the text.**

c) **Describe the components of Eurocurrency market.**

THE EUROCURRENCY MARKET

This market began **1...**Eurodollars — US dollars lent outside the United States — and has developed into a powerful market in currencies lent outside their domestic marketplace. There are, for example, Euromarks and Euroyen in London, Eurosterling etc in Bonn, Tokyo and New York. London and Tokyo are the main world capitals for eurocurrency dealings. Dealing centres around Euroloans, involving commercial banks, and Eurobonds which involve investing institutions and banks.

Eumhans consist 2. ...large tranches of short-term money (usually repayable in three to six months) lent3... syndicates of banks and linked 4.... the LIBORrate.

Eurobonds are bearer bonds, requiring no register of holders, issued 5. ... currencies other than that of the issuing country and operating over a longer period, usually between 5 and 20 years. Their issue is managed by a bank with the aid of underwriters and is placed 6.... investors. Market participants include multinational corporations, non-bank financial institutions, governments and the international banking community.

The Euromarket, as it has become known, has a single SRO (Self-regulating organizations) the International Securities Market Association (ISMA). During 1993, some \$23,167 trillion was traded 7. ...the eurobond market, an increase of almost 60 per cent 8. ... the 1992 total, which was itself a record year. UK members of ISMA accounted 9... a considerable amount 10....this total. This huge increase 11.... turnover was marked 12... continued growth in cross-border trading in domestic instruments. As a global market emerges institutional funds will switch relatively smoothly from «domestic» to «international» and vice versa. This trend can be expected to continue.

UNIT 18

(Part I)

finance function	організація фінансової діяльності
management of fixed assets	керування основними засобами
working capital management	керування поточними активами
management of current assets	керування оборотними засобами
management of current liabilities	керування короткостроковими зобов'язаннями
cash management	керування грошовими операціями
receivables management	керування дебіторською заборгованістю
inventory management	керування матеріально-технічним постачанням
financial statements	фінансова звітність
balance sheet	балансовий звіт
accounts payable	кредиторська заборгованість
paid-up capital	частина акціонерного капіталу, яка оплачена
retained earnings	прибуток, який нерозподілений

1. Read sentences only with new lexis and translate them.

1. Does the firm have adequate cash or access to cash?
2. How much inventory should be held?
3. 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.
4. The standard classification of assets divides them into four parts.
5. The financial manager has to take these decisions with reference to the objectives of the firm.
6. Current assets are short-term in nature.
7. Fixed assets are assets purchased for use in the business on a permanent basis.
8. The chief financial officer distributes the financial management responsibilities between the controller and the treasurer.

2. Put the missing letters.

f..nance f..nct..on, m..n..g..ment of c..rrent a..ets, c..sh m..n..g..m..nt, r,,c,,v,,bles m..n..g..ment, b..l..nce sh..t, m..rt..ge, acc...nt pa..ble,p...d-up cap..tal.

3. Read the text.

FINANCE FUNCTION

Any business - whether large or small, profit-seeking or not-for-profit - has important financial concerns:

How to get the funds needed to run the business on favorable 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 exposed² 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*.

The first major component of the balance sheet of an enterprise is its assets, which are the resources owned by the enterprise. The term “assets” means anything of value that is owned by a company and can be expressed in terms of money. The standard classification of assets divides them into:

- 1) fixed assets,
- 2) current assets,
- 3) investments and
- 4) other assets.

Fixed assets are assets purchased for use in the business on a permanent basis, e.g. land and buildings, plant and machinery, furniture, motor vehicles, etc.

Current assets are short-term in nature. They are also known as *liquid assets* and include cash, marketable securities, *accounts receivable (debtors)*, *notes/bills receivable and inventory*, *including finished goods or work in process*.

Investments represent investment of funds in the securities of another company, the purpose of which is either to earn a return or/and to control another company.

The second major component of the balance sheet is liabilities of the enterprise, which represent the amount that the enterprise owes to other enterprises, or the outside sources which the enterprise uses to finance its assets.

They are: long-term liabilities (obligations payable after the accounting period) - debentures, bonds, mortgages, secured loans - and current liabilities (obligations usually repayable within the accounting period) - accounts payable, *bills/notes payable*, *accrued expenses*, *deferred income* and short-term bank credit.

The third major component of a balance sheet is *the owners' equity*-part of the resources of a firm

which are supplied by its owners - shareholders. The owners' equity may consist of two elements: paid-up capital (the initial amount of funds contributed by the shareholders) and retained earnings (part of the profits of the shareholders which is not paid out to them as dividends but *ploughed back* in the business).

Capital is the store of accumulated wealth contributed to the firm by its proprietors - it is the *net worth of the business* to the owners. *Fixed capital* is capital tied up in fixed assets. *Working capital* is the capital available for working the business. When an enterprise has bought fixed assets it still needs further capital to buy raw materials, etc., or money to pay wages.

The finance function in a firm is usually headed by a chief financial officer (CFO), who reports to the firm's president.

The chief financial officer distributes the financial management responsibilities between *the controller and the treasurer*.

Words you need:

common stock	звичайні акції
to be exposed to risks	бути схильним до ризику
assets	активи
income statement	звіт про прибутки та збитки
liquid assets	ліквідні засоби
accounts receivable	рахунки дебіторів
notes/bills receivable	векселя до отримання
work in process	виробництво, яке незавершене
notes payable	векселя до оплати
accrued expenses	витрати, які нараховані
deferred income	прибутки майбутніх років
equity	акціонерний капітал
to plough back	перетворювати в капітал
net worth of the business	власний капітал фірми
Fixed capital	основні фонди
Working capital	оборотний капітал
The chief financial officer	віце-президент корпорації по фінансам
controller	фінансист-контролер, який веде аналіз господарської та фінансово-облікової діяльності
treasurer	скарбник компанії

Exercises

1. Answer the questions.

1. What financial concerns face every enterprise?
2. What problems do finance managers face daily?
3. What does financial management involve?
4. What are financial managers concerned with?
5. What are the major components of a balance sheet?
6. How the finance function is most commonly organized?

2. Find in the text English equivalents for the following Ukrainian phrases:

Керування фінансовою діяльністю; на вигідних умовах; ефективно використовувати фінансові засоби; здобувати активи; готівка, яка необхідна; злиття та поглинання; дивідендна політика; бути підданим ризику; керування загальними засобами; керування поточними активами; керування оборотними засобами; керування короткостроковими зобов'язаннями; керування дебіторською заборгованістю; керування запасами; структура капіталу; фінансова звітність; балансовий звіт; звіт про прибутки та збитки; основні засоби; оборотні засоби; рахунки дебіторів; векселя до отримання; виробництво, яке не завершено; заставна; кредиторська заборгованість; векселя до оплати; витрати, які нараховані; прибутки майбутніх років; частина акціонерного капіталу, яку оплатили; нерозподілені прибутки; власний капітал; основні фонди; оборотний капітал.

3. Match the verbs from (a) with nouns from (b) below:

a) to maximize	b) services
to perform	company
to delegate	cash
to acquire	outlays
to reduce	value
to generate	cash flow
to evaluate	production facilities
to expand	calculation
to calculate	authority
to adjust	shareholder wealth
to manage	inventories

4. Make up sentences putting the words in the correct order.

1. The, aim, the, managers, financial, of, is, maximize, to, of, the, firm, value, its, owners, for, the.
2. The, first, of, the, balance, component, sheet, an, of, enterprise, assets, is, its.
3. Assets, the, are, resources, by, the, enterprise, owned.
4. Fixed, are, purchased, assets, for, use, assets, the, in, business, a, on, basis, permanent.
5. Current, are, assets, in, short-term, nature.
6. The, major, second, of, the, component, sheet, is, balance, liabilities, the, of, enterprise.
7. The, major, third, of, the, component, sheet, is, balance, the, equity, owners`.
8. Fixed, is, capital, tied, in, up, capital, assets, capital, fixed.

5. Complete the sentences with the following words:

a) <i>assets</i>	f) <i>paid-up capital</i>
b) <i>fixed assets</i>	g) <i>retained earnings</i>
c) <i>current assets</i>	h) <i>capital</i>
d) <i>liabilities of the enterprise</i>	i) <i>fixed capital</i>
e) <i>the owners` equity</i>	j) <i>working capital</i>

1. The owners' equity may consist of two elements:....
2. The second major component of the balance sheet is...
3. The first major component of the balance sheet of an enterprise is its...
4. The third major component of a balance sheet is ...
5.is capital tied up in fixed assets.
6. ...is the store of accumulated wealth contributed to the firm by its proprietors.
7.are also known as liquid assets and include cash, marketable securities, accounts receivable (debtors), notes/bills receivable and inventory.
8.are assets purchased for use in the business on a permanent basis.
9.is the capital available for working the business.

6. Find in the text sentences expressing such ideas.

1. Financial manager plays a very important role in business.
2. Financial manager has to work with financial statements.
3. Balance sheet includes three major components.
4. Fixed capital and working capital are not the same things.
5. Any firm has a person who performs the financial functions.

7. Checking facts and ideas using such expressions: *Exactly; Right you are; I agree with you; That goes without saying; There's no denying it; No doubt whatever; I can't agree with you; I'm against it; You are mistaken; Hardly.*

1. Capital is the money from shareholders and lenders that can be invested in assets in order to start a business and produce profit.
2. Work in process means partly finished goods in a manufacturing business or uncompleted contracts in a contracting business.
3. Manager is a person employed to control and direct part or all of the work of the employees in a business, industrial concern or other organization.
4. Managers have different resources at their disposal.
5. Financial statements include the balance sheet and the liabilities of the enterprise.
6. Long-term liabilities mean obligations usually repayable within the accounting period.
7. Current liabilities mean obligations payable after the accounting period.
8. Investment is an act of investing of funds in the securities of another company.
9. Paid-up capital is the part of the profits of the shareholders which is not paid out to them as dividends but ploughed back in the business.
10. Retained earnings are the initial amount of funds contributed by the shareholders.
11. Liabilities are the second component of the income statement and they mean the debts owned by a business to its creditors or to its owners.
12. Accounts payable are the amounts to be paid by a company for goods and services.
13. Accounts receivable means money owned to a business by its clients for goods and services.

8. Find the definitions to the next terms:

- a) *manager*
- b) *current liabilities*
- c) *retained earnings*
- d) *paid-up capital*
- e) *accounts payable*
- f) *accounts receivable*
- g) *capital*
- h) *long-term liabilities*
- i) *assets*
- j) *fixed assets*
- k) *fixed capital*
- l) *working capital*

1.is the capital which businessman can use for work in business.
2.is a person who controls the work of the employees in a business and takes the decisions with reference to the objectives of the firm.
3.is the sum of money which has to be received by firm from clients for goods and services.
4.is the store of accumulated wealth contributed to the firm by its proprietors.
5.mean obligations usually repayable within the accounting period.
6.mean obligations payable after the accounting period.
7.is the part of the profits of the shareholders which is not paid out to them as dividends but ploughed back in the business.
8.are the initial amount of funds contributed by the shareholders.
9. are the resources owned by the person or business that have some money value and can be used to pay debts, produce goods and make profit.
10.are the amounts to be paid by a company for goods and services.
11.are the main funds.
12.are the main capital.

Talking Points

1. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

2. Prepare a short talk on the following:

1. Explain why all firms need both fixed and working capital.
2. Explain why it is difficult to be a financial manager.
3. Current and fixed assets and their management.
4. The main sources and uses of funds for a business firm.

Grammar Exercises

a) Supply articles where necessary.

b) Say in what activities financial managers are involved.

Financial Management explains how ... financial managers can help maximize the value of their firms by making better decisions in such areas as capital budgeting, choice of capital structure, and working capital management.

Financial managers also have ... responsibility for deciding the credit terms under which customers may buy, how much inventory ... firm should carry, how much cash to have on hand, what types of securities to issue, whether to acquire ... other firms (merger analysis) and how much of the firm earnings to plough back in the business versus payout as dividends.

A successful firm usually has ... rapid growth in sales, which requires investments in ... plant, equipment and inventory. The financial manager must help decide on ... specific assets to acquire and the best way to finance these investments. For example, should ... firm finance with debt or equity, and if debt is used, should it be long-term or short-term?

In this connection, the financial manager must deal with ... money and capital markets, where funds are raised and where the firm's securities are traded. As a consequence, financial managers of many large companies are responsible for working with investors (for example, mutual funds), bond rating agencies, stock holders, and the general financial community.

Financial managers, controllers in particular, are also responsible for *financial accounting* - preparation of the financial statements for ... firm, *cost accounting* - preparation of ... firm's operating budgets, and preparation of reports that the company must *file* with the various government (local, state and federal) agencies.

One of ... major documents developed and controlled by financial managers is the Enterprise Financial Plan. It comprises ... requirements for financial resources and the amounts currently available and expected in ... future to meet them, i.e. the estimated revenues and expenditures of an enterprise within some future period of time. The enterprise financial plan determines whether ... *cumulative* revenues exceed the cumulative outlays at every point of time during ... plan period and whether the necessary capital structure is assured.

The enterprise financial plan is composed of ... revenue plan, ... expenditure plan and ... financing or credit plan.

Words you may need:

financial accounting	фінансовий облік
cumulative	сукупний
cost accounting	виробничий облік
file	представляти який-небудь документ

d) Explain how an enterprise can achieve its prime objective - profitable growth.

UNIT 18

(Part II)

financial ratios	фінансовий коефіцієнт
price/earning ratio	відношення ринкової ціни до чистого прибутку компанії
gearing ratio	відношення заборгованості до власного капіталу
liquidity ratio	коефіцієнт ліквідності
financial leverage ratios	доля позикових коштів у сукупному капіталі
ratio analysis	кредитний та інвестиційний аналіз
solvency	платоспроможність
current ratio	відношення оборотного капіталу до короткострокових обов'язань
debt-to-equity ratio	відношення власних та позикових коштів
inventory turnover ratio	оборотність товарних запасів
return on equity	прибуток від акцій, прибуток на власний капітал
return on assets	прибуток від майна
payback of an investment	окупність інвестицій

1. Read the text and dialogue.

FINANCIAL RATIOS

A financial ratio is a relationship between particular groups of assets or liabilities of an enterprise and corresponding totals of assets or liabilities, or between assets or liabilities and flows like turnover or revenue.

A leading example is the price/earnings ratio which is the ratio of the current quoted stock exchange price of an equity to the most recent declared dividend per share.

Another is the ratio of equity to debt finance (gearing ratio) within a company's overall capital structure.

Financial ratios are used to give summary indications of the financial performance, prospects or strength of a company which help financial managers to make a comparison of a firm's financial condition over time or in relation to other firms.

No single financial ratio can answer all questions analysts may have.

In fact, five different groups of ratios have been developed:

- a) liquidity ratios indicating a firm's ability to meet short-term financial obligations;

- b) activity ratios indicating how efficiently a firm is using its assets to generate sales;
- c) financial leverage ratios indicating a firm's capacity to meet short- and long-term debt obligations;
- d) profitability ratios measuring how effectively a firm's management generates profits on sales, assets, and stockholders' investments;
- e) market-based ratios measuring the financial market's evaluation of a company's stock.

RATIO ANALYSIS

Ukrainian: Are there any guidelines which enable the businessman to conduct his affairs efficiently and profitably and to compare his company's performance with those of other companies?

American: Yes, there are. One of the major tools is ratio analysis. Ratios make it easy to see trends, risks and to assess the results.

All most important decisions are based on ratios.

U.: What are the most commonly used ratios?

Am.: We in the US operate with three main categories of ratios. We use ratios measuring solvency, efficiency, and profitability.

U.: Could you give some examples of each?

Am.: Yes, sure. Let's begin with measuring solvency.

U.: Solvency is the ability of a firm to meet its short-term liabilities as they come due, isn't it?

Am.: Yes, you are absolutely right. And one of the most commonly used measures of solvency is the current ratio.

U.: How is it found?

Am.: This is the ratio of all current assets, liquid assets, accounts receivable and inventories to current liabilities.

U.: When is a firm considered solvent on this measure?

Am.: If its current ratio is 2 to 1 or above. There is another ratio related to this one. It's the-debt-to-equity ratio. It is found by dividing total debt by the equity.

U.: I see. It's the indebtedness of a firm compared to its equity capital. But it's really more a measure of leverage than a measure of solvency.

Am.: Yes, you are right in a way. A highly leveraged company is one with a high proportion of bank loans to equity. But the ratio has some bearing on solvency, too. A low debt-to-equity ratio makes it easier for a firm to borrow to meet its short-term cash needs.

U.: That's clear. A ratio higher than 1 to 1 would make a firm a risky borrower. And what ratios help to measure a firm's efficiency?

Am.: One such ratio is that of sales to inventory, called the inventory turnover ratio.

U.: We say that stock or inventory has "turned over" when it has been sold and replaced with new stock. If we want to double our profit one way is to double the rate of stock turnover.

AM.: Yes, and this ratio varies widely from one industry to another. We can't say whether the ratio is good or poor until we know the product we are discussing. And now let's turn to measuring profitability.

U.: It's the figure that really matters in the end to any businessman, isn't it?

AM.: Yes, practically there are two measures that compare profit to the capital invested in a firm. One such measure is return on equity and the other is return on assets. Both are very important for investors.

U.: No doubt. Knowing the payback of an investment is important because the earlier the payback, the quicker the money can be reinvested, and also the less the risk investors are exposed to.

AM.: You are right; the ratios show how the capital "works". Investors' decisions totally depend on the ratios.

Exercises

1. Answer the questions.

1. What is the financial ratio?
2. What do financial ratios help to measure?
3. What groups of ratios have been developed?

4. Can you give examples of ratios measuring solvency, efficiency and profitability?

2. Find in the text English equivalents for the following Ukrainian phrases:

Фінансові коефіцієнти; відношення ринкової цини до чистого прибутку компанії; відношення заборгованості до власного капіталу; коефіцієнти ліквідності; коефіцієнти, що характеризують долю власних коштів у сукупному капіталі компанії; коефіцієнт прибутку; прибуток від продажу; кредитний та інвестиційний аналіз; вести справи ефективно; оцінювати результати; платоспроможність; відношення оборотного капіталу до короткострокових зобов'язань; відношення власних та позикових коштів; мати відношення до чого-небудь; задовольняти потреби у готівці; оборотність товарних запасів; швидкість обороту; істотно відрізнятися; прибуток від акцій; прибуток від майна; окупність інвестицій.

3. Match the antonyms.

Useful	easy
Next	to fail
Difficult	smallest
Largest	quantity
Inside	present
To succeed	outside
To increase	previous
Quality	useless
Future	to decrease

4. Underline the negative prefixes in the following words:

Unknown, impossible, inconsistent, unimportant, unsuccessful, mismanagement, miscalculation, disabled, unprofitable, undeveloped.

5. Make up sentences putting the words in the correct order.

1. Ratios, it, easy, make, trends, to, risks, see, and, the, results, to, assess.
2. Another, a, is, ratio, to equity, finance, debt, of, within, overall, structure, capital, a, company's.
3. Liquidity, indicating, ratios, a, ability, firm's, to, short-term, meet, obligations, financial.
4. Financial, ratios, leverage, a, indicating, to, meet, capacity, firm's, debt, short- and long-term, obligations.
5. Solvency, is, ability, the, to, meet, a, firm, of, its, liabilities, short-term.
6. One, is, tools, major, of, the, analysis, ratio.

6. Complete the sentences with the following words:

<i>a) financial ratio</i>	<i>e) profitability ratios</i>
<i>b) liquidity ratios</i>	<i>f) solvency</i>
<i>c) activity ratios</i>	<i>g) current ratio</i>
<i>d) financial leverage ratios</i>	<i>h) price ratio</i>
	<i>i) the ratio of equity to debt finance</i>

1.is the ratio of all current assets, liquid assets, accounts receivable and inventories to current liabilities.
2. is a relationship between particular groups of assets or liabilities of an enterprise and corresponding totals of assets or liabilities, or between assets or liabilities and flows like turnover or revenue.
3. measuring how effectively a firm's management generates profits on sales, assets, and stockholders' investments.
4. is the ability of a firm to meet its short-term liabilities.
5. .. indicating a firm's ability to meet short-term financial obligations.
6.indicating a firm's capacity to meet short- and long-term debt obligations.

7. indicating how efficiently a firm is using its assets to generate sales.
8. ...is used within a company's overall capital structure.
9. ...is the ratio of the current quoted stock exchange price of an equity to the most recent declared dividend per share.

7. Find in the texts sentences expressing such ideas.

1. Financial ratios help managers to understand the financial conditions of the firm.
2. Managers know five different groups of ratios.
3. In the US managers use another three categories of ratios.
4. The current ratio helps to measure the solvency.
5. We can define the debt-to-equity ratio dividing total debt by the equity.
6. The inventory turnover ratio helps to measure a firm's efficiency.
7. Investors have to know the return on equity and the return on assets.

8. Checking facts and ideas using such expressions: *Exactly; Right you are; I agree with you; That goes without saying; There's no denying it; No doubt whatever; I can't agree with you; I'm against it; You are mistaken; Hardly.*

1. Doubling the rate of stock turnover we doubled the profit.
2. The return on equity and the return on assets are two measures that compare profit to the capital invested in a firm.
3. The inventory turnover ratio helps to measure current assets.
4. Financial leverage ratio is indicating how efficiently a firm is using its assets to generate sales.
5. Liquidity ratios are indicating a firm's capacity to meet short- and long-term debt obligations.
6. Ratios make it easy to see trends, risks and to assess the results.
7. Solvency is the ability of a firm to meet its short-term liabilities.

Talking Points

1. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

2. Read two texts about manager's work and be ready to discuss it.

a) Fill each gap with a suitable word from the box.

b) Sum up the text in 5-7 sentences and present your summary in class.

c) Explain the differences between macroeconomics and microeconomics.

I

Operation	policy	familiar
Business	says	demand
Notions	lead	affects
Whole		
Microeconomics	operates	success

Contemporary financial managers should be familiar with two areas of economics -

macroeconomics and 1. ...

Macroeconomics is concerned with the over-all institutional environment in which the firm 2..... . It looks, in other words, at the economy as a 3. Macroeconomics is concerned with the institutional structure of the banking system, money and capital markets, financial intermediaries, monetary, credit and fiscal 4. and economic policies dealing with and controlling the level of activity within an economy. Since business firms operate in the macroeconomic environment, it is important for financial managers to understand the broad economic 5..... . Specifically, they should recognise and understand how monetary policy 6..... the cost and the availability of funds; *be versed* in fiscal policy and how it affects the economy; be aware of the various financial institutions and their modes of operations, to evaluate the potential investment/financing *outlets*; and understand the consequences of various levels of economic activity and changes in economic policy for their decision environment and so on.

Microeconomics deals with the economic decisions of 7.....and organizations. It concerns itself with the determination of optimal operating strategies. In other words, the theories of microeconomics provide for effective 8.of business firms. They are concerned with defining actions that will permit the firms to achieve 9.

The concepts and theories of microeconomics relevant to financial management are, for instance, those involving supply and 10..... relationship and profit maximization strategies, issues related to the mix of productive factors, "optimal" sales level and product pricing strategies, risk and the determination of value and *the rationale* for depreciating assets. In addition, the primary principle that applies in financial management is *marginal analysis* which 11..... that financial decisions should be made on the basis of comparison of *marginal revenue and marginal cost*. Such decisions will 12.....to an increase in profits of the firm. Thus, financial managers must be 13... with the basic microeconomics.

Words you may need:

to be versed (in)	розбиратися у чомусь
outlets	можливості
rationale	основна причина, логічне обґрунтування
marginal analysis	аналіз по граничному показнику
marginal revenue	граничний прибуток (предельный)
marginal costs	граничні витрати (предельные издержки)

3. a) Supply the articles where necessary.

b) Write down 3-5 questions about the texts.

c) Say in what activities financial managers are involved.

Financial Management explains how ... financial managers can help maximize the value of their firms by making better decisions in such areas as capital budgeting, choice of capital structure, am working capital management.

Financial managers also have ... responsibility for deciding the credit terms under which customers may buy, how much inventory .. firm should carry, how much cash to have on hand, what types of securities to issue, whether to acquire ... other firms (merger analysis) and how much of the firm earnings to plough back in the business versus payout as dividends.

A successful firm usually has ... rapid growth in sales, which requires investments in ... plant, equipment and inventory. The financial manager must help decide on ... specific assets to acquire and the best way to finance these investments. For example, should ... firm finance with debt or equity, and if debt is used, should it be long-term or short-term?

In this connection, the financial manager must deal with ... money and capital markets, where funds are raised and where the firm's securities are traded. As a consequence, financial managers of many large companies are responsible for working with investors (for example, mutual funds), bond rating agencies, stock holders, and the general financial community.

Financial managers, controllers in particular, are also responsible for financial accounting - preparation of the financial statements for ... firm, cost accounting - preparation of ... firm's

operating budgets, and preparation of reports that the company must file with the various government (local, state and federal) agencies.

One of... major documents developed and controlled by financial managers is the Enterprise Financial Plan. It comprises ... requirements for financial resources and the amounts currently available and expected in ... future to meet them, i.e. the estimated revenues and expenditures of an enterprise within some future period of time. The enterprise financial plan determines whether ... cumulative revenues exceed the cumulative outlays at every point of time during ... plan period and whether the necessary capital structure is assured.

The enterprise financial plan is composed of ... revenue plan, ... expenditure plan and ... financing or credit plan.

Words you may need:

financial accounting	фінансовий облік (финансовый учет)
cost accounting	виробничий облік (производственный учет)
file	пред'являти який –небудь документ (представлять какой-л. документ)
cumulative	сукупний (совокупный)

4. Prepare a short talk on the following.

1. What financial ratios are taken into account by managers to enable them to conduct their business effectively?
2. Financial analysis is the use of financial data to evaluate the financial position of a firm. How does it work in practice?
3. What questions do financial managers face daily?
4. Imagine that you are a financial manager. Describe your duties. Is it difficult for you?

UNIT 19

accounting	бухгалтерський облік
capture	отримання
book-keeping	рахівництво
record	запис
balance sheet	балансовий звіт
income statement	звіт про прибутки та збитки
profit and loss account	рахунок прибутків та збитків
double-entry bookkeeping	бухгалтерський облік по методу подвійного запису
cash basis	метод запису прибутків та збитків на рахунках тільки при їх сплаті
надходженні та	метод нарахування при обліку прибутків та збитків на рахунках; запис
accrual basis	прибутків та збитків у момент завершення операції
debit side	ліва сторона балансу
credit side	права сторона балансу
communication	передача (інформації)
processing	опрацювання

1. Read sentences only with new lexis and translate them.

1. The objective of financial statements is to provide useful information for users.
2. Accounting is used to describe the transactions entered into by all kinds of organizations.
3. Ukrainian companies report the full cost of goods sold, which includes production costs, transportation, depreciation, marketing and financial expenses.
4. Fixed assets posed the most serious problem.
5. Accounting can be divided into three phases: capture, processing and communication of financial information.
6. Accounting can show the managers or owners of a business whether or not the

business is operating at a profit.

7. Accounting is based on the accounting equation.

8. Changes in the balance sheet are made according to the principle of double-entry bookkeeping.

2. Put the missing letters.

Ac..unting, c..sh b..s..s, a...rual b..s..s, d..bit s..de, b..l..nce sh..t, b...k-k...ping, c..pt..re, pr..ces..ing, cr..d..t s..de, d..ble-..ntry b..k-k..ping.

3. Read the text.

ACCOUNTING PRINCIPLES AND CONCEPTS

The accounting system in any given country is one of the key elements of the economic system. It is determined *to a significant extent* by the level and direction of the economic system's development. The most important theoretical concept of the Anglo-American accounting may be summed up as follows: the subject of accounting is the calculation of the financial results of an economic entity's business activity.

Accounting is used to describe the transactions entered into by all kinds of organizations.

Accounting can be divided into three phases: capture, processing and communication of financial information.

The first phase, the process of capturing financial information and recording it, is called book-keeping. Accounting, in the true sense of the word, extends far beyond the actual making of records. It includes their analysis and interpretation, it shows the relationship between the financial results and events which have created them.

Accounting can show the managers or owners of a business whether or not the business is operating at a profit, whether or not the business will be able *to meet its commitments* as they *fall due*.

Accounting is based on the accounting equation, which states that a firm's assets must equal its liabilities plus its *owners' equity*.

Assets and liabilities, profits or losses are listed in financial statements. The two main types of financial statements are the balance sheet and the income statement (profit and loss account).

The balance sheet lists a firm's assets, liabilities and owner's equity *at a point of time*.

Changes in the balance sheet are made according to the principle of double-entry bookkeeping. This principle made its appearance in the 13th century in Northern Italy. It was improved and disseminated at the end of the 14th century by the work of Luca Pacioli, a monk and a university teacher. This principle states that each transaction must be recorded on the balance sheet as two separate entries so that the accounting equation *will hold at all times*, the totals of each side will always equal one another, and that this will always be true no matter how many transactions are entered into.

Balance sheets are drawn up periodically: monthly, quarterly, half-yearly, annually.

There is an account for every asset, every liability and capital. Accounts can be prepared either on a cash or accrual basis. Each account should be shown on a separate page.

The double entry system divides each page into two halves. The left-hand side is called the debit side, while the right-hand side is called the credit side.

The balance sheet shows a lot of useful financial information, but it does not show everything. A firm's sales, costs, and profits for a given period are shown in an income statement.

Words you need:

to a significant extent

in the true sense of the word

to meet one's commitments

to fall due

owners' equity

at a point of time

will hold at all times

у значній мірі

у повному розумінні слова

виконувати зобов'язання

підлягати оплаті, виконуванню

власний капітал компанії

у певний період часу

залишається завжди справедливим

Exercises

1. Answer the questions.

1. What role does an accounting system play in an economy?
2. Into what phases is accounting broken down?
3. What is accounting equation?
4. What is the most widely practiced principle of bookkeeping?
5. What does the balance sheet list?
6. What is shown in the income statement?

2. Find in the text English equivalents for the following Ukrainian phrases:

Ключовий елемент економічної діяльності; фінансові результати господарчої діяльності суб'єкта, який господарює; угоди, в які вступають різні організації; отримання, опрацювання та передача інформації; відображення інформації у фінансовій звітності; працювати з прибутком; виконувати свої зобов'язання; бухгалтерське рівняння; активи повинні бути рівними пасивам; у балансі відображаються; облік по принципу подвійного запису; відобразити у балансі, скласти баланс; рахунок прибутків та збитків.

3. Match the verbs from (a) with the nouns from (b) below:

- | | |
|--------------|-----------------------------|
| a) To meet | b) provision of information |
| To ensure | needs |
| To harmonize | standards |
| To develop | performance |
| To assess | service |
| To provide | a boost |
| To give | license |
| To enhance | accounting standards |
| To grant | targets |
| To achieve | credibility |

4. Make up sentences putting the words in the correct order.

1. The, subject, accounting, of, is, results, of, the, financial, the, calculation, of, an, business, economic, entity's, activity.
2. Accounting, be, divided, can, three, phases, into.
3. The, is, first, phase, bookkeeping.
4. Accounting, based, is, equation, accounting, on, the.
5. Balance, income, sheet, statement, are, main, types, two, of, statements, financial.
6. Balance, are, sheet, up, drawn, periodically.
7. The, system, double, entry, of, consists, the, the, side, side, credit, debit, and.
8. The, objective, statement, of, the, financial, is, to, useful, provide, for, users, information.

5. Complete the sentences with the following words:

- | | |
|-------------------------------|---|
| a) <i>accounting</i> | g) <i>the accounting system</i> |
| b) <i>bookkeeping</i> | h) <i>financial statements</i> |
| c) <i>accounting equation</i> | i) <i>principle of double entry bookkeeping</i> |
| d) <i>balance sheet</i> | j) <i>accounts</i> |
| e) <i>income statements</i> | k) <i>the double entry system</i> |
| f) <i>accounting</i> | |

1. The process of capturing financial information and recording it, is called...
2. The subject ofis the calculation of the financial results of an economic entity's business activity.
3.lists a firm's assets, liabilities and owner's equity at a point of time.
4.states that a firm's assets must equal its liabilities plus its owners' equity.
5. A firm's sales, costs, and profits for a given period are shown in an....
6.in any given country is one of the key elements of the economic system.

7.is based on the accounting equation.
8.states that each transaction must be recorded on the balance sheet as two separate entries so that the accounting equation will hold at all times,⁸ the totals of each side will always equal one another, and that this will always be true no matter how many transactions are entered into.
9. The two main types ofare the balance sheet and the income statement (profit and loss account).
10.can be prepared either on a cash or accrual basis.
11.divides each page into two halves.

6. Find in the text sentences expressing such ideas.

1. Accounting system plays an important role in an economy.
2. We can divide accounting into three phases.
3. Accounting, in the true sense of the word, extends far beyond the actual making of records.
4. Financial statements indicate the financial health of the firm.
5. Balance sheet is one of the main documents of the firm.
6. Changes in the balance sheet are made according to the principle of double-entry bookkeeping.
7. The double entry system has two components.
8. Income statement is another financial document of the firm.

7. Checking facts and ideas using such expressions: *Exactly; Right you are; I agree with you; That goes without saying; There's no denying it; No doubt whatever; I can't agree with you; I'm against it; You are mistaken; Hardly.*

1. A balance sheet is a financial statement that reports the financial condition of a firm at a specific time.
2. The method used to record and summarize accounting data into reports is called an accounting system.
3. One of the purposes of accounting is to help managers evaluate the financial condition of the firm so that they may make better decisions.
4. Assets and liabilities, profits or losses are listed in income statement.
5. Changes in the income statement are made according to the principle of double-entry bookkeeping.
6. The principle of double-entry bookkeeping made its appearance in the 17th century in Northern Germany.
7. The principle of double-entry bookkeeping states that each transaction must be recorded on the balance sheet as two separate entries so that the accounting equation will hold at all times,⁸ the totals of each side will always equal one another, and that this will always be true no matter how many transactions are entered into.
8. The double entry system is a part of income statement.

8. Find the definitions to the next terms:

- a) *accounting system*
- b) *book-keeping*
- c) *accounting*
- d) *liabilities*
- e) *balance sheet*

1. The methods used to record and summarize accounting data into reports are called...
2. It is the recording of all money received into and paid out of a company, including profit and loss account and balance sheet.
3. It is a statement showing the financial position of a business at a certain date, usually at the end of the financial year.
4. It is a system of recording the money value of business dealings, income and expenditure accounts to enable the management of a concern to see the financial position at any time.
5. These are the debts owned by a business to its creditors and to its owners.

Talking Points

1. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

2. a) Read the text and say which information is new for you.

b) Explain the difference between managerial and financial accounting.

c) Write down 3-5 questions about the text.

ACCOUNTING INFORMATION

In general, accounting information can be classified into two main categories: financial accounting (or public information) and *managerial accounting* (or private information).

Managerial accounting deals with cost and profit relationship, efficiency and productivity, planning and control, pricing decisions, capital budgeting. Not being generally spread outside the company, this information provides a wide variety of specialized reports for division managers, department heads.

Financial accounting differs from managerial accounting because the information and analyses are for people outside of the organization. This information goes to owners, creditors and lenders, governmental units and the general public.

A standard set of financial statement is expected to be prepared regularly by financial accounting and published in an annual report at the end of the fiscal year. These statements include the following items: 1) balance sheet, 2) *the statement of cash flow*, 3) the income statement, 4) *the statement of retained earnings*.

The statement of cash flow shows the changes in the company's financial position and provides information which is not available in either an income statement or a balance sheet. Thus, the statement of cash flow represent the sources and the uses of the company's funds for *operating activities*, applications of working capital and data about additional financial support.

The statement of retained earnings shows investors what has happened to their ownership in the company, how earnings and new stocks have increased its value, and what dividends were paid.

Words you need:

managerial accounting

управлінська звітність

statement of cash flows

звітність про рух грошових потоків

statement of retained earnings

звітність про прибутки, які нерозподілені

operating activities

управлінська діяльність

3. Prepare a short talk on the following:

1. What sort of statement the balance sheet is.
2. What sort of statement the income statement is.
3. The difference between the two branches of accounting.
4. Accounting principles.

Grammar Exercises

1. Open the brackets using the verbs in appropriate form.

Accounting as it (*to exist*) today (*may*) (*to view*) as a system of assumptions, concepts, doctrines which (*to summarize*) in generally (*to accept*) accounting principles. Many of these principles (*to develop*) gradually, but only in recent decades these principles (*to recognize*) as laws. Economic theory (*to deal*) with several following fundamental accounting concepts.

1. The on-going concept (концепція підприємства, яке працює) (*to state*) that the entity (юридична особа) that (*to be*) (*to perform*) activity and (*to be*) (*to receive*) accounting information (*must*) (*to define*) clearly and that the relationship (*to exist*) between the entity and external parties (*must*) (*to understand*) clearly.
2. According to the historical-cost principle (метод підрахунку з використанням цін придбань) economic resources (*should*) (*to evaluate*) in terms of the amounts of money (*to exchange*). When a transaction (*to occur*), the exchange price (*to be*) a measure of the value of the economic resources that (*to exchange*).
3. The realization concept (концепція реалізації) (*to disclose*) that accounting (*to take place*) only for those economic events to which the entity (*to be*) a party.
4. In accordance with the matching principle (концепція зіставлення) income (*to calculate*) by matching revenues with the expenses incurred (нести збитки,) in order to obtain that revenue.
5. The accrual concept (концепція нарахування) (*to define*) revenues and expenses as inflow and outflow of all assets in the course of operating the enterprise.
6. The consistency concept (концепція незмінності) assumes the accounting methods (*to use*) at a given time (*must*) (*to be*) in line with those previously (*to use*) for describing company performance. Such consistency (*to allow*) data of different periods (*to compare*).
7. The disclosure principle (принцип розкриття сутності) (*to emphasize*) that financial statements (*should*) (*to present*) clearly the most useful in formation.
8. The prudence concept (концепція обережності) (*to require*) all entries (*to concern*) income and revenue (*should not*) (*to record*) until money (*to receive*), but records (*to relate*) to possible future losses and risk (*ought*) (*to do*) as soon as they (*to predict*).

b) Find in the text three synonyms for the translation of the adverb «згідно, відповідно.»

c) Using the text finish the next sentences in Conditional Mood.

1. If the accountant expected any losses in future, he ...
2. If we consider accounting existing today, we ...
3. If we had prepared financial statements, all useful information ...
4. If the income were calculated, the matching principle ...
5. If there were any relations between the entity and the external parties, they...
6. If a transaction had occurred, the exchange price ...
7. If we plan to estimate the company's performance for some years, the same accounting methods ...
8. Only if the entity were engaged in this transaction, the data about this economic event...

2. Open the brackets using the verbs in appropriate form.

1. Equity would decrease if the owners (*to withdraw*) funds from the business.
2. If there (*to be*) a change in the amount for one item in a balance sheet, it will be always accompanied by an equal change in some other item.
3. If cash is received from the issuance of bonds, this figures (*not to be shown*) in the income statement.
4. The same amount of depreciation would be evaluated each year if the accountant (*to choose*) the straight-line method.
5. If the company {*to choose*) proper ways to use its assets for producing goods and rendering services, it would have earned enough revenue to stay in business.
6. If a customer received commodities or promised to pay the company in the future, the revenue (*to be recorded*) in accounts receivable.

7. If cash (to be paid) to purchase equipment, this figure will be added to the asset account of a plant.

If the company (to introduce) a new product, it would have increased the company's future cash flows.

UNIT 20

receipt	грошові надходження; прибуток
journal	бухгалтерський журнал, відомість
ledger	бухгалтерська книга
posting	перенесення у бухгалтерську книгу
to draw up	складати
trial balance	попередній бухгалтерський баланс
to bring accounts to balance	складати зведений баланс (сводный)
favourable balance	активний баланс
balance on an account	залишок рахунку
balance in hand	грошова готівка
balance with foreign banks	залишки на рахунках у закордонних банках
error	помилка
preliminary	попередній

1. Read sentences only with new lexis and translate them.

1. The balance sheet cannot be completed until the depreciation of the capital assets is calculated.
2. For management of any company to be efficient, extensive and accurate information concerning receipts and payments, assets and liabilities, depreciation of assets and other data about company status are required.
3. The bank won't make a loan to any company until its experts study thoroughly the company's balance sheet.
4. In the second step in the accounting cycle, the amounts from the various journals are usually monthly transferred to the company's general ledger - a procedure called posting.
5. A new product is unlikely to be sold successfully until a wide advertising campaign is organized professionally.
6. The demand for high-quality goods remains low until the consumers' incomes rise.
7. This procedure known as the drawing up of a trial balance and those that follow it usually take place at the end of the fiscal year.
8. Until a country's imports exceed its exports, there is a deficit in the trade balance.

2. Put the missing letters.

r.c...pts, j...rnal, l.d.er, p.st.ng, dr.w up, tr...l bal.nce, b.l.nce of tr.de, b.l.nce in h.nd, b.l.nce with f.re...n b.nks, fav..rable b.l.nce.

3. Read the text.

BOOKKEEPING AS PART OF ACCOUNTING CYCLE

For management of any company to be efficient, extensive and accurate information concerning receipts and payments, assets and liabilities, depreciation of assets and other data about company status are required. Such information being obtained mainly from different records, additional funds and time should be invested in bookkeeping and accounting system.

In general, accounting and bookkeeping mean identifying, measuring, recording economic information about any business, bookkeeping being considered the preliminary stage and part of the larger field of accounting.

The task of a bookkeeper is to ensure the record-keeping aspect of accounting and therefore to provide the data to which accounting principles are applied in the preparation of financial statements.

Bookkeeping provides the basic accounting data by systematical recording such day-to-day financial information as income from the sale of products or services, expenses of business operations such as the cost of the goods sold and *overhead expenses* such as a rent, wages, salaries.

Accounting principles determine which financial events and transactions should be recorded in the bookkeeper's books. The analysis and interpretation of these records is the primary function of accounting. The various financial statements produced by accountants then provide managers with the basis for future financial planning and control, and provide other interested parties (investors, the government) with useful information about the company.

Modern accounting system is considered to be a seven-step cycle. The first three steps fall under the bookkeeping function, such as: 1) the systematic recording of financial transactions; 2) the transferring of the amounts from various journals to general ledger (also called "posting step"); 3) the drawing up of the trial balance.

Record keeping of companies is based on a double-entry system, due to which each transaction is recorded on the basis of its *dual impact* on the company's financial position. To make a complete bookkeeping record of every transaction in a journal, one should consider *interrelated aspects* of every transaction, and entries must be made in different accounts to keep the ins (receipts) and outs (payments) balanced.

A typical account is known to have two sides: the items on the left side are called debits, while the items on the right side are credits.

Thus, double-entry bookkeeping doesn't mean that the same transaction is entered twice, it means that the same amount of money is always debited to one account and credited to another account, each record having its own effect on the whole financial structure of the company. Certain accounts are increased with debits and decreased with credits, while other accounts are increased with credits and decreased with debits.

In the second step in the accounting cycle, the amounts from the various journals are usually monthly transferred to the company's general ledger - a procedure called posting. Posting data to the ledgers is followed by listing the balances of all the accounts and calculating whether the sum of all the debit balances agrees with the sum of all the credit balances. This procedure known as the drawing up of a trial balance and those that follow it usually take place at the end of the fiscal year. By making a trial balance, the record-keeping accuracy can be checked. The trial balance having been successfully prepared, the bookkeeping portion of the accounting cycle is completed.

The double-entry system of bookkeeping enables every company to determine at any time the value of each item that is owned, how much of this value belongs to creditors, the total profit and how much belongs to the business clear of debt. Thus, one advantage of the double-entry system is that its information is complete enough to be used as the basis for making business decisions. Another advantage is that errors are readily detected, since the system is based on equations that must always be in balance.

Words you need:

overhead expenses
dual impact
interrelated aspects

накладні витрати
подвійний вплив
взаємопов'язані аспекти

Exercises

1. Answer the questions.

1. What kind of information is of great importance for proper company management?
2. What role does bookkeeping play in the accounting cycle?
3. What kind of data is collected by a bookkeeper?
4. What is the difference between bookkeeping and accounting?
5. Who is interested in obtaining accurate accounting information?
6. What is the modern concept of the accounting system?
7. What tasks should a bookkeeper solve at the first three steps of the accounting cycle?
8. What does double-entry bookkeeping mean?
9. What data are recorded in the company's general ledger?
10. When is the bookkeeping cycle considered to be completed?
11. What are the advantages of the double-entry system?

2. Find in the text English equivalents for the following Ukrainian phrases:

Для того, щоб керування компанією було ефективним; така інформація, яка отримана;

бухгалтерський облік розглядається, як; забезпечити ведення обліку; повсякденна фінансова інформація; принципи фінансового обліку визначають; первинна функція обліку; забезпечують менеджерів; розглядається як система із семи кроків; ведення обліку засновується на системі бухгалтерського обліку з подвійним записом; для того щоб зробити повний бухгалтерський запис; записується двічі; визначені рахунки зростають з дебітом; загальна бухгалтерська книга; запис даних у головну бухгалтерську книгу; складення попереднього балансу.

3. Make up sentences from two parts.

1. The preparation of a trial balance includes
 2. A special book known as a journal is used
 3. Double-entry bookkeeping is a system of recording accounts where
 4. The posting procedure consists of
 5. In bookkeeping a sum of money paid or owed by a business
 6. One should know that crediting means
 7. Unlike crediting the debiting procedure means
 8. Bookkeeping as part of the accounting cycle deals with
 9. A bookkeeper is sure to be fully responsible for
 10. The sum of money gained by a business
- a) recording in an account a sum of money paid out or still owed.
 - b) regular transferring entries from the journal to the appropriate accounts in the ledger
 - c) for recording all primary information about business transaction
 - d) the accurate performance of the first three steps in the accounting cycle
 - e) is recorded on the right-hand side of a list of accounts.
 - f) recording all money received by and paid out of a company in special books or computer files.
 - g) the checking of accounts by comparing the total credits with the total debits.
 - h) is shown on the left-hand side of a list of accounts.
 - i) each sale or purchase is shown as having an effect on both the debit and the credit columns of an account.
 - j) recording the payment of a sum of money into an account.

4. Complete the sentences with the following words:

- | | |
|--|--|
| a) <i>list;</i> | f) <i>double-entry, balance, receipts, debits;</i> |
| b) <i>records, statements;</i> | g) <i>preliminary;</i> |
| c) <i>posting data;</i> | h) <i>accuracy;</i> |
| d) <i>double-entry, journals, ledgers;</i> | i) <i>balance, credit, debits;</i> |
| e) <i>bookkeeping, trial balance;</i> | j) <i>errors.</i> |

1. Every company needs some way of keeping systematic ... about all transactions that have taken place, all this information being necessary to prepare further financial
2. The most commonly used books are known to be called ... and
- 3 to the general ledger is usually done in the second step of the accounting cycle.
4. The system is based on the equations that should be always kept in ... : payments must equal ..., and credits must balance
5. The ... cycle is considered to be completed when the.....has been drawn up.
6. The laboratories are doing some ... experiments before starting work on this project.
7. ... and responsibility are sure to be the main qualities of any bookkeeper.
8. Economists expect new computer programmes to be very helpful in detecting possible ... in the accounting system.
9. In accounting and banking a ... is calculated as the difference between the total amount of money coming into (known as ...) and money going out of (known as ...) an account.
10. The balance sheet is known to ... the assets the firm owns and the liabilities for which it is responsible at a given period of time.

5. Find in the text sentences expressing such ideas.

1. The task of bookkeeping is to record systematically all transactions of the company and to provide accounting with all the necessary data.
2. To complete the bookkeeper's work, a trial balance summarizing all debits and credits should be prepared at the end of the fiscal year.
3. The accountants know the financial statements help them to determine debts and profits of a company during a given period.
4. In order to know whether the receipts and payments are in balance, it is necessary to keep accurate double-entry bookkeeping system.
5. For the firm to be successful, the data about assets, liabilities and debts should be available at any given moment.
6. The posting of data into the ledger to be done by a bookkeeper is known as the second step in the accounting cycle.
7. Everybody believes the double entry system to be of great value in business activity and has several advantages.

6. Checking facts and ideas using such expressions: *Exactly; Right you are; I agree with you; That goes without saying; There's no denying it; No doubt whatever; I can't agree with you; I'm against it; You are mistaken; Hardly.*

- 1) The recording of all the company's transactions should be done systematically.
- 2) The accounting cycle is known to consist of seven main steps, the bookkeeping being responsible for the analysis and interpretation of the entries.
- 3) A bookkeeper deals with taxes, cash flow, which includes cash receipts and payments, sales, purchases and different other business transactions.
- 4) The record-keeping accuracy can't be checked until total debits and total credits are added together.
- 5) Disagreement between the total of the debits and the total of the credits in the trial balance means that there is no error in the records.
- 6) Before posting the data the bookkeeper began calculation debit and credit balances.
Keeping records accurately is very important both for a company and tax authorities
- 7) .

Talking Points

1. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

2. Prepare for a short talk:

1. The main tasks of bookkeeping.
2. Imagine you are a bookkeeper. What do you think of this profession? Is it dangerous?
3. Could you say that the profit of a firm depends on the bookkeeper's work?

Grammar Exercises

1. a) Supply the prepositions of (9), on (2), in (7), by (1) и below (2), where necessary.

b) Find in the text sentences in Passive voice and discuss the text, using passive forms.

The simplest set **1.** ... double entry books consists **2.** ... a journal and a ledger. When a transaction occurs, it is not entered directly **3...** the account, but it is first recorded **4...** a book **5...** original entries known as a journal.

Several kinds **6** ...journals are used **7...** a bookkeeper, the general journal being the most common type. To list some recurring (повторяючийся) transactions special journals such as sales, purchases, cash-receipts and cash-disbursements (виплати) journals are widely used **8** ... bookkeeping. Transactions that cannot be registered ... a special journal and all entries that cannot affect **9.** ... cash are recorded **10.** ... a general journal.

In a general journal the title **11....** the account to be debited is placed **12....** the top line, with its amount shown **13** ... the debit column.

The title **14....** the account that is to be credited is shown **15...** it, with its amount placed **16....** the credit column. **17....** this may be a written explanation **18....** the transaction. The total **19...** the debits column should always equal the total **20....** the credits column **21...** each general journal page.

2. Open the brackets putting the verbs in the correct form:

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

In addition to the general ledger, a subsidiary (дополнительный) ledger (*to use*) in order (*to provide*) information in greater detail about the accounts in the general ledger. For example, the subsidiary ledger (*may*) (*to keep*) for the amount of money (*to owe*) to the company by all its customers, for the wages (*to pay*) to each employee, for each building or machine (*to own*) by the company and for amounts (*to owe*) to each of the company's creditors.

3. Using texts 1 and 2 answer the questions:

- 1) What is the difference between a journal and a ledger?
- 2) What types of journals and ledgers are used in bookkeeping?
- 3) What are the main steps in the process of recording information about transactions?

UNIT 21

to examine
accounting records
to offer an opinion
account audit
indepth audit report
audit procedures
substantive test
test in totals
audit risk
detection risk
to qualify the opinion

перевіряти, проводити ревізію
документи обліку
зробити висновок
аудит рахунків
детальний аудиторський звіт
методика проведення ревізії
незалежна перевірка
перевірка підсумкових чисел
риск неякісного контролю
риск (не) виявлення
дати аудиторський висновок з застереженнями (оговорка)

1. Read sentences only with new lexis and translate them.

1. Auditing is a process in which an independent accountant-auditor examines a firm's accounting records and financial statements and offers an opinion on their accuracy and reliability.
2. The auditor should focus on any misstatement whether it is intentional or unintentional.
3. Special bodies of users, such as supervisory boards, employee representatives, government

agencies may sometimes need an indepth audit report.

4. The auditor normally starts with a study of the business environment the audited company is working in and performs a preliminary analytical review.
5. It should be stressed that auditors do not monitor, they offer an opinion, and the audit process and audit procedures are complicated and manifold.
6. Defining the audit strategy the auditor has to decide whether to rely on internal controls or to resort to substantive testing applying analytical review procedures, such as tests in totals, comparison with budgets or even statistical analysis of figures.

2. Put the missing letters.

To qualify the opinion, audit risk, substantive test, test in totals, unqualified risk, independent audit report, accountant audit, to offer an opinion.

3. Read the text.

AUDITING PERFORMING AN AUDIT

Auditing is a process in which an independent accountant-auditor examines a firm's accounting records and financial statements and offers an opinion on their accuracy and reliability.

There are different types of audits, for example, financial statements audits, income tax audits, "value for money" audits, environmental audits, administrative audits, financial management audits, etc.

The accountancy profession has **built up** a significant amount of expertise in performing financial statements audits.

Accounts audits were established as an instrument to protect third parties, the users of accounts, since the auditor's opinion helps establish credibility of financial statements.

Special bodies of users, such as **supervisory boards**, employee representatives, government agencies may sometimes need an indepth audit report, which is usually confidential.

It should be stressed that auditors do not monitor, they offer an opinion, and the **audit process** and audit procedures are complicated and **manifold**. The auditor's opinion is gradually being built up from a mass of detailed work to the final judgement through the planning and testing stages. The auditor normally starts with a study of the business environment the **audited company** is working in and performs a preliminary analytical review.

Then he should direct his attention to the financial statements. Interestingly enough, however, the auditor's attention is not directed towards the financial statements' elements as such, but towards the correctness of various assumptions made by the management for their preparation. For instance, the auditor needs to know if figures are complete and accurate and reflect what they should reflect, if income and expenses are recorded in the proper periods and if the legal position is reflected adequately.

The auditor **should focus on any misstatement whether it is intentional or unintentional**. The management is responsible for the reliability of financial information. If the management is not prepared to take the responsibility it may be hard to complete the audit. In such situations the auditor should seek his own evidence by means of independent audit procedures.

Although the financial statements are the ultimate objectives of an audit, normally such audits cannot be completed without a proper study and evaluation of the accounting system and assessment of the internal accounting controls.

Defining the audit strategy the auditor has to decide whether to rely on internal controls or to resort to substantive testing applying analytical review procedures, such as tests in totals, comparison with budgets or even statistical analysis of figures.

In the planning stage as well as during the performance of audit procedures and, finally, in forming conclusions, "materiality" and "audit risk" are critical⁸ elements in the auditor's judgement. "**Materiality**" refers to the **magnitude** or nature of a misstatement (including an omission) of financial information.

"Audit risk" (including three different components - inherent risk, control risk, detection risk) is the risk that an auditor may give an inappropriate opinion on financial information that is materially

misstated.

The natural finalization of the audit process is the auditor's report, reflecting the auditor's opinion on the financial statements. Unfortunately, audits do not always end up in an approval of the financial statements.

Any deviation from the unqualified opinion should be explained in the auditor's report, including the uncertainty or the disagreement *that caused the auditor to qualify his opinion*.

In order to protect the public interests and the *profession's integrity* an individual must be sufficiently educated and adequately trained before being *certified* to act as an auditor.

Below you will find a sample of an auditor's opinion:

To the Shareholders of... Ltd.:

We have audited *the accompanying* balance sheet of ... Ltd. as of 31 December ... and the related *statement of income* for the year then ended.

Our audit was *conducted* in accordance with *generally accepted auditing standards* and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances to establish whether the balance sheet and related statement *complied with Ukrainian regulations* and were in *agreement* with the *underlying* accounting records.

In our opinion, the balance sheet and related statement of income of... Ltd. referred to above have been prepared *in compliance* with the relevant Ukrainian regulations and are in agreement with the *underlying* accounting records.

Odessa, 24 March...

Words you need:

build up	накопичувати
supervisory board	спостережлива рада
audit process	процес проведення аудиторської перевірки
manifold	багатосторонній
audited company	компанія, яку перевіряють
should focus on any misstatement	необхідно звертати увагу на будь-які перекохування не дивлячись на те
whether it is intentional or unintentional	чи є воно навмисним чи ні
critical	який є вирішальним
materiality	істотність
magnitude	розмір
that caused the auditor to qualify his opinion	які змусили аудитора внести застереження в свій висновок
integrity	професійна чесність
certify	видавати посвідчення
accompanying	який прикладається
the related statement of income	відповідний звіт про прибутки та збитки
to conduct an audit	проводити аудиторську перевірку
generally accepted auditing standards	загальноприйняті стандарти аудиту
to comply with regulations	відповідати правилам
in agreement with	у відповідності з
underlying	який лежить у основі
in compliance ¹ with	у відповідності з

Exercises

1. Answer the questions.

1. What is auditing?
2. What audits are practiced nowadays?
3. What does the auditor's opinion help establish?
4. How is an audit planned?
5. What do auditors normally start with?
6. What do auditors direct their attention to when they analyse financial statements?
7. What responsibilities do managers (directors) undertake with regard to the audit?
8. What are the responsibilities of auditors?
9. Do auditors study and evaluate the accounting system and the internal accounting control during

the audit? Do they rely on internal controls?

10 What are the most critical elements in the auditor's judgement?

11. Do all audits end up in the approval of the financial statements?

Why do auditors sometimes disclaim or qualify their opinions?

12. Who has the right to act as an auditor?

13. What audit was conducted by the auditors whose opinion is stated in the sample?

What were the auditors responsible for?

14. What opinion was expressed?

2. Find in the text English equivalents for the following Ukrainian phrases:

Перевіряти облікову документацію; давати висновок у відношенні точності та вірогідності фінансового звіту; аудит фінансової звітності; ревізія вірності начислення прибуткового податку; аудит оптимального використання грошових засобів; аудит заходів з охорони навколишнього середовища; ревізія правильності дій правління; перевірка ефективності фінансової діяльності правління; облікові працівники накопичили значний досвід у...; аудит рахунків є інструментом захисту інтересів користувачів фінансової звітності; висновок аудитора робить фінансову звітність надійною; спостережним радам та відомствам інколи потрібні глибокі аудиторські звіти, які є, як правило, конфіденційними; аудитор не контролюють, вони дають висновок у відношенні точності та вірогідності фінансового звіту; ділове середовище, у якому працює компанія, яку перевіряють; аудитор звертають свою увагу на правильність припущень правління; навмисне або ненавмисне перекручування даних; брати на себе відповідальність за; процедура проведення аудиторської перевірки; оцінка системи внутрішнього контролю; удаватися до незалежних перевірок; аналіз фінансово-господарської діяльності.

3. Match the verbs from (a) with the nouns from (b) below:

a) To share	b) certificate
To take	assumption
To seek	responsibility
To submit	faults
To give	services
To make	advice
To obtain	point of view
To find	financial statements
To submit	evidence

4. Make up sentences from two parts.

1. Auditing is a process in which an independent accountant-auditor examines

2. The accountancy profession has built up

3. Accounts audits were established as an instrument

4. It should be stressed that auditors do not monitor

5. The auditor normally starts with a study of

6. Then he should direct his attention

7. The auditor should focus on

8. The natural finalization of the audit process is

9. In order to protect the public interests and the profession's integrity

a) an individual must be sufficiently educated and adequately trained before being certified to act as an auditor.

b) a firm's accounting records and financial statements and offers an opinion on their accuracy and reliability.

c) any misstatement whether it is intentional or unintentional.

d) significant amount of expertise in performing financial statements audits.

e) the business environment the audited company is working in and performs a preliminary

analytical review.

- f) they offer an opinion, and the audit process and audit procedures are complicated and manifold
- g) to protect third parties, the users of accounts, since the auditor's opinion helps establish credibility of financial statements.
- h) to the financial statements.
- i) is the auditor's report, reflecting the auditor's opinion on the financial statements.

5. Complete the sentences with the following words:

- a) auditing*
- b) types of audits*
- c) accounts audits*
- d) management*

- e) auditors*
- f) auditor's report*
- g) "audit risk"*
- h) the audit strategy*

1. Defining thethe auditor has to decide whether to rely on internal controls or to resort to substantive testing applying analytical review procedures.
2. ...is a process in which an independent accountant-auditor examines a firm's accounting records and financial statements and offers an opinion on their accuracy and reliability.
3. The natural finalization of the audit process is the....., reflecting the auditor's opinion on the financial statements.
4. (including three different components - inherent risk, control risk, detection risk) is the risk that an auditor may give an inappropriate opinion on financial information that is materially misstated.
5. There are....., for example, financial statements audits, income tax audits, "value for money" audits, environmental audits, administrative audits, financial management audits, etc.
6.is responsible for the reliability of financial information.
7.were established as an instrument to protect third parties, the users of accounts, since the auditor's opinion helps establish credibility of financial statements.
8.are usually independent certified accountants who review the financial records of a company.

6. Find in the text sentences expressing such ideas.

1. Auditors review the financial records of a company.
2. Accounts audits are the "friend" of the users of accounts.
3. Indepth auditing report is information which is necessary for supervisory boards, employee representatives, and government agencies.
4. There are different types of audits.
5. The auditor's task is to offer an opinion.
6. The auditors have to study the business environment of the audited company and the financial statements.
7. The completing of audit depends on the management.
8. For the completing of audit it is necessary to study and evaluate the accounting system and assessment of the internal accounting control.
9. The critical elements in the auditor's judgement are "materiality" and "audit risk".
10. The auditor's report is the last stage of the auditing.

7. Checking facts and ideas using such expressions: *Exactly; Right you are; I agree with you; That goes without saying; There's no denying it; No doubt whatever; I can't agree with you; I'm against it; You are mistaken; Hardly.*

1. Auditor's report is the review of financial records and the report to the management on the current state of the company's fiscal affairs.
2. The auditor's opinion can help people to examine the work of the company.
3. The indepth audit report is open for everybody.
4. The task of auditor is to monitor the accounting records and the financial statements.
5. The auditor's attention is directed towards the financial statements' elements.
6. When management is not prepared to take the responsibility the auditor should seek his own evidence by means of independent audit procedures.
7. "Materiality" refers to the magnitude or nature of a misstatement (including an omission) of financial information.
8. "Audit risk" (including three different components - inherent risk, control risk, detection risk) is the risk that an auditor may give an inappropriate opinion on financial information that is materially misstated.
9. Any accountant can be an auditor without any difficulties.

8. Find the definitions to the next terms: *audit, auditor, "audit risk", auditor's report.*

1.is a professionally trained person who examines the accounts of an organization.
2.is a document recording the auditor's opinion on the financial statements.

3.is a detailed inspection of the accounts of an organization conducted usually once a year, by a professionally trained person to confirm that they are true and honest.
4. is the risk that an auditor may give an inappropriate opinion on financial information that is materially misstated.

Talking Points

1. Single out the main points of the text. Use the following opening phrases.

The text looks at (the problem of...)

The text deals with the issue of..

It is clear from the text that...

Among other things the text raises the issue of...

The problem of...is of great importance

One of the main points to be singled out is

Great importance is also attached to...

In this connection, I'd like to say...

It further says that...

I find the question of...very important because...

We shouldn't forget that...

I think that...should be mentioned here as a very important...mechanism of... .

2. Read the text.

a) Describe the two main functions of auditing.

Discuss public accountants (auditors) and government auditors perform these functions. Explain the importance of internal auditing.

Audit is an examination of the records and reports of an enterprise by accounting specialists other than those responsible for their preparation. Public auditing by independent accountants has acquired professional status and become increasingly common with the rise of large business units and the separation of ownership from control. The public accountant performs tests to determine whether the management's statements were prepared in accordance with acceptable accounting principles and fairly present the firm's financial position and operating results. Such independent evaluations of management reports are of interest to actual and prospective shareholders, bankers, suppliers, lessors, and government agencies.

Generally speaking, auditing has two functions: to reveal undesirable practices and, as far as possible, to prevent their recurring in the future. A relatively new type of auditing is internal auditing. It is designed to evaluate the effectiveness of a business's accounting system. Perhaps the most familiar type of auditing is the administrative audit, or pre-audit, in which individual vouchers, invoices or other documents are investigated for accuracy and proper authorization before they are paid or entered in the books.

In English-speaking countries, public auditors are usually certified, and high standards of professional qualification are encouraged.

Most countries have specific agencies or departments charged with the auditing of their public accounts.

Taxpayers in all countries are interested in the sound management of the collected revenue, they also want to know whether or not the executive branch of government is complying with the law, especially in the area of public finance.

Government auditors are working for sound, economical and efficient financial management, addressing the key problems in the field of public sector auditing, like strengthening the institutions that oversee financial management, changes in the scope and methodology of government auditing, ability to conduct performance audits in public enterprises, strengthening internal auditing in spending units, ex-post external audits of government activities, budget efficiency problems, performance of expenditure programmes.

The advantages accruing from an audit are obvious, taking into account the complexity of present-day commerce and business.

3. Supply the prepositions where necessary.

a) Say what the auditors checked during the audit in accordance with the instructions given to them.

Auditors' Report

We have examined the books, accounts and *vouchers* relating .. the six months ended 30th September ... (*year*) which were presented ... us. We have made extensive enquiries ... the system of internal check ... force and are satisfied that it is working efficiently. Particular attention was paid to the methods in force for *the authorization of: accounts for payment* and the *handling ... cash*. The *cash balances* .. the 30th September ... (*year*) were counted and found to be in accordance ... the *cashier's books*. All bank payments have been verified with the *bank statements* and certificates of the balances on the accounts obtained ... the bankers.

We have checked all cash and bank payments ... *the receipts* and have to report that a number of small payments are unsupported ... vouchers. It has been possible, however, to *obtain other evidence* to show that these *disbursements* were properly made. The *cash books* have been *cast* and all *postings* ... the various *ledgers* checked ... detail.

All invoices ... respect of goods purchased and *expenses incurred* have been examined with the appropriate analysis of books, the totals of which have been checked. Several minor errors were *detected* which have now been *rectified*. The postings to the *Creditors' Ledgers* have been *test-checked*, being far too numerous to do in detail. The balances ... the individual Creditors' accounts have been compared with special *audit statements* obtained from them and found to be ... order. Our instructions did not require us to examine the *Sales Ledgers* and *Day Books*: we therefore report that in such work as we have performed we found no evidence of, or opportunity ... *defalcation* or *fraud*.

Words you may need:

voucher <i>n</i>	виправдовувальний грошовий документ
authorization of accounts for payment	дозвіл на проведення виплат з рахунків
handling of cash	використовування готівки
cash balance	залишок касової готівки
cashier's book	журнал касових операцій
bank statement	виписка з рахунку
receipt <i>n</i>	квитанція
to obtain evidence	получити докази
disbursements <i>n p</i>	виплати
cash book	касова книга, журнал касових операцій
cast <i>v</i>	підраховувати, підводити висновки
posting <i>v</i>	проводка
ledger <i>n</i>	бухгалтерська книга, бухгалтерський реєстр
expenses incurred	витрати, які були понесені
detect <i>v</i>	виявляти
rectify <i>v</i>	виправляти
Creditors' Ledger	книга кредиторів
test-check <i>v</i>	перевіряти за допомогою тестів
audit statement	аудиторський звіт
Sales Ledger	книга обліку продаж
Day Book	книга операцій робочого дня
defalcation <i>n</i>	присвоєння чужих грошей
fraud <i>n</i>	шахрайство, обман

4. Prepare a short talk on the following:

1. How do auditors conduct audit?
2. What is the aim of audit?
3. Is it difficult to become a practicing auditor? Are professional qualifications high?
4. If you have a job with an auditing firm what sort of personal characteristics do you think are the most important for auditors?

TEST YOURSELF

I. Complete the sentences.

1. The international monetary system involves the management of three processes and one of them is the financing of ... among countries by the use of credit.
a) exports b) imports c) payment imbalances d) adjustment
2. The internal bond markets is also called ...
a) international b) external c) domestic d) national
3. Money markets deal in ... having maturities one year or less.
a) long-term securities b) short-term securities c) share d) issue
4. Market which deal in short-time securities is named ...
a) money market b) capital market c) domestic market d) bond market
5. ... are the stocks that give owners preference in the payment of dividends.
a) ordinary stocks b) preferred stocks c) shares d) securities
6. ... is capital expenditure on physical productive assets.
a) investment b) direct investment c) money d) capital
7. ... is the term on which one currency will exchange against another.
a) swap b) rate of exchange c) monies d) currency
8. ... is the capital available for working in business.
a) fixed capital b) paid-up capital c) current assets d) working capital
9. ... indicating a firm's ability to meet short-term financial obligations.
a) liquidity ratios b) solvency c) price ratio d) current ratio
10. ... is based on the accounting equation.
a) entry system b) bookkeeping c) accounting d) audit
11. ... are usually independent certified accountants who review the financial records of a company.
a) auditors b) bookkeepers c) accountant d) test in totals
12. ... is a document recording the auditor's opinion on the financial statement.
a) audit procedures b) substantive test c) auditor's report d) audit risk
13. The accountant is interested in the trial balance ... by the bookkeeper as soon as possible.
a) to draw up b) being drawn up c) drawing d) drawn
14. This American company ... its computers very successfully at the market now by maintaining low prices.
a) to sell b) selling c) is selling d) sells
15. Inflation is known ... by the increase in the price level within a certain period of time.
a) to be characterized b) characterizing c) to characterize d) is characterized
16. After ... the data the bookkeeper began calculating debit and credit balances.
a) to post b) posting c) being posted d) posted

17. If cash is received from the issuance of bonds, this figures ... in the income statement.
a) not to be shown b) was not shown c) will not be shown d) were no to be shown

18. If company ... a new product, it would have increased the company's future cash flows.
a) had introduced b) has introduced c) introduced d) introduce

19. The value of a firm ... not only by the sum of its assets but the firm's goodwill as well.
a) to affect b) are affected c) affects d) is affected

20. Having recovered money from its debtors, the company ... it on technological improvements.
a) to spend b) spent c) spends d) have spent

II. Complete the sentences.

21. A balance sheet represent
a) stockholder's equity and dividends
b) a firm's assets, liabilities and owner's equity
c) a firm's sales, costs and profits for a given period

22. The principle of double-entry bookkeeping is used for
a) preparing a trial balance
b) preparing the data for financial accounting
c) controlling the financial position of a business

III. Complete the sentences with following words : a) trial balance, b) audit, c) balance sheet, d) activity ratios.

23. A detailed inspection of the accounts of an organization carried out by professionally trained person is called ...

24. The preparation of a ... includes the checking of accounts by comparing the total credits with the total debit.

25. ... indicating how efficiently a firm is using its assets to generate sales.

26. A statement showing the financial position of a business at a certain date is called ...

IV. Find the correct translation of the sentences.

27. Принцип бухгалтерського обліку з подвійним записом використовується для контролю за фінансовим положенням підприємства.

a) The principle of double –entry accounting is used for control the financial position of an enterprise.
b) The principle bookkeeping are used for controlling the financial position of an enterprise.
c) The principle of double –entry bookkeeping is used for controlling the financial position of an enterprise.

28. Складанням пробного балансу у кінці бюджетного року завершуються перші три етапи фінансового облікового циклу.

a) The first three step of the financial accounting cycle were accomplished by the preparation of a trial balance at the end of the fiscal year.
b) The first three steps of the financial accounting cycle accomplish by the preparation of a trial balance at the end of the fiscal year.
c) The first three steps of the financial accounting cycle are accomplished by the preparation of a trial balance at the end of the fiscal year.

29. One can use current tangible assets, for example accounts receivable, as means of payment.

- a) Ми використовуємо поточні матеріальні активи, наприклад рахунки дебіторів, як засіб платежу.
- b) Можна використовувати поточні матеріальні активи, наприклад рахунки дебіторів, як засіб платежу.
- c) Припустиме використання поточних матеріальних активів, наприклад рахунків дебіторів, як засіб платежу.

30. Goodwill is known to belong to intangible company's assets, however company's reputation can greatly increase its profits.

- a) Як відомо, гудвіл відноситься до нематеріальних активів компанії, однак репутація компанії може значно підвищити її прибутки.
- b) Гудвіл відноситься до нематеріальних активів компанії, однак репутація компанії значно підвищує її прибутки.
- c) Гудвіл відносився до матеріальних активів компанії, тому репутація компанії значно підвищує її прибутки.

V. Find synonym or definition of the word.

31. to take chances

- a) to run a risk
- b) to run a business
- c) to make the opportunity
- d) to perform the possibility

32. to carry out function

- a) to give a chance
- b) to perform function
- c) to work
- d) to operate

33. to spread profit

- a) to make profit
- b) to create profit
- c) the distribution of profit
- d) to divide profit

34. full financial liability

- a) complete financial responsibility
- b) the whole financial duties
- c) the realizing of all tasks

35. to set up a partnership

- a) to create friends
- b) to establish a partnership
- c) to organize a corporation

VI. Look through the sentences which were written by Ukraininan who studies English. Which of them are not correct? Match with “+” corrret sentences and “-“ sentences with grammar mistakes.

36. The discuss of this complex project will take much time.

37. If immigration barriers were eliminated in advanced countries, wages of resident workers in them will fall.

38. Any entry in journal ought to be recorded accurately to avoid errors in further balance.

39. An increase in the wage rate is sure to produce the quantity of labour demand.

40. Recently we had finished our work.

