А.В. Вдовичев
Н.П. Науменко

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ПЕРЕВОД ЭКОНОМИЧЕСКИХ ТЕКСТОВ

Учебное пособие

ФЛИНТА
МПСУ

А.В. ВДОВИЧЕВ, Н.П. НАУМЕНКО

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Целью настоящего издания является формирование знаний, умений и навыков, необходимых для выполнения перевода текстов официально-деловой и экономической тематики с английского языка на русский и с русского языка на английский через усвоение терминологии и жанровых особенностей делового дискурса.

Для студентов, специализирующихся в сфере официально-делового перевода, также может использоваться как основное или дополнительное пособие по английскому языку для студентов экономических специальностей.

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CONTENTS

ПРЕДИСЛОВИЕ 4

Unit I. Economics and Its Concepts 6

Unit II . Business and Its Forms of Organization 26

Unit III. Banks and Banking System 46

Unit IV. Accounting and Reporting 80

Unit V. Capital and Finance 111

Unit VI. Management. Marketing 142

Unit VII. Economic Globalization 162

Appendix 1. Incoterms 186

Appendix 2. Major Job Titles in Business 190

Appendix 3. World's Major Currencies 193

Appendix 4. Major Abbreviations and Acronyms in Economics and Finance 206

Literature 226

ПРЕДИСЛОВИЕ

Учебное пособие состоит из семи разделов и четырех приложений, а каждый раздел — из двух частей. Первая часть предназначена для формирования навыков и умений перевода официально-деловых текстов с английского языка на русский, а вторая — с русского на английский. Тематически деловой контекст семи разделов представлен следующими основными предметными областями: экономика как научная дисциплина, коммерческая деятельность и юридические формы ее организации, финансы и финансовые рынки, банки и банковское дело, бухгалтерский учет, менеджмент и маркетинг, экономическая глобализация.

В каждом разделе даются терминологические списки и три текста по каждой из указанных тем для изучения контекста с целью последующего перевода. Текстам предшествуют задания на предпереводческий анализ их структурной, лексической и фразеологической систем. Актуализация терминологии осуществляется на базе подстановочных и трансформационных упражнений.

Навыки реферативного перевода, перевода с листа и, в конечном итоге, полного письменного перевода формируются также на базе поиска различных типов информации, анализа переводческих соответствий и трансформационных процедур, используемых переводчиком для преобразования исходного текста в текст перевода с учетом требований адекватности перевода.

Тексты для перевода, отобранные из ведущих англоязычных и русскоязычных изданий в области финансов, банковской и хозяйственной деятельности, маркетинга и менеджмента, являясь логическим продолжением лекционного и семинарского курсов основ экономических знаний, обеспечивают фоновые знания будущих переводчиков, специализирующихся в деловой коммуникации, стимулируют развитие у студентов умения пользоваться специализированными словарями и справочниками.

Все тексты разной степени сложности и могут использоваться как для аудиторной работы под руководством преподавателя, так и для самостоятельной.

Приложения включают перечни мировых валют, таможенных терминов и сокращений, общепринятых в коммерческой деятельности.

Unit I

ECONOMICS AND ITS CONCEPTS

Part I. Translation from English into Russian

1. Give Russian equivalents of the following terms.

1. aggregate demand
2. aggregate supply
3. allocate
4. alternative use
5. bias
6. capital
7. consumer
8. consumer goods
9. consumption
10. demand
11. economic security
12. economics
13. economy
14. entrepreneurship
15. factors of production
16. free goods
17. GDP
18. gross exports
19. gross imports
20. goods
21. government spending
22. household
23. human needs
24. inflation
25. intangible goods
26. labor
27. land
28. macroeconomics
29. means of production
30. merge
31. mesoeconomics
32. microeconomics
33. national economy
34. natural resources
35. normative economics
36. opportunity cost
37. per capita
38. positive economics
39. production
40. scarcity
41. standard of living
42. supermacroeconomics
43. supply
44. tangible goods
45. to bear losses
46. to curtail
47. to reap profits
48. total production
49. unemployment
50. want (n.)

2. Read texts 1-4.

3. Study the following, paying attention to the terms and their contextual use:
a) what *economics* is;
b) what *positive economics* means;
c) what *normative economics* means;
d) how to define main concepts and components of economics as a science.

4. Pick out the idiomatic expressions and give their Russian equivalents.

5. Pick out the abbreviations from the texts below and give their Russian equivalents.

Text 1

Economics as an Academic Discipline

Any science starts with a definition. We must take the definition apart before it can be put together in a meaningful way. The definition will be developed into a clear description of the science of economics. Every time you come to a new text or exercise in this Part of Unit I, look back to the definition to see where and why the new material fits into the definition.

Economics is a social science that studies how society chooses to allocate its scarce resources, which have alternative uses, to provide goods and services for present and future consumption.

The definition starts "Economics is" and that is what is being defined. So the remaining words need to be understood to make sense of the notion "economics". Let us start with *goods* and *services*.

Goods and Services

What exactly are goods and services? *Goods* are anything that satisfies a want. That is the purpose of production — to provide goods that satisfy wants. So goods are produced, and the consumption of those goods satisfies wants. Goods can be tangible or intangible. Tangible goods are physical items, such as bulldozers or pizzas. Intangible goods, such as medical care or education are called services. Both goods and services satisfy wants and therefore can be called goods.

Resources

The satisfaction of wants can only be accomplished by using up *resources*, the inputs, the so-called factors of production or means of production. These resources can be classified as *land*, *labor*, *capital*, and *entrepreneurship*.

Land is land itself and anything that grows on it or can be taken from it are the "natural resources". Imagine producing anything from a pizza to a medical doctor without the use of land somewhere along the productive process. *Labor*, another resource, is a human effort, both physical and mental.

The resource *capital* is also known as *capital goods*. An economist's use of capital is not a reference to money but to a resource. *Capital* is a man-made tool of production; it is goods that have been produced for use in the production of other goods. Goods are produced for one of two purposes. Goods may be consumer goods used for the satisfaction of wants, which is the ultimate purpose of production. Or goods may be capital goods produced not for consumption but for use in producing more goods, either consumer or capital. So capital goods, such as a mechanic's wrench or a school building, are resources that have been produced and that will combine with other resources, such as *land* and *labor*, to produce more output.

Some goods may be consumer goods in one use and capital goods in another use. For example, consider a personal computer. When the computer is used to play solitaire, it is consumer goods. On the other hand, when it is used as a word processor to write a textbook, it is capital goods. To tell whether goods are consumer goods or capital goods, ask yourself a question: are the goods going to be consumed directly or will they be used to produce more goods? If they are to be consumed directly and purchased by consumers, they are consumer goods; if they are to be used to produce other goods and purchased by business, they are a capital goods.

Entrepreneurship is again human effort. Entrepreneurs are the risk takers. They are more than managers, although they use managerial ability. Entrepreneurs reap the profits or bear the losses of their undertakings. *Entrepreneurship* is the organizational force that combines the other factors of production — land, labor, and capital — and transforms them into the desired output. The output may be capital or consumer goods, but ultimately consumer goods are produced to satisfy wants.

Scarcity

Resources are scarce. *Scarcity* is a relationship between how much there is of something and how much of it is wanted. Resources are scarce compared to all of the uses we have for them. If we want to use more than there is of an item, it is scarce. Note that this meaning is different from the usual meaning of scarce, which is "rarely found in nature." How are they different? Consider this example. Is water scarce? How could anyone argue that water is scarce in the usual sense? Water covers nearly two-thirds of the earth's surface. Yet an economist would say that water is scarce. Why? The reason is that there are so many competing uses for water that more water is wanted than is available. If you find this hard to believe, ask farmers and ranchers in the West, where water rights are jealously guarded. As soon as someone is willing to pay for a goods, or a resources, it is scarce by the economist's definition.

Consider scarcity from another point of view. What if scarcity did not exist? Then all goods would be free goods. *Free goods* would mean that you could have all you want of everything without having to give up something else you also want. Can you think of goods that are not scarce? There may be some. Take air, for example. Isn't it free? What do you have to give up to get air? In some locations, it probably is free. But in other locations it is not, especially if air means clean air. You could make a fortune if you could find a way to provide clean air on a smoggy day in Los Angeles. People pay to avoid smog: they don't go out when the smog is bad, they car pool and so on. So even air may not be free. In fact, it is hard to think of goods or resources that are free.

The production of goods to satisfy a want will reduce the amount of available resources. Resources are limited. There is only so much land, labor, capital, and entrepreneurship in existence at any point of time. Resources are therefore scarce because there is not enough of them to go around to produce all the things that we would like to produce to satisfy all our wants. Hence goods are scarce, too. Scarce resources yield scarce goods.

On the one hand, resources are limited, but on the other hand, human wants are unlimited. Wants are unlimited or nearly so. How can that be? Everyone has wants, and if the truth were known, each individual has nearly unlimited wants. Examine my wish list. It certainly includes more goods and services than I have right now. I would like to live in some exciting places. Paris would be acceptable, but not all the time. I would also like a home in Hawaii or on Monterey peninsula. And of course a place in the Alps for skiing. And because these places are far away from each other, and I do not want to depend on commercial airlines, a private jet would be nice. And probably a Rolls-Royce or a Mercedes for the family and a Ferrari or Porsche for me. Also, I would not want to spend all my time cleaning house or cooking, so each home would need a complete staff. The list is fairly long already, and I haven't gotten to my special passion — hats! You can easily see that if each member of society made up a wish list, the wants of all people added up would be enormous. Nearly unlimited. The point is that wants exceed what can be produced from our limited resources.

Unlimited wants alone are not a problem, but certainly a problem exists when unlimited wants are combined with limited means of satisfying those wants. The production of any goods on our wish list uses up resources. Then scarcity comes in. We can never satisfy all of society's unlimited wants with limited resources and consequently limited goods.

Unlimited wants reflect the human nature. The limitation of resources is imposed upon us by nature. Therefore, unlimited wants competing for limited resources create the basic economic problem of *scarcity*. This is a difficulty that cannot be overcome by cleverness or good fortune. Scarcity, the interaction of unlimited wants with limited resources, has been called an economic problem.

In fact, you are starting the study of economics, which would not exist except for scarcity. If that makes you think that scarcity might be the cause of many of your problems, you are right. Scarcity is an economic problem. Therefore, choices must be made.

Choices

We must choose how to use our scarce resources. Scarcity forces choice. And economics, which deals with scarcity, is often called the study of choosing. We cannot have all we want of everything we want. Scarcity. Scarcity is imposed by limited factors of production yielding limited output of goods relative to unlimited wants. Choices must be made.

Now you see that since we do not have enough capital goods to assist in the production of all those consumer goods to satisfy our unlimited wants, capital is a scarce resource. And we must choose how to use capital. For similar reasons, we must choose how to use land, labor, and entrepreneurship. The fact that choices must be made in turn reflects the fact that scarcity does exist.

Alternative Uses

So far we see that society is faced with the problem of not having enough resources to provide for all wants. And thus choices must be made about how those resources will be used or allocated. *Allocate* means distribute. Society must make choices among the alternatives. Society must decide which goods will be produced, how to allocate resources to produce goods, and how to allocate the goods among the population. The method used to decide how these allocations will be made depends on the kind of economic system the society has chosen.

Since resources have alternative uses and are scarce, it is necessary to choose among the alternatives. Land, labor, capital, and entrepreneurship may be used in one combination to produce pianos and in another to produce computers or psychiatric care. Yet we cannot have all the pianos, computers, and psychiatric care as well as all of everything else we might want. There are many alternative ways to use the resources, and choices must be made.

It makes no difference whether the problem is how the government will use its resources or how individuals or business use theirs. In every case, resources are scarce, and choices must be made. So the government chooses to use resources for medical research or expeditions to the Antarctic. Individuals choose how to spend their time and income. Entrepreneurs decide how to use land, labor, and capital. In each case, there are many alternative ways in which those choices could be made.

Sometimes, at first glance, there appears to be no alternative. But there are always alternatives. For example, what if there is a shortage of teachers of science and mathematics? Some might conclude that the only alternative is to train more teachers. There may be no other choice as attractive as that, but there are alternatives. We could require less maths and science in our schools. We could employ teachers trained in other countries or in political science e.g. schools could be closed. Students could teach other students. Classes could be larger, or teachers could be drafted out of retirement. There are alternative ways how this problem of "scarce teachers" could be solved. We must choose among alternatives.

Scarcity imposes a limitation on the amount of output that society can produce. Because there are always alternative uses of the resources and because scarcity exists, society cannot produce all that it wants. It must therefore choose among the alternatives. Hence the cost is imposed on society; economists call this cost *opportunity cost*. What is opportunity cost?

Opportunity Cost

Opportunity cost is a concept you did not see in the definition of economics. But not seeing it doesn't mean that it isn't there. There is yet more to say about the definition, but this is the logical place to introduce a related concept.

Opportunity costs are everywhere, due to scarcity and the necessity of choosing. Opportunity cost is not what you choose when you make a choice — it is what you did *not* choose in making a choice. Opportunity cost is the value of the forgone alternative — what you gave up when you got something.

Your brain is wrestling with the idea of opportunity cost now. You have temporarily given up the opportunity to think of food. But what about your stomach? If it is full, it has temporarily given up the opportunity to be empty. Or vice versa. You open your mouth to protest against the existence of opportunity cost. You could have laughed or yawned or sung the *Star Spangled Banner* at full volume instead. All are opportunity costs. You buy a blue shirt rather than a green or 1,700 pieces of bubble gum, or leave dollars in your checking account. Opportunity cost. Your state uses its limited budget to build more roads rather than schools. Opportunity cost. Your government chooses more defense spending and sacrifices human services. You guessed it.

Look back at the scarcity discussion. It was concluded there that the concept of free goods is not a realistic concept. Economists are fond of saying that there is no such thing as a free lunch. Even if your friend buys your lunch, you give up something — namely, time. That time could have been used for some other purpose, so there is an opportunity cost associated with he lunch, no matter who buys it. From the point of view of society, resources are used up to provide the lunch. These resources are limited. Resources applied to this production cannot be applied to that production. Consequently, the production of goods to satisfy a want imposes an opportunity cost. So opportunity cost is why goods are not free, but scarce.

Well, we got a little carried away and introduced an unannounced concept — opportunity cost. But you can see how it happened. Scarcity results in choice; choice results in opportunity cost. For your dedication in this chapter so far, take the concept of opportunity cost as a free bonus. Or was it free?

Present and Future Consumption

Choice also imposes opportunity cost over time. The use of resources now means that those resources will not be available for future use. A decision must be made, an opportunity cost encountered, as to whether to allocate for present needs or future needs. Today versus tomorrow.

Some goods will be consumed today and some in the future. By reducing consumption today, future consumption may be increased. Isn't that one reason you are in school? If you are not working full time, you are not consuming all you could. You are postponing consumption. Why? Because you believe you could get a better job (and one with more pay) if you have more training and education. So, you can consume even more later. Thus, you postpone current consumption while building up your skills so as to increase consumption later. Again, a barrel of oil pumped from the ground now is a barrel of oil that will not be available for consumption any day in the future. So using the oil today imposes forgone opportunities in the future.

Text 2

Supply and Demand

We said that economics is concerned with consumption and production. Another way of looking at this is in terms of demand and supply. In fact, demand and supply and the relationship between them lie at the very centre of economics. But what do we mean by the terms, and what is their relationship with the problem of scarcity?

Demand is related to wants. If goods and services were free, people would simply demand whatever they wanted. Such wants are virtually boundless, perhaps only limited by people's imagination. Supply, on the other hand, is limited. It is related to resources. The amount that firms can supply depends on the resources and technology available.

Given the problem of scarcity, given that human wants exceed what can actually be produced, potential demands will exceed potential supplies. Society therefore has to find some way of dealing with this problem. Somehow it has got to try to match demand with supply. This applies at the level of the economy overall: aggregate demand will need to be balanced against aggregate supply. In other words, total spending in the economy should balance total production.

It also applies at the level of individual goods and services. The demand and supply of cabbages should balance, and so should the demand and supply of DVD recorders, cars, houses and package holidays.

But if potential demand exceeds potential supply, how are actual demand and supply to be made equal? Either demand has to be curtailed, or supply has to be increased, or a combination of the two. Economics studies this process. It studies how demand adjusts to available supplies, and how supply adjusts to consumer demands.

Text 3

Microeconomics and Macroeconomics

Microeconomics is the study of how individual participants in the economy interact with one another. Participants include consumers, firms, workers, savers, investors, and others. These participants interact in the marketplace. Consumers, for example, seek to purchase the goods and services that they need for the lowest possible price. Firms, on the other hand, seek to produce goods and services that generate the largest possible profits. Workers offer their services to employers and hope to earn the highest possible wage. And so it goes. Microeconomics examines these behaviors in some detail.

You are an important part of the microeconomy. Suppose you wake up one Saturday morning and decide to have breakfast with friends at Betty's Diner. You and your friends each order the breakfast combination — two eggs, bacon, pancakes, biscuits, and a pot of coffee for the table. From the consumer's perspective, the $5 per meal purchase was an excellent use of your money.

Let's take a look at the same marketplace activity from the “other side» of the market — from the perspective of Betty, the owner of the diner. In the microeconomy Betty represents the producer. Betty must calculate all of her costs in the production of the breakfast combination — the cost of the food, the wage of the waitress, the rent on the diner itself, and all costs for utilities such as electricity. To stay in business Betty has to earn a profit from the sale of her meals, and this can only be accomplished if her total revenues are greater than her total costs.

The simple act of buying a breakfast at Betty's Diner illustrates the microeconomy in action. That is, it shows the interaction of a consumer and a producer in the marketplace. Much of the study of microeconomics deals with decisions of buying, selling, or producing goods or services.

Macroeconomics is the study of how the overall economy functions. Major macroeconomics topics include changes in price levels in the economy, and increases or decreases in unemployment. Macroeconomics also deals with changes in aggregate supply (the total supply of goods and services produced in the economy) and aggregate demand (the total demand for goods and services). National policies to stabilize the economy and to promote economic growth are also central to the study of the macroeconomy.

Text 4

Gross Domestic Product

Region's gross domestic product, or GDP, is one of several measures of the size of its economy. The GDP of a country is defined as the market value of all final goods and services produced within a country in a given period of time. Until the 1980s the term GNP or gross national product was used. The two terms GDP and GNP are almost identical. The most common approach to measuring and understanding GDP is the expenditure method:

GDP = consumption + investment + government spending + (exports/ imports).

Gross means depreciation of capital stock included. Without depreciation, with net investment instead of gross investment, it is the Net domestic product. Consumption and investment in this equation are the expenditure on final goods and services. The exports minus imports part of the equation (often called cumulative exports) then adjusts this by subtracting the part of this expenditure not produced domestically (the imports), and adding back in domestic production not consumed at home (the exports).

Economists (since Keynes) have preferred to split the general consumption term into two parts: private consumption and public sector (or government) spending. Two advantages of dividing total consumption this way in theoretical macroeconomics are:

Private consumption is a central concern of welfare economics. The private investment and trade portions of the economy are ultimately directed (in mainstream economic models) to increases in long-term private consumption. If separated from endogenous private consumption, government consumption can be treated as exogenous, so that different government spending levels can be considered within a meaningful macroeconomic framework. Therefore GDP can be expressed as:

GDP = private consumption + government + investment + net exports (or simply GDP = $C + G + I + X — M$ (‘X”, ‘M’ accounts for exports and imports, respectively)).

The components of GDP

Each of the variables *C*, *I*, *G*, and *NX*

C is private consumption (or Consumer expenditures) in the economy. This includes most personal expenditures of households such as food, rent, medical expenses and so on.

I is defined as business investments in capital. Examples of investment by a business include construction of a new mine, purchase of software, or purchase of machinery and equipment for a factory. *Investment* in GDP is meant very specifically as non-financial product purchases. Buying financial products is classed as saving in macroeconomics, as opposed to investment (which in the GDP formula is a form of spending). The distinction is (in theory) clear: if money is converted into goods or services without a repayment liability, it is investment. For example, if you buy a bond or a share, the ownership of the money has only nominally changed hands, and this transfer payment is excluded from the GDP sum. Although such purchases would be called investments in normal speech, from the total-economy point of view, this is simply swapping of deeds and not part of the real economy or the GDP formula.

G is the sum of government expenditures on final goods and services. It includes salaries of public servants, purchase of weapons for the military, and any investment expenditure by a government. It does not include any transfer payments, such as social security or unemployment benefits. The relative size of government expenditure compared to GDP as a whole is critical in the theory of crowding out and the Keynesian cross.

NX are "net exports" in the economy (gross exports/ gross imports; also *X/M*). GDP captures the amount a country produces, including goods and services produced for overseas consumption, therefore exports are added. Imports are subtracted since imported goods will be included in the terms *G*, *I*, or *C*, and must be deducted to avoid counting foreign supply as domestic.

GDP and standard of living

GDP per capita is often used as an indicator of standard of living in an economy. While this approach has advantages, many criticisms of GDP focus on its use as an indicator of standard of living.

The major advantages to using GDP per capita as an indicator of standard of living are that it is measured frequently, widely and consistently: frequently in that most countries provide information on GDP on a quarterly basis (which allows a user to spot trends more quickly), widely in that some measure of GDP is available for practically every country in the world (allowing crude comparisons between the standard of living in different countries), and consistently in that the technical definitions used within GDP are relatively consistent between countries, and so there can be confidence that the same thing is being measured in each country.

The major disadvantage of using GDP as an indicator of standard of living is that it is not, strictly speaking, a measure of standard of living. GDP is intended to be a measure of particular types of economic activity within a country. Nothing about the definition of GDP suggests that it is necessarily a measure of standard of living. For instance, in an extreme example, a country which exported 100 per cent of its production would still have a high GDP, but a very poor standard of living.

The argument in favour of using GDP is not that it is a good indicator of standard of living, but rather that (all other things being equal) standard of living tends to increase when GDP per capita increases. This makes GDP a proxy for standard of living, rather than a direct measure of it. There are a number of controversies about this use of GDP.

6. Match the following terms (column A) with their definitions (column B).

A	B
1) ***economics***	a) the measure of the alternative opportunities foregone in the choice of some goods or activity over others

2) ***consumption***	b) an amount of something (especially money), that is given to a particular person or used for a particular purpose
3) ***scarcity***	c) a stock or supply that can be drawn on
4) ***cost***	d) available or usable instead of another
5) ***price***	e) a situation in which there is not enough of something
6) ***service***	f) the desire of purchasers or consumers for a commodity
7) ***goods***	g) the general body of wage earners
8) ***production***	h) the amount of goods or work produced by a person, machine, factory
9) ***allocation***	i) clear enough or definite enough to be easily seen, felt, or noticed
10) ***labor***	j) social science that seeks to analyze and describe the production, distribution, and consumption of wealth
11) ***capital***	k) work performed for pay
12) ***resource***	l) abstract or hard to define or measure
13) ***output***	m) the amount of money that has to be paid to acquire a given product
14) ***choice***	n) an amount of something which someone has or which is available for them to use
15) ***alternative***	o) the process of manufacturing or growing something in large quantities
16) ***supply***	p) an important job, piece of work, or activity that you are responsible for
17) ***demand***	q) the act of buying and using things
18) ***undertaking***	r) someone or something that you choose from a range of things
19) ***tangible***	s) a stock of resources that may be employed in the production of goods and services
20) ***intangible***	t) things that are produced in order to be sold

7. Fill in the blanks by inserting the following; translate into Russian.

a) data b) merge c) reduce d) businesses e) opinions f) economics g) assistance h) descriptive i) viewpoint j) biases k) statement

Positive and Normative Economics

Economists, like other people, have opinions and ... that sometimes enter into their theories, their writing, their teaching, and their policy recommendations. In effect, they sometimes ... their facts with their opinions. To become a more critical reader, it is important that you understand the difference between facts and ... . In the study of ... we do this by distinguishing between positive economics and normative economics.

Positive economics is concerned with reality, with "what there is". Sometimes called ... economics, positive economics relies on statements that can be tested or verified with data. An example of a positive statement is as follow: "In 1997 the Department of Commerce reported that 83,384 U.S. ... had failed". In this case, the truth of the statement can be tested using ... collected by the Commerce Department — a reliable federal department that oversees business activity in the nation.

Normative economics presents a ... on an economic issue or problem. In many instances normative economics identifies actions or policies that "should" or "should not" occur. A normative ... might also address the problem of business failures in the U.S. economy, but would do so with a viewpoint attached. For example, a normative statement would be: "The government should provide additional financial ... to companies that are in danger of failing". Note that in this normative statement the economist is offering an opinion about what "should" be done to ... the problem of business failures in the United States.

8. Do sight interpreting of text 1 into Russian.

9. Render texts 2 and 4 in Russian.

10. Do a written translation of text 3 into Russian.

Part II. Translation from Russian into English

1. Read texts 1 and 2; pick out the economic terms and give their English equivalents from Task 1, Part I.

2. Compare the economic notions and concepts in Part I and Part II.

Text 1

Экономика и ее основные понятия

Каждый человек буквально на каждом шагу сталкивается с различными экономическими проблемами: как удовлетворить свои потребности в еде, одежде, образовании, отдыхе и т.п., какой хозяйственной деятельностью заняться, купить или не купить тот или иной товар, достаточно ли дохода для приобретения нужного продукта и т.д.

Экономика — это часть повседневной жизни людей. Люди принимают ежедневное участие в экономической деятельности, живут в экономической среде, постоянно используют термины, употребляемые экономистами (деньги, цены, заработная плата, доходы, расходы и др.). Жить вне экономики невозможно. Каждому из нас знакомо слово *экономика*, хотя разные люди вкладывают в него неодинаковое содержание. Сегодня многих может поставить в тупик вопрос, что такое экономика. Не следует удивляться тому, что, живя в окружении экономики, мы затрудняемся сказать, что это такое. Дело в том, что экономика — настолько общее, емкое, многозначное понятие, что определить ее одной фразой не представляется возможным.

Считается, что термин *экономика* впервые употребил еще в VI в. до н.э. греческий поэт Геспод, соединив два слова: *ойкос* ‘дом, хозяйство’ и *номос* ‘знаю, закон’, что дословно означает ‘искусство, знание, свод правил ведения домашнего хозяйства’. В научный оборот этот термин был введен представителями древнегреческой экономической мысли Ксенофонтом (ок. 430—355 гг. до н.э.), написавшим труд под названием «Экономикос», и Аристотелем (384—322 гг. до н.э.). Последний науку о богатстве делил на «экономию» (совокупность потребительных стоимостей) и «хрематистику» (искусство делать деньги). Но времена меняются, а вместе с ними меняется и смысл старых слов. В настоящее время термин *экономия* получил широкое распространение, но уже в несколько измененном виде. Сегодня под ним обычно понимают сокращение затрат, бережливость при расходовании каких-либо ресурсов. Для общества в целом экономия означает такое использование экономических ресурсов, которое ведет к максимальному повышению уровня жизни в данном обществе.

В современных условиях термин *экономика* используется в следующих значениях:

1) народное хозяйство данной страны или его часть, включающая отдельные отрасли (экономика промышленности, сельского хозяйства и т.д.): хозяйство района, региона, страны, группы стран или всего мира (региональная экономика, мировая экономика, экономика России и т.д.);

2) исторически определенная совокупность экономических отношений между людьми, складывающихся в процессе хозяйственной деятельности, соответствующих данной ступени развития производительных сил и образующих определенную экономическую систему (рабовладельческая, капиталистическая и другие экономики);

3) научная дисциплина, занимающаяся изучением деятельности людей, ее законов и закономерностей (теоретическая экономика, политическая экономия), некоторых условий и элементов производства (экономика народонаселения, труда, управления и т.д.).

Если же попытаться дать современное определение экономики одной фразой, то тогда экономика — это хозяйственная система, обеспечивающая удовлетворение потребностей людей и общества путем создания и использования необходимых жизненных благ.

Text 2

Различные уровни экономики

Уровни исследования экономики могут быть самыми различными. В зависимости от масштабов экономика подразделяется на микро- и макроэкономику. Микроэкономика освещает хозяйственную деятельность отдельных экономических субъектов (предприятий, фирм, потребителей, домохозяйств, наемных рабочих, предпринимателей, торговцев и т.д.), она помогает понять, почему на низшем уровне экономики принимаются те, а не иные решения. Макроэкономика описывает функционирование национальной экономики в целом, изучает экономические процессы на уровне общества (производство национального дохода, безработица, инфляция и др.) и дает рекомендации, что должно делать государство, чтобы общество процветало.

Кроме того, можно выделить мезоэкономику, исследующую поведение промежуточных систем или отраслей народного хозяйства (агропромышленный, военно-промышленный комплексы и т.д.), и супермакроэкономику, описывающую мировое хозяйство, мировую экономику в целом.

Каждый человек, каждая семья принимают разные экономические решения в соответствии с доходами и расходами, ведут личную семейную экономику. Сюда включаются жилье, домашнее хозяйство, личное имущество и др. Основные экономические процессы здесь — домашний труд, отдых, питание, воспитание детей.

Основу производственной экономики образуют предприятия (фирмы), которые производят товары и услуги.

3. Render text 1, Part II in English.

4. Do a written translation of Text 2, Part II paying attention to the economic terms and their contextual use.

5. Translate the following quotes into English.

⇨ Классическая экономическая теория строится на предположении, что участники событий на рынке действуют на основе совершенного знания. Это предположение неверно. Восприятие участников влияет на состояние рынка, в деятельности которого они участвуют, но поведение и состояние рынка также влияют на восприятие участников. Они не могут получить совершенного знания о рынке, поскольку их мышление само постоянно влияет на рынок, а рынок влияет на их мышление (Джордж Сорос).

⇨ Конкуренция — это здорово, ведь в результате мы только становимся сильнее. В любом случае, посетители голосуют ногами: если они приходят, значит, проголосовали за нас (Джордж Кохон).

⇨ Кто хочет разбогатеть в течение дня, будет повешен в течение года (Леонардо да Винчи).

Unit II

BUSINESS AND ITS FORMS OF ORGANIZATION

Part I. Translation from English into Russian

1. Give Russian equivalents of the following terms.

1. want (n.) + advertising
2. annual meeting of the stockholders
3. articles / articles of incorporation / of partnership
4. asset
5. bargain price
6. Board of Directors
7. bond
8. borrower
9. capital-gains tax law
10. chairman of the board of directors
11. chief executive officer (CEO)
12. claim
13. company's morale
14. debt capital
15. decision making
16. double taxation
17. equity (ownership) capital
18. exchange/ security exchange stock exchange
19. executives
20. federal corporate income tax
21. fee
22. file/to file
23. flat income tax scale
24. fraction of income
25. goodwill of the company
26. government regulatory bodies
27. income sharing rules
28. income tax / income tax bracket / progressive personal income tax / total income tax
29. income / average income / marginal income / price-tax income / after-tax income
30. input
31. insider
32. insurance companies
33. International Revenue Code
34. inventory
35. investment funds
36. issuance of stock
37. lawsuit
38. lender
39. liability
40. life span of the business
41. output
42. partnership

43. profit / gross profit / net profit
44. promotion
45. proprietorship
46. public limited company
47. receipts
48. retail trade
49. sales force
50. shareholder / stockholder
51. stock options
52. stock purchase agreement
53. subject to (to be)
54. “takeover” bid
55. tax rate
56. tax status
57. to allocate
58. to charter
59. to market
60. wage rate
61. wholesale trade

2. Read texts 1—3.

3. Study the following, paying attention to the terms and their contextual use:
a) the types of companies;
b) their advantages and disadvantages;
c) differences in taxation;
d) industrial and size distribution of companies depending on their legal status;
e) corporate organization.

4. Pick out the idiomatic expressions and give their Russian equivalents.

5. Transfer the non-equivalent lexemes into Russian using the corresponding rules.

Text 1

Types of Companies

Business firms are organizations that engage in production; they convert inputs into outputs. But they do much more than this. They rent or purchase buildings, land, machinery, mines and stocks of raw materials. They negotiate with labor unions to set wage rates and conditions of work. They market their products, engage in advertising and promotion, and manage a sales force. They deal with government regulatory bodies and with courts. And to finance their operations firms deal with banks, insurance companies, investment companies, and with security exchanges.

There are three types of business firms from the point of view of their legal status: proprietorships, partnerships, and corporations.

A proprietorship is simply a one-owner firm, with all of the owner's wealth subject to claim by anyone to whom the firm owes money.

Partnerships are firms owned jointly by two or more persons, with the assets of each and every partner subject to claim by anyone to whom the firm owes money.

Corporations, on the other hand, are business firms that are chartered by a state, exist as a legal entity independent of the owners of the corporation, and characterised by that only the assets of the firm itself are subject to claim by anyone to whom the firm owes money.

The Financial Position of the Investor

There is a big number of subtle legal distinctions among these three types of business firms and a number of variants of them, but for our purposes the crucial difference among the three is that if an individual is one of the owners of a corporation, individual's wealth (above what has been invested in the corporation) is not subject to claim by creditors of the corporation. If an individual is an owner or part-owner of a proprietorship or partnership, then any debts of the business firm become the individual's debts. Any creditor of the partnership can sue any owner for full payment of the debt, leaving it to that owner to collect money from his or her co-owners, if they have any assets themselves. It is clear that the corporate form of business has marked advantages over the partnership form in raising funds from perspective owners, simply because of the limits that are placed on the owner's liability for debts of the corporation.

This accounts for what British corporations are identified as, that is, as "Limited" or "Ltd" after the corporate name, as in the "British Steamship Lines Ltd." Corporations have limited liability for their owners, as he owner can lose only what he has invested in the firm, and no more. However, the owner of a proprietorship or the co-owner of a partnership is legally liable for all of the debts of the business, and co-owners can lose substantially more than the investment made in the business itself. On the other hand, the status of a public company is shown by the letter "Plc" after its name. This is short for "public limited company". In practice, however, the real difference between the two arises from the fact that limited ownership companies cannot raise money by selling shares, in contrast to public companies which can do so by issuing shares and bonds to be offered for sale on the Stock Exchange.

It might appear that the limited liability property of a corporate form insures that every business will be organized as a corporation. Things are not quite so simple.

Text 2

Advantages and Disadvantages of Various Business Forms

The basic advantages and disadvantages of a corporate form versus a proprietorship or partnership can be summarized in terms of the following matters:

1) ease of organization;
2) ease of raising equity (ownership) capital;
3) ease of raising debt capital;
4) tax status;
5) life span of the business.

Ease of Organization

To form a partnership, one simply goes into business. With a partnership, articles of agreement as to partnership duties, responsibilities, and sharing of profits are usually signed in order to avoid future disagreements and lawsuits, but this is not legally required. In order to incorporate articles of incorporation must be filed by a state government and applications made to states in which the corporation will do business. This requires legal assistance as well as various fees. It is considerably easier to start a business as a proprietorship or partnership than as a corporation.

Ease of Raising Equity Capital

Ease of raising equity capital is the major advantage of a corporation. It is much easier to persuade someone to invest in your business as a co-owner if that individual knows the most that can be lost is what has been invested rather than having all, the individual assets subject to claim for business debts, as occurs with a proprietorship or partnership.

Ease of Raising Debt Capital

Clearly the other side of the coin raising investment funds is concerning is the problem of borrowing money, that is raising debt capital. Lenders should be less willing to lend to a firm with limited liability for its owners (a corporation) than to one where the personal assets of the owners are subject to claim. Thus, everything else being equal, corporations find it harder to raise debt capital than, say, proprietorships.

Tax Status

Average and Marginal Income Tax Rates

An important distinction to keep in mind concerning the income tax is the distinction between the average income tax rate and the marginal income tax rate. The average income tax rate is equal to total income taxes due divided by income; and the marginal income tax rate is equal to the change in income taxes due divided by the corresponding change in income. Thus the average income tax rate tells us what fraction of income is paid out in income taxes while the marginal income tax rate tells us how much additional income tax must be paid if income goes up by $1. Ours is a progressive personal income tax structure, by which we mean that the average personal income tax rate rises with income and the marginal rate rises with income as well. Note that with the average tax rate increasing with income, the marginal tax rate is higher than the average tax rate.

Proprietorship Income

Income earned by a proprietorship is income of the owner so far as the Internal Revenue Service (IRS) is concerned.

Partnership Income

Similarly, income earned by a partnership is split among the partners according to the income sharing rules of the partnership and is then treated as personal income for each of the individual owners by the IRS. Thus any income earned by a proprietorship or partnership is subject to the usual income tax rates, ranging up to 70 percent for the highest income group.

Corporation Income

Income of a corporation is treated quite differently. Income of a corporation is subject to a federal corporate income tax, and to state corporate income taxes as well. The federal income corporate tax rate was a flat 47% of all profits in excess of $25,000 dollars per year, with a lower rate for profits less than $ 25,000. Moreover, when the corporation pays out income to its owners (to shareholders) in the form of dividends, income received by any owner is then subject to the personal income tax (federal and state). Thus, corporate income is subject to double taxation: income is first taxed at the corporate level of the individual owner at the time when the corporation pays out income to the owners. Clearly if all the corporate income after corporate income taxes were paid out to its owners (shareholders), then there would be an important tax disadvantage to the corporate form of organization.

However, as is often the case, things are not quite what they seem. In fact, corporations can have major tax advantages over the partnership or the proprietorship form, because of the capital-gain tax laws. The International Revenue Code treats capital gains differently from ordinary income. **A capital gain is the profit that one makes by selling an asset at a price higher than the price at which the asset was bought**, for example, buying a share of stock at $10 and selling it for $25 produces a capital gain of $15. Long-term capital gains (gains from the sale of assets held longer than 6 months) are taxed by the IRS at roughly 40 percent of the corresponding income tax rate. Thus if the last dollar of income bears a (marginal) personal income tax rate of 60 percent, your capital-gain tax rate would be roughly 24 percent. If corporations follow the practice of reinvesting profits after corporate income taxes, they sell their stock instead. To illustrate consider the following example.

Example: *capital-gains taxes and income taxes*.

Suppose that a corporation earns $ 100,000 in profits before taxes and that the corporation is owned by a single individual who is in the 70 percent marginal personal income tax bracket. For simplicity take the corporate income tax rate as a flat 46 percent of corporate profits. We consider three cases: first, the corporation pays out all of its income after corporate taxes to the owner in dividends. Second, the corporation reinvests its after-tax income, which results in an increase in the market value of the corporation. The owner sells their ownership interest after six months and pays capital-gains tax on the increase in the value of their ownership interest. Third, we consider the tax effects if the firm were organized as a proprietorship instead.

(1) Corporation pays out after-tax income as dividends

Profits of corporation	$100,000
Corporate income tax	– 46,000
(– 46% of $100,000)	
Corporate income	
after tax	$ 54,000
Dividends	$ 54,000
Personal income tax	– 37,000
(– 70% of $ 54,000)	
Income of owner after tax	$ 16,200

Taxes have eaten up $63,000 of the original $100,000 of income.

(2) Corporation reinvests after-tax income, owner sells out ownership interest and pays capital-gains tax

Profits of corporation	$100,000
Corporate income tax	– 46,000
(– 46% of $100,000)	
Corporate income	
after tax	$ 54,000
Reinvested earnings	
(increase in value of	
owner's interest)	$ 54,000
Capital-gains tax	– 14, 560
(– 70% of $ 54,000)	
Income of owner after tax	
	$ 39,440

Taxes are now $60,560 of the original % 100,000 of income.

(3) Business organized as a proprietorship

Profits of business	$100,000
Personal income taxes	– 70,000
(– 70% of $100,000)	
Income of owner after taxes	$ 30,000

As a proprietorship, taxes are $70,000 of the original $100,000 of income.

In summary, the price-tax income of $100,000 turns into an after-tax income of $16,200 to the firms owner if the firm is organized as a corporation with all after-tax income paid to the owner as dividends; $39,440 if the firm is organized as a corporation, with all income reinvested in the firm, the stock rising in value by the amount of reinvestment, and the owner paying capital-gains tax when selling out this increase in value; and $30,000 if the firm is organized as a proprietorship. Hence double taxation of income can be more than avoided if the corporation reinvests its earnings, in such a case there are tax advantages to organizing the company as a corporation rather than as a proprietorship or partnership.

Life Span of the Business

For the proprietorship, the firm has a lifetime that ends when the owner decides to disband the firm or dies. For the partnership, the firm ends as soon as any partner either dies or decides to leave the business. In contrast, the law treats the corporation as a legal entity with a lifetime independent of the lives of its owners. Stockholders may sell their shares or may die while holding shares, but this has no effect on the life of the corporation. The corporation continues existing until the owners decide to liquidate, or until the courts force liquidation of the firm. Clearly, this has important advantages when there are a number of persons who are co-owners of a business. If the business were organized as a partnership, there would be the expenses and inconveniences of rewriting the articles of partnership whenever an individual decides to leave the firm; these expenses are avoided in the case of the corporation.

Industrial and Size Distribution of Proprietorships, Partnerships, and Corporations

Whether a firm will be organized as a proprietorship, a partnership, or a corporation depends on the balance of the advantages and disadvantages of each form. For a small single-owner firm that relies on bank financing, and where the owner is in a low tax bracket, the proprietorship is probably the best choice. Partnerships are preferred over corporations when the number of partners is small (say, two or three), the business is so small that incorporation fees are an important expense, and where the owners are in low tax brackets. In Britain proprietorships and partnerships belong to the so-called private companies. The corporate form is chosen when there is a need to acquire vast amounts of funds from a large number of individuals, and especially when the owners are all in low tax brackets.

About 77 percent of all business in the United States (in terms of numbers) are proprietorships, 8 percent are partnerships and 15 percent are corporations. But corporations account for 76 percent of net profits of all businesses: proprietorships for 20 percent as well as partnerships for only 4 percent. Proprietorships are most prominent in finance, insurance and real estate, and retail trade and services. Corporations are dominant in mining, manufacturing and wholesale trade. One reason for the prominence of proprietorships and partnerships in the service area is that, by law, certain service firms cannot be organized as corporations — law firms, medical firms, for example. But except for such special cases, the distribution of firms types reflects the advantages and disadvantages discussed above when a business firm is organized. The legal form chosen by the owners is typically chosen to maximize the economic advantages.

We have already seen to the corporate form of business for large firms especially those involving a large number of owners. While corporations constitute only 15 percent of all business firms, they account for 88 percent of all firms with receipts of $ 1,000,000 or more per year. Moreover, corporations have 97 percent of total receipts. Proprietorships and partnerships dominate both in terms of numbers and in terms of receipts for small firms, but corporations are the most important business type for receipts of $500,000 per year or more.

Text 3

Separation of Owners from Controls in Large Firms

The owners of a corporation are its stockholders. In large corporations there might be upwards of one million individuals owning stock in the company, and clearly not all of these persons can participate in the day-to-day decision-making of the firm.

Corporate Organization

The organization of the corporation from the point of view of its decision-making is as follows.

Board of Directors

There is an overall governing body of the corporation known as the board of directors. The board of directors is elected each year at the annual meeting of the stockholders. Although rules differ from state to state and from company to company a typical voting procedure is to allow one vote per share for each shareholder, to be cast for each member of the board.

The board is responsible for the general policy of the company, e.g. formulation plans to achieve objectives. To some extent, the company's success and the morale of the workers is dependent on the leadership of the board of directors.

The President

The Board of directors in turn appoints the top management of the corporation, particularly the president of the corporation (or the managing director, sometimes called the chief executive officer, or CEO), sets the president's salary, and decides on certain major questions, such as the issuance of more stock and/or bonds, amounts to be allocated to investment in plant and equipment and the like. But the day-to-day operations of the company are in the hands of the president and the individuals appointed by the president to supervise operations.

Use and Abuse of the Corporate Structure

Clearly, some sort of specialization of this type must take place if decisions are to be made effectively. It simply doesn't make sense to have every pricing, costing and investment decision come before the stockholders as a group. But one consequence of the separation of ownership from control is that the "inside" group of executives (president, chairman of the board of directors, and so forth) pursue their own benefits (salary, stock options — the right to buy company stock at guaranteed prices — "perks" such as company-financed vacations, limousines, apartments) rather than operating the company in the interest of the stockholders.

Except under unusual conditions, however, disregard for the interests of owners of a corporation on the part of the inside group of managers tends to be self-defeating. In the first place, if it is blatant enough, it can produce a stockholder revolt and a proxy battle to wrest control of the company from the insiders. Second, if the company makes less profit than it could under efficient management, this invites other firms into the picture with "takeover" bids, offering the stockholders more for their shares than they can get on the market. After the takeover the management group is ousted, of course. Third, when there is divergence of interest between the managers and the owners this also tends to invite competition into the industry, which generally is against the interests of both the managers and the owners. Finally, most top executives of large corporations have compensation contracts that are designed to synchronize the purchase agreements, bargain prices and so forth. All in all, market incentives and contractual incentives act in the direction of eliminating conflicts of interest between the owners and the managers of corporations.

Match the following terms (A) and their definitions (B), translate into Russian.

A

a) a board of directors; b) the president of the corporation; c) stock options; d) "takeover" bids; e) lifespan of the business; f) a capital gain; g) double taxation; h) a personal income; i) a progressive personal income tax rate structure; j) an average income tax rate; k) a marginal income tax rate; l) partnership articles of agreement; m) raising money by public companies; n) a corporation; o) a partnership; p) a proprietorship; q) "perks".

B

1) a business firm that is chartered by the state, has existence as a legal entity independent of the owners of the corporation, and has the characteristic that only the assets of the firm itself are subject to claim by anyone to whom the firm owes money;

2) the average personal income tax rate rises with income and the marginal rate rises with income as well;

3) a document referring to partnership duties, responsibilities, and sharing of profits;

4) income is first taxed at the corporate level of the individual owner at the time that the corporation pays out such an income to the owners;

5) The overall governing body of the corporation;

6) the profit that one makes by selling an asset at a price higher than the price at which the asset was bought;

7) a rate that is equal to total income taxes due divided by income;

8) issuing shares and bonds to be offered for sale on the Stock Exchange;

9) the right to buy company stock at guaranteed prices;

10) a firm owned jointly by two or more persons, with the assets of each and every partner subject to claim by anyone to whom the firm owes money;

11) company-financed vacations, limousines, apartments;

12) a one-owner firm, with all of the owner's wealth subject to claim by anyone to whom the firm owes money;

13) offering the stockholders more for their shares than they can get on the market;

14) a rate equal to the change in income taxes due divided by the corresponding change in income;

15) a lifetime that ends when the owner decides to disband the firm or dies;

16) an income earned by a partnership and split among the partners according to the income-sharing rules of the partnership;

17) the managing director, sometimes called the chief executive officer, or CEO.

8. Fill in the blanks by inserting the following, translate into Russian.

a) partnership; b) limited liability; c) low tax brackets; d) high tax brackets; e) proprietorships; f) corporations; g) to finance; h) legal status; i) assets; j) limited liability; k) the Stock Exchange; l articles of agreement; m) articles of incorporation; n) equity capital; o) average income tax rate; p) income-sharing rules; q) dividends; r) corporate taxes; s) capital gains tax; t) shares; u) proprietorship; v) stockholders; w) annual meeting; x) voting procedure; y) president; z) insiders; z) bonuses.

1. The board of directors is elected each year at the ... of the stockholders.

2. Large businesses are overwhelmingly ... , which dominate mining manufacturing and wholesale trade.

3. In the first place, if it is blatant enough, it can produce a stockholder revolt and a proxy battle to wrest control of the company from the ... .

4. Corporations have the advantages of ease of raising equity capital, tax advantages for individuals in ... ... , and a life time for the business that is independent of the lives of individual owners.

5. In practice, however, the real difference between the two arises from the fact that limited ownership companies cannot raise money by selling shares, in contrast to public companies which can do so by issuing shares and bonds to be offered for sale on ... .

6. With a partnership, ... as to partnership duties, responsibilities, and sharing of profits are usually signed in order to avoid future disagreements and lawsuits, but this is not legally required.

7. But the day-to-day operations of the company are in the hands of the ... and the individuals appointed by him to supervise operations.

8. The owner sells his ownership interest after six months and pays ... ... on the increase in the value of his ownership interest.

9. Proprietorships have the advantages of ease of formation, ease of raising debt capital, and tax advantages for individuals in ... ...

10. The owners of a corporation are its ... .

11. Income earned by a partnership is split among the partners according to the ... ... of the partnership and is then treated as personal income for each of the individual owners by the Internal Revenue Service.

12. Owners of partnerships and owners of proprietorships have unlimited liability for the debts of the business, but owners of corporations can lose only what they invested in the corporation; that is, the owners have ... .

13. Most top executives of large corporations have compensation contracts that are designed to synchronize the interests of the executives and the stockholders — ... based on profits, stock purchase agreements, bargain prices and so forth.

14. Ease of raising ... is the major advantage of a corporation.

15. Lenders should be less willing to lend to a firm with limited liability for its owners (a corporation) than to one where the personal assets of the owners are subject to claim.

16. The ... ... tells us what fraction of income is paid out in income taxes while the marginal income tax rate tells us how much the additional income tax must be paid if income goes up by $1.

17. ... tend to be small businesses and are most important in agriculture, retail trade and services. Partnerships are also small and are important in finance, insurance, real estate, and in retail trade and services.

18. Corporations have ... ... for their owners, as owner can lose only what he has invested in the firm and no more.

19. There are three types of business firms from the point of view of their ... : proprietorships, partnerships and corporations.

20. When the corporation pays out income to its owners (to shareholders) in the form of ... , the income received by any owner is then subject to the personal income tax (federal and state). The corporation pays out all of its income after ... ... to the owner in dividends.

21. For the small single-owner firm that relies on bank financing and where the owner is in a low tax bracket, the ... is probably the best choice.

22. Stockholders may sell their ... or may die while holding shares, but this has no effect on the life of the corporation.

23. Any creditor of the partnership can sue any owner for full payment of the debt, leaving it to that owner to collect from his or her co-owners, if they have any ... themselves.

24. Although rules differ from state to state and from company to company, a typical ... ... is to allow one vote per share for each shareholder, to be cast for each member of the board.

25. ... their operations, firms deal with banks, insurance companies, investment companies, and with security exchanges.

26. A small one-owner retail or wholesale store is almost always operated as ... , and often the inventory and fixtures of the store represent essentially all of the owner's assets or wealth.

27. In order to incorporate, ... must be filed with a state government and applications made to states in which the corporation will do business.

9. Find the following information in texts 1—3, translate it into Russian paying attention to the terms and their contextual use:

— legal types of companies;

— advantages and disadvantages of the types of companies;

— peculiarities of taxation of the types of companies;

— peculiarities of fund raising of the types of companies;

— peculiarities of ownership of the types of companies;

— peculiarities of management of the types of companies;

— peculiarities of activities of the types of companies.

10. Do sight interpreting of text 1 into Russian.

11. Render text 2 in Russian.

12. Do a written translation of text 3 into Russian.

Part II. Translation from Russian into English

1. Read text 1, pick out the economic terms and give their English equivalents from Task 1 Part I.

2. Compare the English and Russian systems of the legal form of business organization paying attention to their similarities and differences.

Text 1

Основные формы организации предпринимательства, их достоинства и недостатки

Предпринимательство существует в разных формах. В основе классификации лежат два признака: форма собственности и величина фирмы.

В зависимости от формы собственности предпринимательство делится на государственное и частное.

Государственное предпринимательство обычно более капиталоемкое и стабильное, ибо обладает финансовой и государственной опекой правительства.

Частный сектор по сравнению с государственным имеет ряд преимуществ:

— свободен в избрании более прибыльной сферы деятельности;

— не регламентирован в объеме бизнеса;

— не ограничен твердой ценой.

По признаку объемов предпринимательства различают малый бизнес, средний бизнес, крупный бизнес.

Предпринимательство подразделяется на три вида:

- *индивидуальное* (частное);
- *товарищество* (партнерство);
- *корпорация* (акционерное общество).

Индивидуальным предпринимательством называют бизнес, владельцем которого является один человек. Он несет неограниченную имущественную ответственность, и у него невелик капитал — в этом недостатки индивидуального предпринимательства. Его преимущества: каждый участник владеет всей прибылью, может сам производить особые изменения. Он платит только подоходный налог и освобожден от налога, установленного для корпораций. Это наиболее распространенная форма бизнеса, характерная для мелких магазинов, предприятий сферы услуг, ферм, а также профессиональной деятельности юристов и врачей.

Товариществом, или партнерством, называется бизнес, которым владеют два и более человека. Партнерство также облагается только подоходным налогом. Достоинство партнерства в том, что его легко организовать и привлечь дополнительные средства и новые идеи. К числу недостатков относят ограниченность финансовых ресурсов при развивающемся деле, которое требует новых вложений капитала, неоднозначное понимание целей деятельности фирмы ее участниками, сложности определения меры каждого в доходе или убытке фирмы. В форме партнерства организуются брокерские конторы, аудиторские фирмы, службы сферы услуг и т.п.

Корпорацией называют совокупность лиц, объединенных для совместной предпринимательской деятельности. Право на собственность корпорации разделено на части по акциям, поэтому владельцы корпораций называются держателями акций, а сама корпорация — акционерным обществом. Доход корпорации облагается налогом с корпораций. Акционерная форма предпринимательства стала в России самой популярной.

К числу преимуществ корпорации относятся:

— неограниченные возможности привлечения денежного капитала через продажу акций и облигаций;

— привлечение профессиональных специалистов для выполнения управленческих функций;

— стабильность функционирования корпорации, так как выход из общества кого-либо из акционеров не влечет за собой закрытия фирмы.

К недостаткам корпоративной формы организации бизнеса относятся:

— двойное налогообложение той части дохода корпорации, которая выплачивается в виде дивидендов держателям акций, первый раз как часть прибыли корпорации, а второй раз — как часть личного дохода владельца акций;

— благоприятные возможности для экономических злоупотреблений, возможен выпуск и продажа акций, не имеющих никакой реальной стоимости;

— разделение функций собственности и контроля. В корпорации, акции которых распылены среди многочисленных владельцев, отрывается функция контроля от функции собственности. Владельцы акций заинтересованы в максимальных дивидендах, а менеджеры стараются их уменьшить, чтобы пустить деньги в оборот.

В каждой стране существует своя организационная структура бизнеса.

Формы предпринимательской деятельности определяются Гражданским кодексом. В соответствии с ним все организации (юридические лица) разделяются на коммерческие и некоммерческие. Коммерческие основной целью имеют извлечение прибыли. Некоммерческие не ставят таких целей.

Коммерческие фирмы могут создаваться в форме хозяйственных товариществ, производственных кооперативов, государственных и муниципальных унитарных предприятий.

Хозяйственные товарищества, в свою очередь, существуют в формах полного товарищества, товарищества на вере (коммандитного товарищества), общества с ограниченной ответственностью, общества с дополнительной ответственностью, акционерного общества (открытого и закрытого), дочерних и зависимых обществ.

Некоммерческие фирмы создаются в форме потребительских кооперативов, общественных или религиозных организаций, благотворительных фондов.

2. Render the text in English paying attention to the economic terms from task 1 Part I.

3. Do a written translation of text 1 into English paying attention to the economic terms and their contextual use.

Unit III

BANKS AND BANKING SYSTEM

Part I. Translation from Russian into English

1. Give Russian equivalents of the following banking terms.

1. (at) sight /after sight (or 30 D/S)
2. (the) bill is due/ at maturity
3. account
4. auditing rules
5. backroom of the financial system
6. bank / domiciled bank/ central bank / issuing bank / merchant bank / paying bank / commercial bank / confirming bank
7. bank bail-out
8. bank notes
9. bankruptcy
10. bill /bill of exchange (B/E) / draft
11. bill of lading
12. binding form of payment
13. Board of Governors
14. bullion market
15. cash against documents transaction (CAD)
16. certificate of inspection
17. certificate of origin
18. charter/ to charter
19. check/ to clear checks
20. checking account
21. claim/outstanding claims
22. clean bill
23. code of practice
24. collateralised debt obligations (CDOs)
25. commercial invoice
26. consular invoice
27. corporate customer (entity)
28. counterfeiting
29. credit crunch
30. currencies
31. current account
32. customs form
33. damage/to damage
34. deposit account
35. deposit, depositor
36. derivatives
37. direct (automatic) debit
38. dishonoured bill
39. dispatch the consignment
40. documentary credit
41. documents against acceptance (D/A) transaction
42. documents against payment (D/P) transaction

43. draw/ drawee/ drawer
44. earning assets
45. economic variable
46. emergency liquidity
47. Eurobond
48. facilities / commercial bank facilities
49. fair-value accounting
50. Federal Deposit Insurance Corporation
51. Federal Reserve System (Fed)
52. Fee
53. foreign exchange market
54. free trade area/zone
55. giro system / the bank giro system
56. government bonds
57. guarantee / guarantor/ guarantor bank
58. hedging
59. insolvent
60. insurance
61. insurance certificate
62. interest /interest rate
63. International Chamber of Commerce (ICC)
64. invoice
65. IOU
66. legal tender
67. lending/ to lend
68. letter of credit (LC) / revocable / irrevocable letter of credit / standby letter of credit
69. leverage
70. loan
71. market
72. negotiable orders of withdrawal account (NOW-account)
73. new issue market
74. overdraft
75. payment / payee
76. placement/ to place shares
77. private customers' accounts
78. rate of discounting
79. receipt
80. redemption / to redeem
81. repayment / rent / mortgage repayments
82. savings account
83. securities / subprime-asset-backed securities
84. securitization
85. security / negotiable security
86. settlement
87. shipping
88. shipping documents
89. sight bill
90. standing order
91. statement / account statement
92. store of value
93. structured investment vehicles (SIVs)
94. swap/credit-default swaps
95. SWIFT / the International Bankers' Computerized Transfer of Funds
96. to accept the bill

97. to clear the bill
98. to discount a bill
99. to protest a bill
100. transaction
101. transfer
102. Uniform Customs and Practice for Documentary Credits (UCP)
103. unit of account
104. US Treasury
105. Usance
106. valid until
107. write-downs

2. Read texts 1—4.

3. Study the following, paying attention to the terms and their contextual use:
a) banking history;
b) banking operations;
c) types of bank accounts;
d) lending and borrowing;
e) credit facilities;
f) central bank functions;
g) international banking facilities.

4. Pick out the abbreviations, give their full forms and their Russian equivalents.

5. Pick out the idiomatic expressions and give their Russian equivalents.

6. Transfer the non-equivalent lexemes into Russian using the corresponding rules.

Text 1

Development of Banking

A bank is a business with its purpose to make profits for its owners (shareholders). It holds deposits and lends money to those who have to borrow to finance current expenditures. It makes its profit by charging more for its loans than its paying its depositors.

Banking is an old business dating back to ancient Babylon. But as far as modern banking is concerned it is believed to originate from the epoque of the Renaissance. Bankers of those times in Italy dealt not only with buying and selling currencies but also with those taking demand and time deposits. The word *bank* derives from the Italian *banka* (bench), i.e. the working place of an ancient banker and *bankruptcy* comes from the Italian custom of breaking the bench of insolvent banker who owed much to his creditors.

The first banking house was associated with goldsmiths who took in their customers' silver and gold for safekeeping. They had strong vaults for that as part of their business and stored valuables in them. They then discovered that they could lend such coins out, keeping just a certain proportion as a reserve, since not all customers would come in for repayment at the same time. They might well have realized that some of their depositors' valuables that had not been disturbed for years could be loaned. The goldsmiths issued a receipt for valuables and charged a fee (service charge) for the service. Thus the receipt would become in effect a check. As long as it was accepted as a means of payment it could circulate as money. Eventually, to make such transfers more convenient they issued receipts in round-number sums. These receipts thus became private bank notes, i.e. currency note issued and repayable on demand by the banker.

The goldsmiths who had the initial deposits would, of course, be unaware of what was happening to their receipt and in fact they would not care. But they would realize that the valuables on which the receipt was issued rested in their vault year after year.

Now suppose the holder of the receipt went into debt. The debts could be paid by transferring the receipt to the person to whom the debt was owed. The goldsmiths would of course charge interest on the loan. And so began the early development of modern banking operations.

Presently, banking system is considered to be veins of the economy. All over the world the place of the state in the banking system is represented by central banks and private banks are generally divided into merchant banks and commercial banks in compliance with the operations effected. Merchant banks are involved in money lending to organizations and other corporate customers (entities) and while the facilities they offer are similar to those they offer to commercial banks, the former specialize in international trade and finance, discounting bills, confirming credit status of overseas customers through confirming houses, acting in the new issue market (placing shares) and in the bullion and Eurobond (government bonds) market. They are also involved in shipping, insurance and foreign exchange markets.

Commercial banks offer similar services but are particularly interested in private customers' accounts, encouraging them to use their current account, deposit account, savings account, and credit facilities. They will lend money against security, in the form of overdrafts and loans, pay accounts regularly by standing orders, and transfer credits through the bank giro system. Essentially, the difference between merchant and commercial banks is the latter's availability to customers with their numerous branches throughout a country or worldwide, their low charges and the laws which govern the way each bank handles its affairs.

Interest Rate

The interest rate which the commercial bank charges borrowers and pays to depositors is influenced by the interest rate which is quoted from time to time by central banks of the states. If the central bank recommends that the interest rates will have to rise, then the commercial banks and most other financial institutions will also raise their interest rates.

A rise in the interest rate will make borrowing more expensive and saving more attractive.

The government may use the interest rate to regulate through the central bank the economic climate of the country. This means that if borrowing becomes more expensive, businessmen will become more reluctant to borrow and expand their business, but if it falls, then they will probably become more active.

Creation of Credit

Lending receipts

It might now occur to some goldsmiths that instead of lending gold to their borrowers they could just lend receipts. In fact, they could write receipts to an amount in access of the gold they had in their vaults. As long as the goldsmiths were the only ones to know that there was not enough gold to back the receipts, there would be no problem. It is not the fact that there is gold in the vaults that enables the receipts to circulate as money. It is only important that people think there is gold in the vaults.

Redeeming receipts and financial panic

Of course, the goldsmiths are running a risk. Suppose they find they cannot redeem one of their receipts. The result will be a run on the establishment as people try to claim their deposits before the gold is completely exhausted. Now the goldsmiths are in trouble unless they can raise the loan from their friends. The friends will probably be glad to oblige if they can. A financial panic is beginning and if it is not stopped other goldsmiths will find their depositors demanding payment. Unless the panic can be stopped a wave of bankruptcies will follow. If the financial panic spreads, losses are imposed on those who hold receipts but find the vaults bare when they go to redeem those receipts. Clearly the panic would never have started had people firmly believed that there was enough gold to match the receipts outstanding. In that case, the receipts would have continued circulating as money.

Implications for Banking Operations

There are three possible solutions to these financial panics.

1) Convince the public that there is more gold in the vaults than there really is.

2) Prevent more receipts from circulating than there is gold on hand.

3) Do away with a metallic reserve altogether.

We will consider these points in terms of goldsmiths acting as bankers.

Maintaining public health. It is of course possible to fool some of the people all the time, to paraphrase Abraham Lincoln. But it is extraordinary difficult to convince a population that money is backed by gold when it is not. Suppose paper money (receipts) is issued in excess of the gold available. The slightest doubt in the public's mind can be easily resolved to the banker's (goldsmith's) confusion by presenting the money for gold. If the gold is not there, its absence will be soon apparent. Furthermore, the first in line to get gold will be successful while later ones will not. There is a tremendous incentive not to be too trusting of a bank's ability to pay on demand.

Limiting paper money. If banks were forced to limit the issuance of paper money to the gold in their vaults, the problem will disappear. There would be a 100 percent reserve against all paper money, and anybody could exchange paper money for gold at any time. As a result they probably wouldn't bother.

But this solution means that the quantity of money is tied directly to the supply of gold and has no relation to current economic conditions. In a period when the economy is expanding, any expansion of the money supply would await increased mining activity or new gold discovery. Alternatively, a new gold discovery might mean an increase in the money supply when there was no economic need for such an expansion. There can be serious economic effects from differential rates of growth between the money supply and the economy.

Abolishing metallic reserve. Doing away with a metallic reserve altogether is the final rationalization of the position that it is not the metallic backing that determines the value of money. The value of money is determined by what it can buy, not by the character of the reserves.

However, if paper unsupported by metal is to circulate, somebody in whom the people have confidence has to assert that the paper is, in fact, money. The government takes over the printing of paper money and coins as a monopoly and calls all else counterfeiting. The government calls what it produces “legal tender for all debts public and private”, and thus creates money.

Some time in the future we may have what is called “cashless” society. Money becomes a number stored in a computer, and our cheques are plastic cards inserted in a terminal. By then, the goldsmiths will have faded into the past. Money will be strictly an abstract concept — a pure unit of account and store of value.

What Should a Banking System Do?

Banks accept deposits into savings and checking accounts from depositors such as you. For a fee they will protect your deposits and handle the paperwork of clearing checks and accounting for your withdrawals and deposits. This fee may take the form of service charge, or the bank may pay less than the market rate of interest on your deposits.

At the same time banks buy earning assets such as government bonds and loan or IOU money to depositors. The banks receive interest from such transactions. The difference between interest and charges received, and interest and expenses paid, becomes the banks’ profit.

A banking system can be judged to be a good one if it satisfies the reasonable desires of the public for security, service, and the efficient provision of loan funds for withdrawal funds for worthwhile purposes. However, there are legitimate national economic targets in which the banking system should play a contributing role. Such targets as full employment and price stability may require actions that are at variance with the concerns of the banks as private businesses.

Through many decades of experience we have learned that government regulation of the banking industry is a necessary and legitimate government activity. The government must stand ready to serve as the ultimate guarantor of the money supply. And the money supply is such an important economic variable that its control simply cannot be left in the hands of the private banking system.

Profit-Making and Banking Risks:

1) granting loans to corporate and individual customers;

2) charging. Banks make profit by interest payments on overdrawn accounts;

3) lending on the money market;

4) investing in sound shares and securities.

In their pursuit of high profit the banks sometimes get involved in risky operations fraught with bankruptcy. That is why the government takes measures to minimize the danger of banks going broke. Every bank is obliged to take out insurance against robbery or bankruptcy lest the clients should lose their money in any case.

Text 2

Development of the U.S. Banking System

In the center of the U.S. banking system is the Federal Reserve System (FRS), which was established in 1913. The FRS, or the Fed as it is usually called, did not just suddenly appear. It was the culmination of a long history of debate and controversy about the appropriate structure for a banking system. Much of this history resolves around attempts by legislatures, both at the federal and state levels, to control banks. The debate stemmed from the dual function banks were expected to perform.

The Dual Functions of Banks

1. In a moneyed economy, a bank is a necessary institution for the handling and storing of money. The risk involved in individuals or businesses keeping their money as a perfectly liquid asset is too great.

2. Banks can make loans to people who want to borrow, but because these loans create demand deposits that are part of the money supply, they must be controlled. The demand for bank loans (bank credit) is particularly strong when the business is prosperous and expanding. In history, such periods have been associated with times

of rapid settlement and industrialization. The banks have served a necessary purpose in making credit available to finance such development. However, if the banks are too enthusiastic about creating credit, the result is a succession of bank failures.

Banking Legislation

Banking legislation during the nineteenth century was characterized by a series of attempts, first, to restrict the ability of the banking system to overexpand the supply of credit available and, second, to lend the prestige of the government to the credit that was created. But the schemes came to nothing as the financial panics of 1973, 1884, 1893, 1903, and 1907 clearly demonstrated. These panics were accompanied by bank failures and the loss of accumulated savings by depositors.

The ultimate source of the problem was that the supply of credit was not flexible enough. The total money supply was tied to gold and silver and therefore could not be expanded to meet needs. What was needed was a money supply managed by a central monetary authority to meet economic conditions and to guarantee the safety of banks and the currency. As we have already noted, when the banking system is always able to meet depositors' demands for money, there is no need to withdraw.

The Federal Reserve System

Formation. The serious financial panic of 1907 convinced people that the formation of a central bank was essential. The Federal Reserve Act of 1913, which set up the Fed, was the compromise rising out of this controversy. Instead of a single central bank, the Federal Reserve Act divided the country into twelve Federal Reserve districts, each with its own central bank. The boards of directors for these twelve banks were not made up of bankers alone but of appointees who were both bankers and representatives of the community at large. A Federal Reserve board was established in Washington to oversee the operations of the whole system, but initially it had very little power.

Structure and operation

1. All banks chartered by (that is, licensed to operate as a bank by the federal government) were required to become the members of the Fed. These are known as national banks. All other banks chartered by state governments were encouraged, but not required to join.

2. To give it increased credibility, the new system was to become the bank for the federal government. The US Treasury had previously performed this function.

3. Member banks were required to keep a proportion of their deposit liabilities with the Fed as a reserve, called the reserve requirement. The Fed was to apply strict auditing rules to member banks.

4. Each Federal reserve bank was empowered to issue a new national currency, called federal reserve notes.

5. The Federal reserve banks were authorized to loan to member banks at rates of interest determined by the Fed. The idea was this: if a bank found itself short of funds to pay depositors, it could turn to the Federal Reserve Bank in the district for help.

The new system of national banking cannot be said to have taken the banking community by storm. All 7,597 national banks were, by law, members of the Fed in 1915. But only 17 of the 19,793 state chartered banks had joined in the first year.

Growth of the Fed

Even today, there are more banks outside the Fed than there are in it. But the assets of those banks that are members by far exceed the assets of those banks that are not. The Fed dominates the U.S. banking system today, and even those banks that are not members are influenced by its actions.

The Fed's growth to a dominating position was, not surprisingly, slow. The banking community had to be convinced that membership was worthwhile and that the system itself was going to succeed. At the beginning nobody really understood what a central bank was supposed to do. But two world wars and the Great Depression were effective schools for imparting an understanding of the principles of central banking. There is no doubt that the Fed has made many mistakes, some of severe consequences for the economy. What is not so clear is whether the Fed has made more serious mistakes than the system it replaced might have made.

The Fed has come to realize over time that its main function is to control the money supply, thus enabling the economy to achieve its domestic and international goals. Instead of passively waiting for member banks to come to borrow, the Fed acts continuously hit a target growth rate of the money supply. Further, the whole question of protecting the bank depositors was resolved by ensuring deposits through The Federal Deposit Insurance Corporation. As a result of those charges, the power of the twelve district Federal banks has declined and power of the Board of Governors (the former Federal Reserve Board) in Washington has expanded enormously.

Text 3

Stock Market Activities of the Banks and Modern Global Crises

Wilson Ervin, the chief risk officer at Credit Suisse, a large Swiss bank, cannot pinpoint the precise moment he knew something was up. But signs of the gathering subprime storm in America started to trigger alarms in late 2006.

Data from the bank's trading desks and from mortgage servicers showed that conditions in the subprime market were worsening, and the bank decided to cut down on its exposures. At the same time Credit Suisse's proprietary risk model, designed to simulate the effect of crises, signaled a problem with the amount of risk adjusted capital absorbed by its portfolio of leveraged loans. It duly started hedging its exposure to these assets as well. Mr Ervin could not have guessed at the sheer scale of what was coming. For nine months now, banks have been in a panic: hoarding cash, nervous of weaknesses in their own balance sheets and even more nervous of their counterparties.

More damaging still, money-market funds have steered clear of banks as well. The drying-up of liquidity not only created havoc in the backrooms of the financial system. It also wrecked the front door, thanks to the dramatic collapse of Bear Stearns, an 85-year-old Wall Street investment bank, which in March was offered emergency from the Federal Reserve, was bought for a song by JPMorgan Chase funding to the investment banks for the rest time since the 1930s, and there were bank bail-outs in Britain and Germany, too.

The economic effects are set to be just as striking. According to a study of previous crises by Carmen Reinhart of the University of Maryland and Ken Rogo of Harvard, banking blow-outs lop an average of two percentage points off output growth per person. The worst crises reduce growth by five percentage points from their peak, and it takes more than three years for growth to regain pre-crisis levels. With so much at stake, if the banks mess up, regulators and politicians are now asking fundamental questions. Should banks be allowed to take on as much debt? Can they be trusted to make their own assessment of the risks they run? Bankers themselves accept the need for change. We've totally lost our credibility, says one senior European banker.

To regain trust, banks will not need to be totally bomb-proof. Safe banks are easy enough to create: just push up their capital requirements to 90% of assets, force them to have secured funding for three years or tell them they can invest only in Treasury bonds. But that would severely compromise their ability to provide credit, so a more realistic approach is needed. This special report will ask how banks should be run and regulated so that the next time boom turns to bust the outcome will be less miserable for all concerned. If the crisis were simply about the creditworthiness of underlying assets, that question would be simpler to answer.

The problem has been as much about confidence as about money. Modern financial systems contain a mass of amplifiers that multiply the impact of both losses and gains, creating huge uncertainty. Standard & Poor's, one of the big credit rating agencies, has estimated that financial institutions' total write-downs on subprime-asset-backed securities will reach $285 billion, more than $150 billion of which has already been disclosed. Yet less than half that total comes from projected losses on the underlying mortgages. The rest is down to those amplifiers.

One is the use of derivatives to create exposures to assets without actually having to own them. For example, those infamous collateralised debt obligations (CDOs) contained synthetic exposures to subprime-asset-backed securities worth a whopping $75 billion. The value of loans being written does not set a ceiling on the amount of losses they can generate. The boss of one big investment bank says he would like to see much more certainty around the clearing and settlement of credit-default swaps, a market with an insanely large notional value of $62 trillion.

The number of outstanding claims greatly exceeds the number of bonds. It's very murky at the moment. The second amplifier is the application of fair-value accounting, which requires many institutions to mark the value of assets to current market prices. That price can overshoot both on the way up and on the way down, particularly when buyers are thin on the ground and sellers are distressed.

When downward price movements can themselves trigger the need to unwind investments, further depressing prices, they soon become self-reinforcing. The third amplifier is counterparty risk, the effect of one institution getting into trouble on those it deals with. The decision by the Fed to offer emergency liquidity to Bear Stearns and to facilitate its acquisition by JPMorgan Chase had less to do with the size of Bear's balance sheet than with its central role in markets for credit-default and interest rate swaps.

Trying to model the impact of counterparty risk is horribly challenging, says Stuart Gulliver, head of HSBC's wholesale banking arm. First-order effects are easier to think through: a ratings downgrade of a monocline bond insurer cuts the value of the insurance policy it has written. But what about the second-order effect, the cost of replacing that same policy with another insurer in a spooked market?

The biggest amplifier of all, though, is excessive leverage. According to Koos Timmermans, the chief risk officer at ING, a big Dutch institution, three types of leverage helped propel the boom and have now accentuated the bust.

First, many banks and other financial institutions loaded up on debt in order to increase their returns on equity when asset prices were rising. The leverage ratio at Bear Stearns rose from 26.0 in 2005 (meaning that total assets were 26 times the value of shareholders' equity) to 32.8 in 2007.

Second, financial institutions were exposed to product leverage via complex instruments, such as CDOs, which needed only a slight deterioration in the value of underlying assets for losses to escalate rapidly. And third, they overindulged in liquidity leverage, using structured investment vehicles (SIVs) or relying too much on wholesale markets to exploit the difference between borrowing cheap short term money and investing in higher-yielding long-term assets. The combined effect was that falls in asset values cut deep into equity and triggered margin calls from lenders. The drying-up of liquidity had an immediate impact because debt was being rolled over so frequently.

That is not to suggest that the credit crunch is solely the responsibility of the banks, or that all of them are to blame. Banks come in all shapes and sizes, large and small, conservative and risk-hungry. Alfredo Sáenz, the chief executive of Santander, a Spanish retail giant, recalls attending a round-table of European bank bosses during the good times at which all the executives were asked about their strategic vision. Most of them talked about securitization and derivatives, but when it was Mr Sáenz's turn, he touted old-fashioned efficiency. He did not get any questions.

There were "clever" banks and "stupid" banks, he says. We were considered one of the stupid ones. No longer. Beyond the banks, a host of other institutions must take some of the blame for the credit crunch. The credit-rating agencies had rose-tinted expectations about default rates for subprime mortgages. The monolines took the ill-fated decision to start insuring structured credit. Unregulated entities issued many of the dodgiest mortgages in America.

And no explanation of the boom can ignore the wall of money, much of it from Asia and oil-producing countries that was looking for high returns in a world of low interest rates. It is indisputable that the global glut of liquidity played a role in the 'reach for yield' phenomenon and that this reach for yield led to strong demand for and supply of complex structured products, says Gerald Corrigan, a partner at Goldman Sachs.

Many blame the central banks: tougher monetary policy would have encouraged investors to steer towards more liquid products. Others blame the investors themselves, many of whom relied on AAA ratings without questioning why they were delivering such high yields.

Out of the current turmoil may come some good, in the shape of a more sophisticated understanding of risk, a more transparent system of securitisation and a greater awareness of the incentives embedded in pay structures, as well as a new approach to regulation that ties capital and liquidity requirements to the risks banks take throughout the cycle. Just do not expect it to produce a permanent solution to the problem of financial excess.

Text 4

Commercial Bank Facilities

Current Accounts

Current accounts can be used by anyone provided they can supply a reference or references. The advantages of the account include cheque payments if there are funds in the account.

Among banking instruments there are bank cards which also act as cheque cards allowing money to be drawn from cash dispensers or ATMs even when the bank is closed.

Although cheques can be drawn immediately, they will take three working days before the amount is debited or credited to the account.

When depositing cash or cheques, a paying-in slip is used to record the deposit, the counterfoil with the bank's stamp and cashier's initials being proof that the deposit was made.

It is possible to overdraw an account, i.e. take out more money than there is in credit, but this can be only done with the bank's manager's agreement, otherwise the customer's cheque may not be honoured. However many banks offer special current accounts where overdraft facilities are automatically included, for an extra charge.

As a rule, interest is not paid on current accounts. Credit balances and charges are made for transactions. However, there are special current accounts which have certain requirements, e.g. a minimum balance, which offers interest. Many firms have more than one current account, e.g. N1 account for paying wages and overheads and N2 accounts for paying suppliers.

Deposit Accounts

Deposit accounts do pay interest to a maximum established by the bank, but the customer can be asked to give notice of withdrawal, and can only withdraw on a withdrawal slip handed in at the branch where the account is kept. No chequebook is supplied, and there are no overdraft facilities.

Banks offer various types of other accounts, e.g. a budget account, where the bank will pay a customer's bill spread over a twelve-month period. And there are numerous savings accounts, on which interest is paid according to the credit balance of the account and the period that is left for. With some of these accounts there are penalties for withdrawing money before the agreed date.

Account Statements

Banks will normally give statements to both deposit and current holders about once every three months, or more frequently if required by the account holders. Statements give a detailed account on a day-to-day basis of all money and cheques, which have either been paid into account or withdrawn from the account.

Credit Cards

Credit cards offer credit facilities to customers making purchases in shops, and for a basic charge plus interest calculated monthly, the customer can buy goods up to a limit on most cards. Visa, Mastercard and others are internationally recognized and act as a cheque and cash card and can be used for automatic debiting when a customer pays for goods in a shop or affects other payments.

Standing Orders and Direct Debits

Customers making regular payments, such as rent or mortgage repayments, can ask the bank to transfer the money of the payee on a particular day every month. A standing order or direct debit is one method of doing this. In the latter case, however, once the instructions are given for, say, a period of a year, the order cannot be cancelled unless the payee agrees.

Loans and Overdrafts

Loans and overdrafts for large amounts are usually allowed on a formal agreement. A loan will usually be covered by a negotiable security, e.g. shares with repayment specified on the agreement. Interest in some countries is controlled by law through imposing interest rates and by market forces. The money for a loan is immediately deposited in the customer's account. With an overdraft, however, the customer is given permission to overdraw an account up to a certain limit.

Recently banks have had more freedom in lending and investing. They are allowed to offer mortgages to their customers. Mortgage is a type of lending money to customers to buy real estate with the bank buying the property for the customer and the customer repaying over a twenty / twenty-five-year period. In addition, there is a range of other financial and investment services the bank offers. For example, many banks in the world act as brokers and dealers on the stock market to buy securities on a customer's behalf.

Checking accounts in commercial banks

Checking accounts in commercial banks called "demand deposits" by economists are a part of the money supply. Checks written by against these deposits can be used to buy things and the deposits are a store of value. It is true you may be asked to provide identification when cashing a check, but essentially you can use a check in the same way as paper money. What a cheque does is authorize the person to whom it is made to take part of the deposit in the bank. In January 2008 demand deposits totaled $265.3 billion.

The value of coins and paper currency together with the demand deposits total $372.6 billion and economists call this combination the money supply. In January 2008 the money supply was made up of 29 percent coin and paper currency and 71 percent demand deposits. These are the most liquid financial assets, which means that they can be used most easily and directly to buy things. Also, with one exception, they do not earn interest. You can take out of a checking account only the amount you have put in.

Savings Accounts

Savings accounts earn interest but in most cases you cannot write a check against them. Because they are less liquid than checking accounts, they cannot be used as money. (Now accounts-negotiable orders of withdrawal constitute the only exception to this; they are a form of savings account against which checks can be written.) At the same time, it is an easy matter for us to transfer a deposit from your savings account to our checking account; sometimes it only requires a phone call. In addition, there are time deposits in commercial banks that are a form of savings account generally held by businesses.

International banking

There are two internationally accepted methods of payment, i.e. bills of exchange and documentary credits.

A bill of exchange (B/E) is an order sent by the drawer (the person asking for the money/exporter) to the drawee (the person paying /importer) stating that the drawee will pay on demand or at a specified time, the amount shown on the bill. If the drawee accepts the bill, they will sign their name on the face of it and date it.

The bill can be paid to a bank named by the drawer, or the drawee can name the bank they want to use to clear the bill. In the latter case the bill will be kept at the drawer's bank until it is to be paid. When the bill is due, it is presented to the paying bank. Such bills are said to be domiciled with the bank holding them.

It is possible to send the bill directly to the drawee, if they are well-known to the drawer.

A sight bill or sight draft is paid on presentation. In a document against payment (D/P) transaction, the sight bill is presented to the importer with the shipping documents, and the importer pays immediately, i.e. on presentation or at sight.

A bill paid days after sight (D/S) can be paid on or within the number of days specified on the bill. For example, 30 days after sight (or 30 D/S) means that the bill can be paid thirty days after it has been presented. A bill which is paid after a period of time is called a usance.

In a documents against acceptance (D/A) transaction, the bank will ask the drawee to accept the bill before handing over the shipping documents.

The bills of exchange drawn or payable in another country are known as foreign bills, and those used within the country in which they are drawn up — as inland bills. A clean bill is one that is not accompanied by shipping documents.

The advantage to the exporter of payment by bill is that the draft can be discounted, i.e. sold to a bank at a percentage less than its value, the percentage being decided by the current market rates of discounting. So even if the bill is marked 90 days after sight, the exporter can get their money immediately by selling it to a bank. The bank, however, will only discount the bill if the buyer has a good reputation. The advantage for the importer is that they are given credit, provided the bill is not a sight draft.

Bills can be negotiable if they are endorsed (signed on the back) by the drawer. For example, if the drawer of the bill wanted to pay another manufacturer, he could sign on the back of the bill, i.e. endorse it, and the bill would become payable to the person who owned it. The drawer can endorse it specifically, i.e. make it payable only to the person named on the bill.

A dishonoured bill is one that is not paid on the due date. In this case the exporter will protest the bill; they will go to a lawyer, who will, after a warning, take legal action to recover the debt.

There is also a Cash Against Documents transaction (CAD), where the documents are handed over to the importer when cash has been paid. In these transactions, of course, there is no bill of exchange and the importer (buyer) is not given credit.

Documentary Credits

A bill of exchange might be dishonoured, or an order might be cancelled. However, these risks can be reduced by issuing a letter of credit, which is a more binding form of payment.

Letters of credit (L/C) have been used for centuries in one form or another to enable travellers to obtain money from foreign banks. The process begins with the traveller asking their bank to open a letter of credit in their favour, i.e. for a specific amount of money to be debited to their account. The bank then drafts a letter, which will allow the traveller to draw money on foreign banks with whom the traveller's home bank has an agreement. The foreign banks will then draw on the home bank to recover their payments.

For individual travellers, credit cards have largely replaced this method of obtaining money, but documentary credits (letters of credit accompanied by documents) are widely used in foreign trade.

There are two types of letter of credit: revocable, i.e. those that can be cancelled, and irrevocable, i.e. those that cannot be cancelled except with the agreement of the seller. The first type is very rarely used these days.

Documentary credits are governed by the International Chamber of Commerce (ICC) code of practice, known as the Uniform Customs and Practice (UCP) for Documentary Credits. The current code is ICC publication No. 500 as is generally referred to as UCP 500.

Shipping Documents

The following are the essential documents which accompany a documentary credit:

— bill of lading;

— commercial invoice;

— insurance certificate.

Other documents which, in specific cases, it might also be necessary to include are:

— customs form;

— certificate of origin (i.e. a certificate showing where goods were made, which is used to prevent goods from outside coming into free trade area or customs union without being taxed);

— consular invoice (i.e. an invoice, or sometimes a stamp on the commercial invoice, giving permission for goods to be imported, issued by the consulate in the importing country);

— certificate of inspection (i.e. certificate signed by agents to ensure the customer is getting goods of the type and quality they ordered);

— health certificate.

With Electronic Data Interexchange (EDI) many of the relevant documents can be completed on computer templates to the exporter's specific requirements and transferred by email. In this case the payment is made by SWIFT, the international bankers' computerized transfer of funds.

The Stages of Documentary Credit Transaction

The stages in an irrevocable documentary credit transaction are as follows:

1. The importer (buyer) asks their bank to issue a letter of credit in favour of the exporter (seller). The importer applies for a letter of credit by filling out a form. This gives the following details:

— type of credit (i.e. revocable or irrevocable);

— beneficiary (the person receiving the money);

— amount;

— how long the credit will be available for (i.e. valid until a certain date);

— documents involved in the transaction (e.g. bill of lading, commercial invoice, insurance certificate);

— description of goods.

2. The importer's bank (called the issuing bank, as it issues the letter of credit) asks a bank in the seller's country to advise the seller that a letter of credit has been issued in their favour. The issuing bank may also ask the bank in the seller's country to confirm the letter of credit (i.e. promise to see that the conditions of payment are fulfilled). For these reasons the bank in the seller's country is called the confirming or advising bank.

3. The exporters dispatch the consignment to the importers and present the shipping documents (bill of lading, commercial invoice, insurance certificate, etc.) to the confirming bank.

4. The exporters draw a bill of exchange on the confirming bank. The bank pays exporters against the bill and then sends the shipping documents to the issuing bank.

5. The issuing bank checks the documents and pays the confirming bank.

6. The issuing bank releases the shipping documents to the importers and debits their account.

7. The importers collect the consignment by presenting the shipping documents to the shipper.

Standby Letter of Credit

Exporters may require a guarantee to make sure that they are paid. This is frequently done by means of a standby letter of credit where the bank will pay the exporters if, for any reason, the importers do not pay. It is often used when there is a contract involving several shipments and the exporters want to get part of or all of their payment at once. In some countries, the USA for example, standby letters of credit are preferred to bank guarantees and have the advantage of being subject to the Uniform Customs and Practice (UCP500) for Documentary Credits.

Buyer/Importer	**Issuing bank**	**Advising / Confirming Bank**	**Seller/Exporter**
Asks his or her bank to open a letter of credit in favour of the seller	Asks bank in buyer's country to advise or confirm the shipping documents	Advises seller of the transaction and may confirm payment against a B/E drawn on it, if that has been arranged	Dispatches consignment to the buyer and presents the shipping documents to the advising / confirming bank
The buyer gets the consignment by presenting the shipping company	Releases the shipping documents to the buyer or agent bank in his or her country against payment.	Pays seller or discounts B/E drawn on it and sends the shipping documents to the issuing bank in the buyer's country	

7. Match the terms (A) and their definitions (B), translate into Russian.

A

a) profit; b) damage; c) legislation; d) securities; e) indebtedness; f) deposit; g) currency; h) price; i) charge; j) to finance; k) certificate of origin; l) consular invoice; m) certificate of inspection; n) Electronic Data Interexchange (EDI); o) revocable letter of credit; p) irrevocable letter of credit; q) documentary credit; r) Cash Against Documents transaction (CAD); s) a dishonored bill; t) a negotiable bill; u) a discounted draft; v) a clean bill; w) a sight bill/ sight draft; x) a bill of exchange (B/E); y) a drawer; z) a drawee; a') to overdraw an account.

B

1. The documents handed over to the importer when cash has been paid.

2. A document or sometimes a stamp on a document, giving permission for goods to be imported, issued by the consulate in the importing country.

3. A sum of money that has to be paid as a price, especially for services.

4. Sold to a bank at a percentage less than its value.

5. The relevant documents completed on computer templates to the exporters, specific requirements and transferred by email.

6. Any kind of money, which is in general use like cash, any generally accepted means of payment.

7. A debt receipt that is not paid on the due date.

8. A letter of credit that can be cancelled.

9. Paid on presentation.

10. Not accompanied by shipping documents.

11. A document showing where goods were made, which is used to prevent goods from outside coming into free trade area or customs union without being taxed.

12. Investments generally, especially stocks, shares, bonds which are bought as investments.

13. A paper signed by agents to ensure the customer is getting goods of the type and quality they ordered.

14. A person asking for the money/exporter.

15. Harm, loss of value caused by being broken or spoilt.

16. A debt receipt endorsed (signed on the back) by the drawer.

17. A letter of credit accompanied by documents.

18. Laws, especially statute laws, i.e. Act of Parliament in Britain or Act of Congress in the USA.

19. To take out more money than there is in credit.

20. A letter of credit that cannot be cancelled except with the agreement of the seller.

21. The difference between the price received for a product and the amount paid as reward to the factors of production.

22. To provide or arrange means of payment.

23. A loose-leaf sheet supplied by a bank to each customer, giving details of all debits and credits made.

24. An order sent by the drawer to the drawee.

25. Money or its equivalent deposited with a person or organization, especially a bank, for safe-keeping, or as security, or to bear interest.

26. A person paying /importer.

27. The rate at which a commodity can be exchanged for another commodity or for money.

28. A sum owed, debts in general.

8. Fill in the blanks by inserting the following, translate into Russian.

A

a) safekeeping; b) veins; c) profit; d)guarantor; e) the Federal Deposit Insurance Corporation; f) chartered; g) demands; h) to borrow; i) the Federal Reserve System; j) handling; k) storing; l) to overdraw; m) losses and gains; n) tougher; o) statements; p) security; q) an account; r) mortgage; s) money supply; t) liquid; u) interest; v) accepts; w) to confirm; x) guarantee; y) standby.

B

1. The first banking house was associated with goldsmiths who took in their customers' silver and gold for ... .

2. Presently, banking system is considered to be ... of the economy.

3. The difference between interest and charges received, and interest and expenses paid becomes the banks' ... .

4. The government must stand ready to serve as the ultimate ... of the money supply.

5. Further, the whole question of protecting the bank depositors was resolved by ensuring deposits through ... .

6. All banks ... by (that is licensed to operate as a bank) by the federal government were required to become the members of the Fed. These are known as national banks.

7. When the banking system is always able to meet depositors' ... for money, there is no need to withdraw.

8. Banks can make loans to people who want ..., but because these loans create demand deposits that are part of the money supply, they must be controlled.

9. At the center of the U.S. banking system is ..., which was established in 1913.

10. In a moneyed economy, a bank is a necessary institution for the ... and ... of money.

11. It is possible ... an account, i.e. take out more money than there is in credit.

12. Modern financial systems contain a mass of amplifiers that multiply the impact of both ... ..., creating huge uncertainty.

13. ... monetary policy of the government would have encouraged investors to steer towards more liquid products.

14. ... give a detailed account, on a day-to-day basis, of all money and cheques will have either been paid into account or withdrawn from the account.

15. A loan will usually be covered by a negotiable ..., e.g. shares with repayment specified on the agreement.

16. With an overdraft, however, the customer is given permission to overdraw ... up to a certain limit.

17. ... is a type of lending money to customers to buy real estate with the bank buying the property for the customer and the customer repaying over a twenty/twenty-five-year period.

18. The value of coins and paper currency together with the demand deposits total $372.6 billion and economists call this combination the ... .

19. These are the most ... financial assets, which means that they can be used most easily and directly to buy things.

20. Savings accounts ... earn but in most cases you cannot write a check against them.

21. If the drawee ... the bill, they will sign their name on the face of it and date it.

22. The issuing bank may also ask the bank in the seller’s country ... the letter of credit (i.e. promise to see that the conditions of payment are fulfilled).

23. ... letters of credit are preferred to bank guarantees and have the advantage of being subject to the Uniform Customs and Practice for Documentary Credits (UCP500).

24. Exporters may require a ... to make sure that they are paid.

9. Prove or disapprove the following, using the corresponding facts from texts 1—4, translate into Russian:

— the banks have been the principal actors in the drama of the latest global economic crises, as victims as well as villains;
— banking is aimed at saving and increasing their depositors' assets;
— central banks are the main regulators of the money supply in their states.

10. Do sight intepreting of text 1 into Russian.

11. Render texts 2 and 4 in Russian.

12. Do a written translation of text 3.

Part II. Translation from Russian into English

1. Read texts 1 and 2, pick out the banking terms and give their English equivalents from task 1, Part I.

2. Compare the Russian and the US central banks functioning — same or different, do sight interpreting of the different Russian central bank functions into English.

Text 1

Кредитно-банковская система, ее структура и функции

Кредитная система — это комплекс валютно-финансовых учреждений, призванных регулировать экономику посредством изменения находящихся в обращении денег. Современная кредитно-банковская система состоит из трех звеньев: Центральный банк (ЦБ), коммерческие банки, специализированные кредитно-финансовые институты.

На каждом из трех уровней выполняются соответствующие функции.

1. Денежно-хозяйственные функции (работа с деньгами вкладчиков, сделки по хранению, предоставление кредита, предоставление информации, консультирование и др.) осуществляются кредитными институтами (банками).

2. Регулирующие функции (установление учетной ставки, установление резервов и т.п.) осуществляются Центральным банком и ведомствами по надзору.

3. Регламентирующие функции (контроль частных банков и т.п.) осуществляются Центральным банком и Министерством финансов.

Первый уровень кредитно-банковской системы представлен Центральным банком.

В его функции входит эмиссия (выпуск) банкнот, хранение государственных золотовалютных резервов, хранение резервного фонда других кредитных учреждений, главным образом коммерческих банков, денежно-кредитное регулирование экономики, кредитование коммерческих банков и осуществление кассового обслуживания государственных учреждений, проведение расчетов и переводных операций, контроль за деятельностью кредитных учреждений.

Конечной целью всех этих функций является проведение денежной политики. Денежная политика — это управление уровнем процента, величиной денежной массы и кредитов. Управление уровнем процента осуществляется путем определения уровня учетной ставки процента. Это норма процента, по которой ЦБ представляет краткосрочные кредиты коммерческим банкам.

Коммерческие банки для осуществления своей деятельности берут кредит у ЦБ под определенный процент, т.е. учетную ставку (скажем, 80%). Банки предоставляют полученные средства своим клиентам под процент, который выше учетного (скажем, 100%). Если ЦБ повысит учетную ставку процента, то коммерческие банки поднимут ставку процента своим клиентам. Если ЦБ снизит учетную ставку, то же самое сделают коммерческие банки. Таким образом, ЦБ воздействует на экономику, проводя политику «дешевых» или «дорогих» денег, чтобы стимулировать или охладить деловую активность.

Управление величиной денежной массы осуществляется посредством определения нормы обязательных резервов. В соответствии с законом часть средств коммерческие банки обязаны хранить в виде резерва в ЦБ. Размер этого резерва устанавливает ЦБ. При его снижении у коммерческих банков расширяются возможности размещать деньги среди своих клиентов, денежная масса в стране растет. С увеличением резерва предложение денег сокращается, цена на них, т.е. уровень процента, возрастает, деньги становятся «дорогими». Политика резервов, проводимая ЦБ, — это наиболее жесткий инструмент денежно-кредитного регулирования. Она применяется как средство быстрого сжатия либо расширения в стране кредитной массы.

Управление кредитами воплощается посредством метода «операции на открытом рынке», когда ЦБ производит куплю-продажу ценных бумаг. Если ЦБ продает ценные бумаги, то он получает взамен денежные средства, количество денег в обращении сокращается, процент возрастает, деньги опять становятся дорогими. Если же ЦБ покупает ценные бумаги, то это приводит к падению нормы процента и «удешевлению» денег. Этот метод применяется ЦБ для проведения либо экспансивной (покупка) политики, либо рестрикции (ограничение продажи) денежной массы.

Второй уровень кредитно-банковской системы представлен коммерческими банками, которые непосредственно работают с клиентами — физическими и юридическими лицами.

По видам совершаемых операций банки могут быть универсальными или специализированными. Коммерческие банки как кредитные институты играют большую роль в регулировании денежной массы, осуществляя следующие операции:

— аккумулирование временно свободных денежных средств;

— предоставление кредитов;

— создание кредитных денег;

— эмиссия ценных бумаг.

Привлечение к размещению денежных средств банки осуществляют через проведение следующих видов операций:

— прямое кредитование, т.е. выдача ссуды;

— банковские инвестиции, т.е. приобретение банком акций и облигаций;

— факторинг, т.е. инкассирование дебиторской задолженности клиента;

— трастовые операции, т.е. операции по управлению капиталом клиентов.

К причинам, вызывающим нарушения в функционировании банковской системы, относятся:

— нестабильность курса национальной валюты;

— неудачная денежно-кредитная политика ЦБ;

— неразумная налоговая политика;

— отсутствие системы страхования депозитов.

К мерам по стабилизации кредитно-банковской системы относятся:

— совершенствование банковского законодательства;

— приведение в соответствие уровня минимальных банковских резервов и уровня учетной ставки;

— развитие новых форм кредитно-банковских услуг и регулирование емкости кредитного рынка.

Text 2

Основные функции Центрального банка независимого государства

Основной задачей Центрального банка независимого государства принято считать поддержание внешней и внутренней стабильности национальной валюты.

Помимо упомянутой выше главной задачи существует и дополнительная: Центробанк должен обеспечить надежность финансовой системы и эффективность функционирования системы платежей.

Традиционными функциями Центрального банка считаются следующие:

1) выступать в роли банка-эмитента денежных знаков;

2) оказывать правительству помощь в разработке и проведении денежно-кредитной политики, включая регулирование обменного курса и управление международными резервами;

3) быть банкиром банков, в том числе кредитором последней инстанции;

4) организовывать, контролировать и, при необходимости, управлять системой клиринга, платежей и расчетов;

5) быть для правительства банкиром / фискальным агентом / финансовым советником, управляющим государственным долгом.

В дополнение к этим пяти основным функциям Центробанк может также:

— выступать в роли экономического советника правительства и парламента;

— осуществлять надзор за финансовыми учреждениями, в частности, банками;

— печатать деньги.

Однако обычно есть и другие организации, кроме Центробанка, которые осуществляют надзор за банками и печатают деньги.

Для выполнения банком указанных функций необходимы соответствующие вспомогательные службы, занимающиеся бухучетом и внутренней ревизией, сбором и обработкой первичной информации, управлением хранилищами, обеспечением безопасности и административными вопросами, включая подбор и подготовку кадров.

Неизбежно будут возникать споры относительно значения и необходимости некоторых из перечисленных функций. В частности, во многих странах велись дебаты по поводу желаемой степени независимости Центробанка в вопросах выполнения основных функций и вытекающей отсюда степени его самостоятельности при разработке и проведении политики обменного курса и контроля за деятельностью банков — должен его осуществлять Центробанк или другой относительно независимый орган.

Одним из основных аргументов в пользу независимости банка является то, что она обеспечивает защиту от политического давления, которое может возникнуть, в частности, тогда, когда руководство проходит через процедуру переизбрания. Однако для того, чтобы независимость банка была устойчивой, ее необходимо сбалансировать подотчетностью: Центробанк, находящийся под постоянным контролем правительства, может работать неэффективно, особенно в условиях инфляции.

Двумя основными возражениями против независимости являются:

1) необходимость скоординированности денежно-кредитной и фискальной политики;

2) обязанность избранных официальных лиц отвечать за успех или провал макроэкономической политики, в связи с чем они должны иметь возможность направлять эту политику.

Последние годы наблюдалась тенденция к обеспечению большей независимости Центробанка и более широкой гласности в тех случаях, когда правительство стремится установить над ним свой контроль.

3. Render the operations of Russian universal and specialized banks in English.

4. Do a written translation of text 1 into English paying attention to the banking terms and their contextual use.

5. Translate the following quotes into English.

⇨ Центральный банк — это банк, при помощи которого государство вмешивается в дела частных банков и который, в отличие от них, может сам печатать нужные ему деньги (К. Гепперт и К. Пат).

⇨ Цивилизация — это стадия развития общества, на которой ничего нельзя сделать без финансирования (Боб Хоуп).

⇨ Банкроты — побочный продукт процветающих банков (Эдвард Йокель).

⇨ Финансист — это ростовщик с фантазией (Артур Пинеро).

⇨ За деньги нельзя купить друга, зато можно приобрести врагов поприличнее (Роберт Эндрюс Милликен).

⇨ Биржа — это храм новейших язычников: их боги — слитки или кружки золота; их святые иконы — банковские билеты или государственные облигации; их благочестивые упражнения — спекуляции на повышении или понижении фондов; наконец, их покаяние — ликвидация (Николай Макаров).

⇨ Вам предстоит долгий путь в бизнесе, если вы научитесь оценивать цифры почти так же быстро и проницательно, как хороший знаток характеров распознает своих собеседников (Генри Детердинг).

⇨ Финансовые рынки не могут правильно учитывать будущее — они вообще не учитывают будущего, они помогают сформировать его (Джордж Сорос).

⇨ Горькая правда состоит в том, что большинство бедных людей в мире все еще не имеет устойчивого доступа к финансовым услугам, будь то вклады, кредитование или страхование (Кофи Аннан).

Unit IV

ACCOUNTING AND REPORTING

Part I. Translation from Russian into English

1. Give Russian equivalents of the following accounting terms:

1. account / current account / account receivable / account payable
2. account stays in the red / in the black
3. assets / fixed assets
4. balance sheet / trial balance / balance sheet equation
5. bill, to bill
6. bond
7. cash payment
8. capital account
9. charge
10. checkbook
11. check stub
12. claim
13. contractor
14. credit / to credit
15. current ratio
16. day-to-day liquidity
17. entry / to enter /double entry
18. estimate / to estimate
19. expense / accrued expenses
20. financial position
21. index of the financial state of a business income
22. income / income equation
23. inventory invoice /write up an invoice
24. journal / day book
25. journal (book) of first try (first entry)
26. journalizing
27. layout
28. liabilities
29. loss / net loss
30. mortgage
31. note / note payable / note receivable
32. profit / net profit
33. property (plant and equipment)
34. real estate
35. reference / posting reference
36. report
37. revenue
38. sales tickets
39. securities / marketable securities
40. statement / capital statement tax / income tax/ deferred income tax
41. total / to total
42. understate, overstate
43. withdrawal / to withdraw
44. worksheet / spreadsheet

2. Read texts 1—3, study the following, paying attention to terms and their contextual use; translate into Russian:
a) the accounting concepts and procedures;
b) structure and contents of the financial statements.

3. Read texts 1—3, transfer the non-equivalent lexemes into Russian using the corresponding rules.

4. Read texts 1—3, pick out the idiomatic expressions and give their Russian equivalents.

5. Read texts 1—3, pick out the abbreviations, give their full forms and Russian equivalents.

Text 1

Essentials of Accounting

You've heard the saying that nothing happens until someone sells something. After that sale, accounting takes over as the basic activity of business.

The Three Questions

Every business asks three key questions:

- How much money came in?
- Where did the money go?
- How much money is left?

The answer to each question can come only from the practice known of accounting. Like other practices such as medicine and law, accounting has its own vocabulary. In many ways accounting is the language of business.

Accounting can become quite complex. It has a high MEGO factor. MEGO stands for that state of mental saturation when "My Eyes Glaze Over" in stupefaction. An exasperated student was once overheard complaining, "Who ever thought addition and subtraction could be this hard?"

Accounting is one of our oldest skills. That started around 3500—3100 B.C. The earliest collections of understandable writing track how many bushels of grain came into the king's warehouse. From the very beginning of commerce, counting stuff such as clay tablets made it possible. The tablets also told who had brought in the grain and how much the king had taken.

Hold the image of cash as water in your mind for another moment. It can easily evaporate. It can easily trickle away. You now begin to appreciate how important tracking of what happens to that cash can be. As a manager you assign resources: people, cash, materials, time. You need some way of knowing where your resources are, what they should be doing, and how well they're doing it.

The Accounting System

You need an accounting system that's the right size to handle the demands of your business. It also has to be well designed so that it gives you the information you need. Many businesses can be managed successfully with nothing more complicated than a checkbook register. As volume increases, however, you may go to a manual system or a computer spreadsheet. Higher volumes and more transactions demand a computerized system.

To start another image in your mind, your accounting system is the plumbing of your business. It is the way you direct, match, and track your resources. What were the sales of Product X?

How much time did Bob spend on Project Y? Am I over my travel budget for the year? These answers come from your accounting system.

Think Like an Owner

The key to becoming a successful manager is to start thinking like an owner. You need an accounting system that meets your requirements for that. The information an accounting system provides has two faces — external and internal. To provide these two different views, your accounting system divides into two parts — *financial* accounting and *management* accounting. Each of these areas is a separate discipline in its own right.

Financial accounting is the face your business shows to the outside world. Here the daily "gozinta" and "gozouta" become the financial statements that you present to your bank, your stockholders and investors, and taxing authorities. "Gozinta" and "gozouta" are sophisticated accounting terms representing the generic sum of all inputs into an entity and the generic sum of all outputs from that same entity. The smart manager keeps in mind that those liquid assets are just coming into or going out of the business. Those are the basics in accounting.

These financial statements are basically historical records that cover a particular time period. It could be yesterday or a year. Each has certain valuable information to help managers make decisions.

Management accounting can be thought of as real-time accounting. It provides the information you need to run your business, and it begins with day-to-day record keeping. Gathering this information on the "gozinta" and "gozouta" forms the basis for many of your managerial decisions.

These numbers can be sliced and diced many ways to help you do your job.

Accounting from the Bottom Up

To get to the answer to the above-mentioned three questions that every business asks —

- How much money came in?
- Where did the money go?
- How much money is left?

we need to understand several ideas. We're going to start from the simplest and work our way up to the financial statements that will answer our questions. Our explanation of accounting will also follow history: accounting developed slowly over the last 500 years to the sophisticated computer systems and highly specialized accounting standards we use today.

Bookkeeping and Accounting

Many people confuse *bookkeeping* and *accounting*. They think that bookkeeping is accounting. Bookkeeping is the act of recording transactions in the accounting system in accordance with the accounting principles. Accounting is the way we set up the system, the principles behind it, and the ways we check the system to make sure that it is working properly. Accounting ensures that bookkeeping is honest and accurate and, through financial accounting and management accounting, it provides people outside and inside the business with the picture they need of where the company's money is.

Accountants developed bookkeeping procedures as a way to organize records, to classify the many transactions that take place. Transaction is any event that affects the financial position of the enterprise and requires recording. In some transactions, such as depositing a check, money changes hands. But in others, such as sending an invoice to a customer, no money changes hands. Bookkeeping puts related transactions together into groups so that their impact on the accounting equation can be recorded and analyzed. When we put several transactions together into one account, we're creating complete set of accounts, i.e. a *ledger.* It is the "reference book" of the accounting system and is used to classify and summarize transactions and to prepare data for financial statements. It is also a valuable source of information for managerial purposes, giving, for example, the amount of sales for the period or the cash balance at the end of the period. It is desirable to establish a systematic method of identifying and locating each account in the ledger. The *chart of accounts*, sometimes called the *code of accounts*, is a listing of the accounts *in the accounting system* by title and numerical description. In some companies, the chart of accounts may run to hundreds of items. *Some of them may be used every day, such as Cash, and some rarely or even never.*

In designing a numbering structure for the accounts, it is important to provide adequate flexibility to permit expansion without having to revise the basic system. Generally, blocks of numbers are assigned to various groups of accounts, such as assets, liabilities, and so on. There are various systems of coding, depending on the needs and desires of the company.

Hence each account has a ledger, which that lists all its transactions. Every transaction is entered twice, in two ledgers, once as a credit and once as a debit. The individual lines in a ledger are called *entries*. In a manual system, each entry is first put on a master page called the *journal,* or *book of first try (first entry),* and then copied to the appropriate individual account pages. As a result, the books stay in balance; the total of all credits equals the total of all debits.

Double Entry

The first principle of accounting we need to understand is called *double-entry* bookkeeping. Each transaction made in the accounting system is entered twice. No, this does not mean we are keeping two sets of books. We enter every transaction twice, to show where the money comes from and where it is going. An Italian monk, Luca Pacioli, gets the credit for developing double entry in 1494, although it first appeared some 50 years earlier. Next time you think you're getting confused by double entry, remember this. It's been around for more than 500 years.

Most of the people who used it didn't know how to program VCRs. You are way ahead at the start.

Automatic Accounting

Even though all accounting systems are double entry, on many computerized accounting systems we enter each number only once. How does it do that? The computer maintains a chart of accounts. The bookkeeper enters the transaction in one account (say, the bank's checkbook) and then selects another account (perhaps a particular type of expense).When the bookkeeper clicks OK, the transaction is recorded in both accounts. The computer automatically takes care of the second entry, keeping the books in balance. Program instructions also block transactions that do not fit the accounting equation.

Try paying your rent out of your insurance account. It won't work.

There are two big advantages of computerized accounting systems. One is that they make it hard to make errors. The other is that you enter the information once, and then see it in several different ways: as data entry screens, account ledgers, and reports.

Accounting is concerned with three basic concepts:

- assets,
- liabilities,
- equity.

Assets ***are*** what a business owns or is owed. Examples are real estate, equipment, cash, inventory, accounts receivable (tangible assets), patents and copyrights (intangible assets).

Liabilities ***are*** what a business owes. Examples are debt, taxes, overheads, accounts payable, and warranty claims.

Equity ***is*** cash that owners or stockholders have put into the business plus their accumulated claims on the assets of the business. It is also known as *owner's equity* or *stockholder's equity*, depending on how the business is organized.

Account ***is*** a place where we record amounts of money involved in transactions. An account shows the total amount of money in one place as a result of all transactions affecting that account.

An account may be defined as *a record of the increases, decreases, and balances in an individual item of asset, liability, capital, income (revenue), or expense.*

The simplest form of the account is known as the *T-account* because it resembles the letter *T.* The account has three parts:

1) the name of the account and the account number,

2) the debit side (left side), and

3) the credit side (right side).

The abbreviations for debit and credit are *Dr.* and *Cr.* respectively. The increases are entered on the *credit side of a T-account*, the decreases on the *debit side*. The *balance* (the excess of the total of one side over the total of the other) is inserted near the last figure on the side with the larger amount. If the excess of the total is on the credit side of the account (the balance is positive) they say that the account stays in the black. In case of the credit side total excess the account stays in the red.

The Journal

The *journal*, or *day book*, is the book of original entry for accounting data.

Afterwards the data is transferred or posted to the ledger, the book of subsequent or secondary entry. The various transactions are evidenced by sales tickets, purchase invoices, check stubs, and so on. On the basis of this evidence, the transactions are entered in chronological order in the journal. The process is called *journalizing*.

A number of different journals may be used in a business. For our purposes, they may be grouped into general journals and specialized journals.

Journalizing

The entries in the general journal have the following components:

1. *Date*. The year, month, and day of the first entry are written in the date column. The year and month do not have to be repeated for the additional entries until a new month occurs or a new page is needed.

2. *Description*. The account title to be debited is entered on the first line, next to the date column. The name of the account to be credited is entered on the line below and indented.

3. *P.R. (Posting Reference)*. Nothing is entered in this column until the particular entry is posted, that is until the amounts are transferred to the related ledger accounts.

4. *Debit*. The debit amount for each account is entered in this column.

Generally, there is only one item, but there could be two or more separate items.

5. *Credit*. The credit amount for each account is entered in this column.

Here again, there is generally only one account, but there could be two or more accounts involved with different amounts.

6. *Explanation*. A brief description of the transaction is usually made on the line below the credit. Generally, a blank line is left between the explanation and the next entry.

Posting

The process of transferring information from the journal to the ledger for the purpose of summarizing is called *posting* and is ordinarily carried out in the following steps:

1. *Record the amount and date*. The date and the amounts of the debits and credits are entered in the appropriate accounts.

2. *Record the posting reference in the account*. The number of the journal page is entered in the account.

Let's use a series of T-accounts to trace a small job all the way through a business. Let's say you do some work for a customer and you take along a contractor as an assistant. You invoice the client, the client pays. Also, the contractor bills you.

How does this look in double-entry bookkeeping, illustrated with T-accounts? Let's walk through it one step at a time.

Your customer calls you and asks you to do the work. You plan the job, put it on the schedule, and arrange for the contractor to come with you. All of this is important business, but none of it shows up in accounting. No transaction has happened yet; if the appointment falls through, you will not get paid anything.

You go and do the work and the contractor comes with you.

The customer tells you they are happy with the work and looks forward to receiving your invoice, which they'll pay promptly. The contractor says they'll send you a bill and you promise to pay within one month. Still, no transaction has occurred. If no invoices are sent and no one gets paid, then it's as if you'd worked for free.

The next day, you write up an invoice for $1,000 and mail it to the customer. The invoice has gone out, now a transaction has occurred. In a pair of T-accounts for writing a check to buy $100 of office supplies it looks like this:

Assets: Corporate Checking

Debit	Credit
	6/7 $100

Expenses: Office Supplies

Debit	Credit
6/7 $100	6/7 $100

Notice that we always record a date (6/7) for each transaction.

Income: Consulting Services

Debit	Credit
	6/2 $1,000

Assets: Accounts Receivable

Debit	Credit
6/2 $1,000	6/7 $100

What do these two diagrams mean?

The first one says that on June 2 the company received $1,000 in income. How is this possible if you haven't got a check yet? Because in accounting, we count the money as coming in when we bill it. Why? Because the money we are owed is an asset and we want to keep track of it. It is of value to our company. We could go to a bank and borrow against the money our customers are due to pay us. So, the value of the company has increased, from an accountant's perspective.

It is worth $1,000 more than the day before, because income has come in. So we have a credit to income — money coming in. The balancing T-account is a debit to assets. But if our assets have increased, why do we debit them? This is one odd aspect of accounting. Asset accounts are debit accounts. So a debit to an asset is an increase of money in the company.

But in double-entry bookkeeping, all transactions are entered twice, so that all accounts are balanced. That is a fundamental rule of accounting. If the income account goes up (is credited) by $1,000, then a debit for $1,000 must show up somewhere else. It shows up in *Assets — Accounts Receivable,* as we see in the second T-account diagram.

Accounts receivable is an account that shows all the money that you are owed by everyone. Accounts receivable is an asset account. That is, it is one of the accounts that show how much money is in the company.

The next day you receive a bill in the mail from your subcontractor.

This is another transaction. You enter the bill in your accounting ledger or system to show that you owe it the money. The T-accounts look like this:

Expenses: Subcontractor

Debit	Credit
6/3 $200	

Liabilities: Accounts Payable

Debit	Credit
	6/3 $200

Together, these two T-accounts say that your company has a $200 expense and owes a subcontractor $200. Even though you haven't paid the bill yet, your company owes the money, so the value of the company is $200 less than it was.

At the end of the week you receive a $1,000 check from your customer and deposit it into the corporate checking account. Again, two T-accounts record this in your accounting system. These two diagrams may seem backwards. But remember: all asset accounts are debit accounts, so an entry in the debit column is an increase to the account and an entry to the credit column is a decrease.

Now you feel like your business is up and running. You feel so good that you want to pay your subcontractor's bill. Still, you can't — the check from the customer hasn't had time to clear by the bank. While you're waiting for the check to clear, you ask those three basic questions all managers want to know:

- how much money came in?
- where did the money go?
- how much money is left?

Since you've entered every transaction, your accounting system should be able to answer those questions. The questions are answered in reports called *financial statements*.

The Trial Balance

As every transaction results in an equal amount of debits and credits in the ledger, the total of all debit entries in the ledger should equal the total of all credit entries. At the end of the accounting period, we check this equality by preparing a two-column schedule called a *trial balance*, which compares the total of all debit balances with the total of all credit balances. The procedure is as follows:

1. List account titles in numerical order.
2. Record balances of each account, entering debit balances in the left column and credit balances in the right column.
3. Add the columns and record the totals.
4. Compare the totals. They must be the same.

If the totals agree, the trial balance is in balance, indicating that debits and credits are equal for the hundreds or thousands of transactions entered in the ledger. While the trial balance provides an arithmetic proof of the accuracy of the records, it does not provide a theoretical proof. For example, if the purchase of equipment was incorrectly charged to Expense, the trial balance columns may agree, but theoretically the accounts would be wrong, as Expense would be overstated and Equipment understated.

In addition to providing proof of arithmetic accuracy in accounts, the trial balance facilitates the preparation of the periodic financial statements.

Generally, the trial balance comprises the first two columns of a worksheet, from which financial statements are prepared.

Text 2

Financial Statements

After just one job, it's pretty easy to understand the accounts in the ledger. But when we've entered dozens, hundreds, or even thousands of transactions — think how many customers come into a restaurant every day — we need reports that show us what's going on, i.e. financial statements.

GAAP: The "Rules" of Financial Reporting

The standard format for recording and reporting financial transactions is outlined in guidelines, or rules, called Generally Accepted Accounting Principles (GAAP). These guidelines are published by the accounting profession. They are intended to be the foundation upon which report readers can gauge a company's progress, compare one company or one accounting period with another, and generally judge the financial effectiveness of its management efforts.

Financial statements are a set of accounting documents prepared for a business that cover a particular time period and describe the financial health of the business. The two most important financial statements are the *income and expense statement (or profit and loss account)* and the *balance sheet*.

If you're using a computerized accounting package, you simply go to the reports menu, select the report you want, select the start and end dates, and print it out. But, rather than relying on the magic of a computer program, let's walk through the process of building our financial statements, so that you can see how accounting moves from the recording of each transaction to the presentation of useful reports.

The income and expense statement shows details and totals of income accounts and expense accounts. Note that it does not show individual journal entries. From this report we don't know if we did one job or three jobs — just that the total was $1,000 of contracting jobs billed. *Revenue* or *gross income* is all the money that has come in, without considering expenses. *Net income* is gross income less total expenses, that is, it's the amount of money we've made after expenses. Net income is a key factor in business success. When we're spending more than we're making, that money is a negative number, called *net loss*.

The income and expense statement is useful, but it doesn't show the whole picture. For example, it doesn't tell us how much money we have in the bank account or even whether or not we've paid our subcontractor. To get the rest of the picture, we need a balance sheet.

Now we see that, even though we have $1,000 in the checking account, we owe $200 to someone, so our company is worth only $800. In simple terms, *equity* is the financial value, or worth, of a company.

Getting a Handle on Financial Statements

Tracing changes in the balance sheet to the income and expense statement (profit and loss account) is more than just an exercise. It is the fastest way to get a handle on accounting. Sure, the first few times, it feels like you're banging your head against a wall. But keep at it. A good manager will check over his or her financial statements every month or at least every quarter. Once you understand them, financial statements help you keep the pulse of your business. If you look at them regularly, they also help you see changes as they happen, so you can detect problems before they become too big to handle.

- Income and expense statements always have a period, from a beginning date to an ending date.
- Balance sheets have a single date, reporting the status of the company on that date.
- An income and expense statement shows the change in the balance sheet from the start date to the end date of the income and expense statement.

Income and expense statement (profit and loss account) is a document that shows all of the gozinta and gozouta for a business during a particular period of time. Sometimes it is just called an income statement. Revenue is a synonym for income, so this can also be called a statement of revenue. The income statement is also known as a profit and loss statement, an operating statement, or a statement of operations. The income statement may be defined as a summary of the revenue (income), expenses, and net income of a business entity for a specific period of time. Let us review the meanings of the elements entering into the income statement.

Revenue is the increase in capital resulting from the delivery of goods or rendering of services by the business. In amount the revenue is equal to the cash and receivables gained in compensation for the goods delivered or services rendered. Revenue includes gross income from the sale of products or services. It may be designated as sales, income from fees, and so on, to indicate gross income. The gross amount is reduced by sales returns and by sales discounts to arrive at net sales.

Cost of Goods Sold. The inventory of a merchandising business consists of goods on hand at the beginning of the accounting period and those on hand at the end of the accounting period. The beginning inventory appears in the income statement and is added to purchases to arrive at the cost of goods available for sale. Ending inventory is deducted from the cost of goods available for sale to arrive at the cost of goods sold.

Expenses is the decrease in capital caused by the business's revenue-producing operations. In amount, the expense is equal to the value of goods and services used up or consumed in obtaining revenue.

Operating Expenses includes all expenses or resources consumed in obtaining revenue. Operating expenses are further divided into two groups. Selling expenses are related to the promotion and sale of the company's product or service. Generally, one individual is held accountable for this function, and his or her performance is measured by the results in increasing sales and maintaining selling expenses at an established level. General and administrative expenses are those related to the overall activities of the business, such as the salaries of the president and other officers. When preparing income statements, list expenses from highest to lowest except *Miscellaneous*, which is always last, no matter how large the amount may be.

Net income is the increase in capital resulting from profitable operation of a business; it is the excess of revenue over expenses for the accounting period.

It is important to note that a *cash receipt* qualifies as revenue only if it serves to increase capital. Similarly, a *cash payment* is an expense only if it decreases capital. Thus, for instance, borrowing cash from a bank does not contribute to revenue.

In many companies, there are hundreds and perhaps thousands of income and expense transactions a month. To lump all these transactions under one account would be very cumbersome and would, in addition, make it impossible to show relationships among the various items. To solve this problem, we set up a temporary set of income and expense accounts. The net difference of these accounts, the net profit or net loss, is then transferred as one figure to the capital account.

Balance sheet is a financial statement that shows the financial position — that is, the assets, liabilities, and value (equity) — of a company on a particular day.

The financial condition or position of a business enterprise is represented by the relationship of assets to liabilities and capital.

Assets are properties that are owned and have money value — for instance, cash, inventory, buildings, and equipment.

Current Assets are assets reasonably expected to be converted into cash or used in the current operation of the business (generally taken as one year). Examples are cash, notes receivable, accounts receivable, inventory, and prepaid expenses.

Other Assets are various assets other than current assets, fixed assets, or assets to which specific captions are given. For instance, the caption "Investments" would be used if significant sums were invested. Companies often show a caption for intangible assets such as patents or goodwill.

In other cases, there may be a separate caption for deferred charges. If, however, the amounts are not large in relation to total assets, various items may be grouped under one caption, "Other Assets."

Property, plant and equipment are long-lived assets used in the production of goods or services. These assets, sometimes called *fixed assets*, or *plant assets*, are used in the operation of the business rather than being held for sale, as are inventory items.

Liabilities are amounts owed to outsiders, such as notes payable, accounts payable, and bonds payable.

Current Liabilities are debts that must be satisfied from current assets within the next operating period, usually one year. Examples are accounts payable, notes payable, the current portion of long-term debt, and various accrued items such as salaries payable and taxes payable.

Long-term liabilities are liabilities that are payable beyond the next year.

The most common examples are bonds payable and mortgages payable.

These three basic elements are connected by a fundamental relationship called *the accounting equation*. This equation expresses the equality of the assets on one side with the claims of the creditors and owners on the other side:

Assets = Liabilities + Owner's Equity.

All accounts placed on the balance sheet are assigned a type. These are the most basic types of accounts:

— income,

— expense,

— asset,

— liability,

— equity.

The information needed for the balance sheet items are the net balances at the end of the period, rather than the total for the period as in the income statement. Thus, management wants to know the balance of cash in the bank and the balance of inventory, equipment, etc., on hand at the end of the period.

The *balance sheet* may then be defined as a *statement showing the assets, liabilities, and capital of a business entity at a specific date.* This statement is also called a statement of financial position or statement of financial condition.

Among the items of the balance sheet are the following:

Accounts receivable are the money due from customers for goods and services.

Marketable securities are stocks, bonds, or other financial instruments held by the company.

Inventory is goods available for sale.

Fixed assets are the property, plant, and equipment of the company.

Accounts payable are the money the company owes to vendors for good or services rendered.

Notes payable are a loan or obligation to be paid, current portion of a long-term debt.

Income taxes payable are taxes due in the current year.

Accrued expenses are expenses that will be due but have not yet been paid.

Deferred income taxes are an estimate of the taxes that would be due if assets were sold at the stated value.

There are some other accounts that have some inherent risk. The accounts receivable may not all collect. If the inventory is particularly high, that could be a sign that the product is not moving. The balance sheet consists of many accounts that are actually estimates, which may or may not come true. Understanding the potential limitations helps when considering the balance sheet in conjunction with other financial statements.

Capital Statement

Instead of showing the details of the capital account in the balance sheet, we may show the changes in a separate form called the *capital statement.*

This is the more common treatment. The capital statement begins with the balance of the capital account on the first day of the period, adds increases in capital (example: net income) and subtracts decreases in capital (example: withdrawals) to reach the balance of the capital account at the end of the period.

The Fundamental Equations of Accounting

This is how accounting answers the three big questions asked above:

- How much money came in? — revenue or gross income;
- Where did the money go? — expenses;
- How much money is left? — net income.

The Income Equation

We find the direct answer to these three questions on the income and expense statement. The *income statement equation* — revenue — expenses = net income — is the key to the income statement. The result here is simple arithmetic: revenue (the gozinta) minus expenses (the gozouta) yields net income.

The Balance Sheet Equation

The balance sheet answers another set of crucial questions for a company. Today, what is my company worth? What's in my bank account? How much money do other companies or people owe me? How much money do I owe other people or companies? Thus, the balance sheet is the accounting equation. It lists the firm's assets, liabilities, and equity as of a specific date. In this respect it's a position statement rather than flow statement. The balance sheet is a "still picture" of business while the income statement might be compared to a "moving picture". The balance sheet is the company's solvency report card. Typically, the date on the balance sheet is the end of the firm's reporting fiscal year. However, computer software has made generating reports vastly easier. It's not uncommon for a manager to run off last night's balance sheet to read with coffee in the morning.

The balance sheet always balances because of the double entry system and debit-credit recording rule correctly applied.

Each asset increase in the equation must have one or more of the following:

- asset decrease,
- liability increase,
- equity increase,
- revenue increase,
- gain increase,
- expense decrease,
- loss decrease.

The fundamental equation of accounting underlies the balance sheet. It looks like this:

assets = liabilities + equity;

assets — liabilities = equity;

assets — equity = liabilities.

The physical layout of the balance sheet matches the first equation:

assets = liabilities + equity.

This makes logical sense: the value of what the company owns (assets) minus the value of what the company owes (liabilities) leaves you with what the company is worth (equity).

The balance sheet becomes a more useful statement for comparison and financial analysis if the asset and liability groups are classified. For example, an important index of the financial state of a business, derivable from the classified balance sheet, is the ratio of current assets to current liabilities. This current ratio should generally be at least 2:1; that is, current assets should be twice current liabilities.

The close relationship of the income statement and the balance sheet is apparent. The income statement is the connecting link between two balance sheets.

Text 3

Income Statement

General Widget.Inc.
December 31, 2008

Account Names	Account Sums, in USD	Aggregated Sums and Totals, in USD
Sales Revenue Cost of Sales Materials Labor Overhead	 575,000 825,000 350,000	3,500,000 1,750,000
Gross Margin		1,750,000
Operating Expense Selling General and Administrative Depreciation and Amortization	 750,000 650,000 100,000	 1,500,000

Окончание таблицы

Account Names	Account Sums, in USD	Aggregated Sums and Totals, in USD
Operating Income		250,000
Other Income and Expenses Dividends and Interest Interest Expense Unusual/Extraordinary Items	 25,000 (75,000) 150,000	 100,000
Income Before Tax		350,000
Income Tax (t = 34)		119,000
Net Income		231,000

Balance Sheet

General Widget, Inc.
December 31, 2008

Assets	
Current Assets	
Cash Accounts Receivable Marketable Securities Inventory Prepaid Expenses	350,000 500,000 68,000 444,400 15,000
Total Current Assets	1,377,400
Property, Plant, Equipment	
Land Buildings Machinery Furniture and Fixtures Vehicles Accumulated Depreciation	600,000 1,100,000 1,390,000 300,000 315,000 95,000

Окончание таблицы

Net Property, Plant, Equipment	**3,800,000**
Total Assets	5,177,400
Liabilities	
Current Liabilities	
Accounts Payable Notes Payable Accrued Expenses Income Taxes Payable	580,000 199,000 95,000 43,400
Long-Term Liabilities	
Deferred Taxes Long-Term Debt	350,000 2,000,000
Total Liabilities	3,267,400
Total Current Liabilities	917,400
Shareholder Equity	
Preferred Stock Common Stock Paid-in Capital Retained Earnings	200,000 1,190,000 420,000 100,000
Total Shareholder Equity	1,910,000
Total Liabilities and Shareholder Equity	5,177,400

6. Match the terms and their definitions, translate into Russian.

A

a) assets; b) long-term liabilities; c) balance sheet; d) fixed asset; e) accounts receivable; f) income taxes payable; g) accrued expenses; h) marketable securities; i) operating expenses; j) financial statements; k) deferred income taxes; l) notes payable; m) liabilities; n) income and expense statement; o) inventory; p) current assets; q) revenue; r) accounts payable; s) expenses; t) journal.

B

1. Money due from customers for goods and services.

2. Expenses that will be due but have not yet been paid.

3. Stocks, bonds, or other financial instruments held by the company.

4. All expenses or resources consumed in obtaining revenue.

5. The decrease in capital caused by the business's revenue-producing operations.

6. An estimate of the taxes that would be due if assets were sold at stated value.

7. Long-lived assets used in the production of goods or services.

8. A financial statement that shows the financial position — that is, the assets, liabilities, and value (equity) — of a company on a particular day.

9. A document that shows all of the gozinta and gozouta for a business during a particular period of time. Equity is the financial value, or worth, of a company.

10. A loan or obligation to be paid, current portion of a long-term debt.

11. Goods available for sale.

12. Assets reasonably expected to be converted into cash or used in the current operation of the business (generally taken as one year).

13. The book of original entry for accounting data.

14. Taxes due in the current year.

15. Properties that are owned and have money value — for instance, cash, inventory, buildings, equipment.

16. Amounts owed to outsiders, such as notes payable, accounts payable, and bonds payable.

17. The increase in capital resulting from the delivery of goods or rendering of services by the business.

18. Money the company owes to vendors for goods or services rendered.

19. A set of accounting documents prepared for a business that cover a particular time period and describe the financial health of the business.

20. Liabilities that are payable beyond the next year.

7. Fill in the blanks by inserting the following, translate into Russian paying attention to terms and their contextual meaning.

A

a) income statement; b) equation; c) equity; d) entity; e) fiscal; f) expenses; g) inventory; h) solvency; i)general and administrative; j) double entry; k) debit; l) credit; m) trial balance; n) selling; o) ledger; p) accounts; q) loss; r) current liabilities; s) current assets; t) still picture; u) moving picture.

B

1. An important index of the financial state of a business, derivable from the classified balance sheet, is the ratio of ... ... to ... ..., i.e. the current ratio.
2. The balance sheet is a "... ..." of business while the income statement might be compared to a "... ...".
3. The ... revenue — expenses = net income — is the key to the income statement.
4. Assets, liabilities and ... are connected by a fundamental relationship called the accounting equation.
5. Examples of current assets are cash, notes receivable, accounts receivable, ..., and prepaid expenses.
6. ... expenses are those related to the overall activities of the business, such as the salaries of the president and other officers.
7. ... expenses are related to the promotion and sale of the company's product or service.
8. The income statement may be defined as a summary of the revenue (income), expenses, and net income of a business ... for a specific period of time.
9. When we're spending more than we're making, that money is a negative number, called net ... .
10. The process of transferring information from the journal to the ... for the purpose of summarizing is called posting.
11. The result here is simple arithmetic: revenue (the gozinta) minus ... (the gozouta) yields net income.
12. Typically, the date on the balance sheet is the end of the firm's reporting ... year.

13. The balance sheet is the company's ... report card.

14. The abbreviations for ... and ... are *Dr.* and *Cr.* respectively.

15. But, in double-entry bookkeeping, all transactions are entered twice, so that all ... are balanced.

16. At the end of the accounting period a two-column schedule called a ... ..., which compares the total of all debit balances with the total of all credit balances, is prepared.

17. The balance sheet always balances because of the ... ... system and debit-credit recording rule correctly applied.

8. Find the following information in texts 1—3, translate it into Russian paying attention to the terms and their contextual usage:
— accounting and bookkeeping — same or different;
— three basic concepts of accounting;
— types of accounts grouping and listing;
— the concept of double entry;
— structure and composition of the T-account;
— process of entering the transactions in the accounting journal in the chronological order;
— two major financial statements in terms of the information recorded; their major difference in the manner of the information presentation;
— items of the major financial statements;
— fundamental equations of accounting.

9. Render text 1 in Russian paying attention to the accounting terms and their contextual use.

10. Do sight interpreting of text 2 into Russian paying attention to the accounting terms and their contextual use.

11. Do a written translation of text 3 into Russian.

Part II. Translation from Russian into English

1. Read texts 1—2, pick out the accounting terms and give their English equivalents from task 1, Part I.

Text 1

Бухгалтерская документация является единственным источником объективных данных о состоянии рыночной экономики в целом и каждого субъекта хозяйствования (предприятия) в отдельности, а бухгалтерский учет является основой для принятия деловых решений.

Учету подлежат как чисто платежные операции, так и операции с товарно-материальными ресурсами и операции в сфере услуг. Результаты деятельности торговых и промышленных предприятий, издержки и расходы некоммерческих компаний определяются за определенные периоды времени (день, месяц, год). Бухгалтерский учет дает сведения о финансовом положении предприятия, его имуществе, доле собственного капитала, полученной прибыли и обязательствах.

Данными бухучета интересуются собственники (акционеры) и руководство предприятий, инвесторы, кредиторы, налоговая служба, бюджет, наемные работники и предприятия-конкуренты.

Такие понятия бухучета, как *товар*, *капитал*, *процент*, *вексель*, *накладная* и многие другие, являются основой экономической науки.

Text 2

Отчет о прибыли и убытках на 1 января 2009 г. ОАО «Менатепбанк»

(в миллионах российских рублей)

№ п/п	Наименование статьи	Символ	Пункт примечаний	2008	2007
1	2	3	4	5	6
1	Процентные доходы	2011		158 093,6	125 382,8

Продолжение таблицы

№ п/п	Наименование статьи	Символ	Пункт примечаний	2008	2007
1	2	3	4	5	6
2	Процентные расходы	2012		92 933,5	78593,2
3	***Чистые процентные доходы***	201	18	65 160,1	46 789,6
4	Комиссионные доходы	2021		88 489,1	84 865,3
5	Комиссионные расходы	2022		5 994,1	3 557,6
6	***Чистые комиссионные доходы***	202	19	82 495,0	81 287,7
7	Чистый доход по операциям с иностранной валютой	203	20	28 111,9	21 374,9
8	Чистый доход по операциям с ценными бумагами	204	21	77,9	2 304,1
9	Доход в форме дивидендов	205		26,0	6,9
10	Чистые отчисления в резервы	206	24	7 741,3	2 751,2
11	Прочие доходы	207		7 560,7	8 161,1
12	Операционные расходы	208	25	120 570,5	104 219,2
13	Прочие расходы	209		6 727,1	9 039,3
14	Налог на прибыль	210	26	13 332,5	25 824,2

Окончание таблицы

№ п/п	Наименование статьи	Символ	Пункт примечаний	2008	2007
1	2	3	4	5	6
15	Прибыль (убыток)	2		35 061,1	18 090,2
Базовая прибыль на простую акцию, руб.				58	50
Разводненная прибыль на простую акцию, руб.					

Руководитель
Главный бухгалтер
Дата подписания

Бухгалтерский баланс на 1 января 2009 г. ОАО «Менатепбанк»

(в миллионах российских рублей)

№ п/п	Наименование статьи	Символ	Пункт примечаний	2008	2007
1	2	3	4	5	6
Активы					
1	Денежные средства	1101	1	97 492,1	63 834,4
2	Средства в Национальном банке	1102	2	138 913,4	97 266,5
3	Ценные бумаги для торговли	11031	3	—	—
4	Кредиты и другие средства в банках	1105	4	226 281,2	70 934,8
5	Кредиты клиентам	1106	5	1 366 358	929 862

Продолжение таблицы

№ п/п	Наименование статьи	Символ	Пункт примечаний	2008	2007
1	2	3	4	5	6
6	Долгосрочные финансовые вложения	1107	6	472,5	442,1
7	Основные средства и нематериальные активы	1108	7	109 229,3	85 374,0
8	Прочие активы	1109	8	45 977,0	24 910,9
9	Итого активы	110		2 158 930,0	1 505 780
Обязательства					
10	Средства Национального банка	1202	9	83 089,2	28 483,4
11	Кредиты и другие средства банков	1205	10	106 827,2	84 944,7
12	Средства клиентов	1206	11	1 626 989,6	1 141 175,3
13	Ценные бумаги, выпущенные банком	1208	12	4 406,9	14 428,3
14	Прочие обязательства	1209	12	84 092	49 539,1
15	Всего обязательства	120		1 905 399,6	1 318 570,8
Капитал					
16	Уставный фонд	1211	14	51 026	107 109,4
17	Эмиссионный доход	1212		0,3	0,1
18	Резервный фонд	1213		19 380,4	9 796,4
19	Накопленная прибыль	1214	14	51 926,7	29 489,4

Окончание таблицы

№ п/п	Наименование статьи	Символ	Пункт примечаний	2008	2007
1	2	3	4	5	6
20	Фонд переоценки статей баланса	1215	15	54 213,8	40 814,6
21	Всего капитал	121		253 530,4	187 209,9
22	**Итого обязательства и капитал**	**12**		**2 158 930,0**	**1 505 780,7**

Руководитель
Главный бухгалтер
Дата подписания

2. Render text 1 in English, paying attention to the accounting terms and their contextual use.

3. Compare the Russian financial statements (text 2) with the above American documents, do a written translation of the Russian financial statements into English.

4. Translate the following quotes into English:

⇨ Военное министерство готовит три вида отчетов: один, чтобы обманывать общественность; второй, чтобы обманывать кабинет министров; и третий, чтобы обманывать самих себя (Герберт Асквит).

⇨ Дату возникновения мира могли бы установить лишь бухгалтеры (Станислав Ежи Лец).

⇨ Балансовые отчеты все равно что сводки о ходе военных действий: детали верны, а в целом — вранье (Михаэль Шифф).

Unit V

CAPITAL AND FINANCE

Part I. Translation from Russian into English

1. Give Russian equivalents of the following financial terms:

1. acquisition of the firm
2. arbitragers
3. brand
4. bid
5. brokers / floor broker
6. capital / capital consumption allowances / start up capital / working capital
7. clause
8. copyright
9. depreciation
10. dissolution of a company
11. entrepreneur
12. face value
13. forward agreements
14. fund / fund raising / borrowed funds / tapping funds
15. financial intermediaries
16. issues / bond issues / new equity issues / stock issues / to issue/issuance / issuer
17. loan / short-term (less than one year) loan / medium-term
18. (1—3 year) loan/long-term (over three years) loan
19. maturity
20. mergers and acquisitions (M&A)
21. notes receivable
22. offers
23. orders/the buy and sell orders
24. price fluctuations
25. principal amount
26. quotations
27. redemption / to redeem the debt
28. reinvestment of profits
29. repo contracts
30. Securities and Exchange Commission (SEC)
31. stock / common stock / convertible preferred stock
32. stellar performance
33. treasurer / treasury / treasury bills
34. undistributed profits
35. 4 P's
36. aggregate or macro level
37. assets / assets management / intangible assets / physical assets / tangible assets

38. bears
39. breach of contract
40. bulls
41. claim / claimant / ultimate residual claimants
42. contract administration
43. debt / long term debt / short-term debt
44. dilution
45. earnings per share (EPS)
46. expenses / ongoing expenses
47. fixed annual dividend rate
48. stock price averages
49. hedgers
50. inventories / inventories of shares
51. lumpsum maturity value
52. markets / capital markets / commodity markets / derivatives markets / foreign exchange markets — "FOREX" or "FX"-markets / over-the-counter market / physical asset markets / "primary" market
53. mitigation / mitigate the risk
54. net / to net / net income / net change
55. offering / public stock offering / initial public offering (IPO) / secondary stock offering
56. offset / to offset
57. price / earnings ratio (P / E)
58. pricing
59. pro-rata sharing
60. receivership
61. revenues
62. risk management
63. securities / derivative or synthetic securities / gilt-edged securities
64. shares / cumulative preferred shares / outstanding shares
65. stockholders / common /
66. preferred stockholders
67. trader / tradeoff
68. ultimate exit strategy
69. yield (dividend / price)

2. Read texts 1—4, study the following paying attention to the terms and their contextual use:

a) finance as a concept;
b) Financial Department responsibilities;
c) corporate financial operations;
d) external and internal fund raising;
e) the leverage procedure and facilities;
f) the risks of stockholders and bondholders;
g) the difference between preferred and common stocks;

h) advantages and disadvantages of the initial public offering;
i) types of financial markets;
j) types of capital markets;
k) merger and acquisition procedures.

3. Read texts 1—4, transfer the non-equivalent lexemes into Russian using the corresponding rules.

4. Pick out the idiomatic expressions and give their Russian equivalents.

5. Pick out the abbreviations, give their full forms and Russian equivalents.

Text 1

The Concept of Finance

The field of finance is broad and dynamic. Finance can be defined as the art and science of making money. All individuals and organizations earn or raise money, and spend or invest money. Finance is concerned with the process, institutions, markets and instruments involved in the transfer of money among and between individuals, businesses and governments.

Finance can be defined at both the aggregate, or macro level, and the firm, or micro, level. Finance at the macro level is the study of financial institutions and financial markets and how they operate within the financial system. Finance at the micro level is the study of financial planning, asset management and fund raising for business firms and financial institutions.

Finance Department

The Finance Department can be an accumulation of diverse functions, depending on the company. It may oversee such areas as insurance and risk management, contract administration and pricing, internal auditing, investor relations, and more. But at a minimum, Finance will likely be responsible for treasury activities, often under an executive carrying the title of treasurer or vice president for finance. His or her role is likely to include cash management, bank relations, investments, and everything having to do with making sure the organization has enough cash to do its job and has all its cash busily working or productively invested. Major activities like mergers and acquisitions, attracting investors to a company seeking outside capital, and internal management of public stock offerings — all traditional roles of Finance — will usually fall within the Finance Department's responsibility. A company that decides to take its stock to the public marketplace for the first time — in an initial public offering (IPO) — will almost always place the coordination role for that transaction in the hands of the Finance Department.

Text 2

Corporate Financing. Sources and Uses of Funds for Corporations

One of the primary considerations when going into business is money. The money needed to start a business and to continue operating business is known as a start up capital and working capital, correspondingly. In general finance is securing and stabilizing the capital to start up, operate and expand a company. A new business needs capital not only for ongoing expenses but also for purchasing necessary assets. The assets — inventories, equipment, buildings and property — represent an investment of capital in a new business and are called tangible assets. Intangible assets comprise company's goodwill, brand, and copyright.

Internal and External Sources of Funds

Internal sources of funds for a corporation are sources that do not require the corporation to enter the capital markets. They include undistributed profits (profits after taxes less dividends, that is profits that are not paid out to stockholders); and capital consumption allowances (depreciation and amortization accounts), a noncash cost of the firm that must be added to undistributed profit to determine the amount of funds available to the firm from the current operations.

External Sources of Funds, Common and Preferred Stockholders;

Common Stock — Fundamental Ownership of the Corporation

Common stock is the basic form of ownership of a corporation. In the classic scenario, a company's management issues stock to investors in return for their cash and then uses the cash to start and operate the business. A share of stock represents a unit of ownership of a company, but the size of that unit depends on the number of shares of stock issued. A small company owned by a handful of people might only have a few hundred outstanding shares, that is owned by its stockholders. Microsoft, by contrast, has over five billion shares outstanding. So, percentage of ownership is not just about how many shares you own; it's about how many shares everybody owns. Thus, we arrive at a key observation of stock ownership: the more shares there are, the less your shares are worth. This is called dilution.

Common stock is the basic ownership unit, as noted before. A common stockholder is a residual owner of the company's assets. That means the common stockholder gets all the remaining value when all the debts are settled, which may be a great deal or may be nothing. It is this risk/reward relationship that has enabled public stock ownership to become the best investment for growth in the long term — and also one of the riskiest investments in the short term.

Equity ownership in a corporation entitles the stockholders to dividends and/or capital appreciation and the right to vote. In the event of liquidation, common stockholders have rights to corporate assets only after bondholders, holders of other debt, and preferred stockholders. This is thought to be good for the company, but bad for shareholders. Issuing stock to raise cash helps the company, but it can hurt the shareholders. Consider the example of Wonder Widget, our rapidly growing company. It is publicly owned now, under the understated symbol WOWI. The company is profitable, earning

$1 million in net income last year. You own 1,000 shares, out of 500,000 outstanding. The company's earnings per share (EPS) were $2.00 ($1,000,000/500,000). The market thinks WOWI's shares are worth 20 times earnings (price/earnings ratio), meaning the company is valued at $20 million. Your shares would bring $40,000 (1,000 x $2 x 20) if you sold them today. But the company is still growing, so the next year it sells some more stock, in a "secondary" stock offering: it sells 100,000 shares at $20 to raise $2 million in cash. WOWI is better off now, but how about you? You still have your 1,000 shares and the company earns $1,050,000 that year, a 5% increase over the prior year. But since there are now 600,000 shares outstanding, EPS is down to $1.75 ($1,050,000/600,000). The market still thinks the company is worth 20 times earnings, so valuation is up to $21 million (20 x $1,050,000).Your shares, however, are now worth only $35,000 (1,000 x $1.75 x 20). The company has more cash and is making more money. You did nothing different — and lost $5,000 in market value. That is dilution.

The owners of corporation are its stockholders (shareholders). Stockholders are the residual claimants against the assets and income of the corporation; they can only claim what is left after the creditors of the corporation are paid their claims. There are two general classes of stockholders: common stockholders and preferred stockholders. Preferred stockholders are preferred in the sense that they stand ahead of the common stockholders, typically no dividends can be paid to the common stockholders until all dividends due to the preferred stockholders have been paid. Preferred stock often carries a fixed annual dividend rate (for example, $8 per share). After that dividend rate is paid, the profits remaining are then the property of the common stockholders. But preferred stockholders are more like owners of the firm than like creditors of the firm. In particular, if the corporation decides not to pay dividends to the preferred stockholders, this does not constitute a breach of contract in the same way as not paying interest due on debt does. Instead, "passing" a dividend due to the preferred stockholders only means that common stockholders must not be paid a dividend until all dividends due to the preferred stockholders have been paid.

External sources of funds are basically new common or preferred stock issues (new equity issues), bond issues (long-term debt), bank loans and increases in accounts payable to other businesses (short-term debt), and miscellaneous sources. All of these involve the corporation's participation in the capital markets, tapping funds of individuals, banks, pension funds, insurance companies, and so forth.

Preferred Stock — Ownership with Perks ... and Limitations

There's a way for the investor to mitigate the risk without losing entirely the potential for appreciation. If a company needs additional equity capital and wants to avoid diluting the value of its common stock, the choice might be to issue a separate class of shares, such as preferred stock. Preferred stock typically carries a stated dividend rate, in terms of percent of face value or dollars per share.

Preferred shares are indeed a separate class of stock, with privileges and restrictions different from common stock. And they're called preferred shares for good reason. When the board of directors decides to declare a dividend to the shareholders, the preferred shareholders must get their entire dividend, based on the stated dividend rate, before any dividends can be paid to the common shareholders. In some cases, the preferred shares are also cumulative, meaning that dividends not paid in one year accumulate as obligations of the company and must be paid up in full before any common stock dividends may be paid. For some companies, that can mean years of paying preferred dividends in full while giving common stockholders little or nothing.

In the event of the dissolution of a company with both preferred and common shares outstanding, the cash raised from liquidating the assets is first used to repay all creditors. What's left goes to the stockholders, with the preferred stockholders coming first. If there's enough money to satisfy 100% of the preferred stockholders' claims, then the balance goes to the common stockholders. If there's not enough cash to satisfy both groups of owners, there's no pro-rata sharing between them.

The preferred shareholders get all of theirs and the common shareholders get what is left, which may be nothing. That, simply, is the meaning of the word “preferred”. So why doesn’t every investor buy only preferred stock?

The downside of preferred stock ownership is the limitation on participation in the extreme good fortune of the company. If a company does very well, it can declare a very handsome dividend for its common stockholders or give them additional shares (stock dividends) or both. Generally, however, such extras need not be paid to the preferred shareholders. The tradeoff for the preference is the restriction on enjoying the fruits of success. These restrictions have the effect of also restricting the market price appreciation of preferred shares, since they cannot participate in a company’s dynamic growth as much as the common shares.

One feature sometimes added to preferred shares offsets this limitation. Some companies issue convertible preferred stock. These shares act like preferred shares until their owners decide to convert them, under provisions not unlike those built into the convertible debt discussed above. Once the holders convert their shares, the preference ends and they participate like other common stockholders, for better or worse. Typically, as with convertible debt, great success is the best inducement to getting preferred shareholders to convert their shares. Once the preferred shares are converted, the company no longer has to reserve earnings for preferred dividends and can pay out those dollars as common stock dividends or retain them for expansion, repayment of debt, or any other corporate purpose.

In the event of liquidation, preferred stockholders have rights to corporate assets after bondholders and holders of other debt, but before common stockholders.

The funds raised from internal and external sources are used to increase the physical assets of the corporation (capital expenditures) or to pay off existing debts and/or to invest funds in notes receivable, inventory government bonds, cash holdings, and so forth (increase in financial assets).

Difference between Stocks and Bonds

Bonds are quite different from stock. They offer guaranteed income in the form of annual interest payments and guaranteed repayment of the principal amount stated on the bond contract. These "guarantees" are limited of course, because of the limited liability of the owners (stockholders) of the corporation. Bondholders can force a corporation into receivership (that is, can force the corporation to be taken over by the courts and operated for the benefit of the creditors) if the corporation fails to make its interest payments on time or fails to pay off its bonds at their maturity dates.

Leverage

Accountants use the term "leverage" to the use of the borrowed money to increase the average income of stockholders at the same time that the variability of the income increases. Suppose that stockholders have invested $100,000 in a corporation, and they can borrow money (issue bonds) by paying 10 percent of interest per year. They expect to earn 20 percent on those borrowed funds, but half the time they will earn 5 percent and half the time they will earn 35 percent.

Leverage and the Debt/Equity Ratio

Because the common stockholders are the ultimate residual claimants of the corporation (that is, they get paid last out of income or out of assets), common stockholders bear more risk than preferred stockholders or bondholders. This risk is reflected in the variability of income earned by common stockholders as compared to the income of bondholders and preferred stockholders. And the larger are the amounts of prior claims to income relative to the value of assets of a company, the more variable is income to the common stockholders.

We can see this by looking at a simple example. Suppose that a corporation has only bonds and common stock outstanding, with bonds earning 8 percent interest per year.

The corporation balance sheet is assumed to look as follows:

Balance sheet

Assets $1,000 000	Bonds $500,000
	Equity $500,000

(On the balance sheet, the term "equity" refers to the stockholder's interest in the firm.) Equity is defined by equity = assets less liabilities. Since the only liability of the corporation is its bonds, equity = $1,000,000 — $500,000 = $500,000.

Suppose income before interest payments is $100,000 in Year One and $50,000 in Year Two. Then since bonds earn 8 percent interest per year, income (before taxes) for stockholders is given by:

	Year One	Year Two
Income before interest	$100,000	$50,000
Interest (8% x$500,000)	–40,000	–40,000
Income (before taxes) for shareholders	$60,000	$10,000

Note that income in Year Two is 50 percent of income in Year One but income (before taxes) available to stockholders in Year Two is only 1/6 (16.6 percent) of income available for stockholders in Year One. This shows that stockholder income is much more variable than is income (before interest) for the corporation.

Suppose the corporation had been organized with only $250,000 in bonds. This means that the owners would have invested $250,000 more themselves and borrowed $4,250,000 less. The effect on variability of income is as follows:

	Year One	Year Two
Income before interest	$100,000	$50,000
Interest (8% x$500,000)	–20,000	–20,000
Income (before taxes) for shareholders	$80,000	$30,000

With a larger equity and a smaller amount of debt (bonds) outstanding, income (before taxes) available for stockholders is less variable than before. With $250,000 of bonds, income before interest for the corporation in Year Two is 50 percent of income in Year One; and income (before taxes) available for stockholders in Year Two is 37,5 percent (3/8) of such income in Year One. And if we go to the extreme of no bond financing, then, since there are no interest costs, income (before taxes) available for stockholders is equal to income for the corporation. Both have the same variability.

From the point of view of the corporation's stockholders it only makes sense for the corporation to borrow money by issuing bonds, if, on the average, the corporation earns a higher rate of return on its borrowings than the interest rate it has to pay bondholders. In fact, there had better be a substantial difference between what the corporation can earn on borrowed funds and what it has to pay in interest because, as we have seen, one cost that stockholders bear when funds are borrowed is that the variability of the stockholders' income increases.

The Initial Public Offering — Heaven or Hell?

As we've already mentioned, the "pot of gold at the end of the rainbow", the goal of long-term strategies for the entrepreneur who doesn't want to run a company for the rest of his or her working life is to sell it for a lot of money and retire to a beach in Tahiti or a golf course in Florida. While there are several ways to do that, selling the company to the investing public through a public offering of stock will typically bring the largest return to the sellers. The first time the company sells its shares in the public market is called the initial public offering (IPO). So, for the classic entrepreneur, the IPO is the ultimate exit strategy.

Unfortunately, for the entrepreneur with beachfront dreams, the IPO isn't quite as simple as selling all the shares and walking away dragging a bag full of money. The U.S. government, through the Securities and Exchange Commission (SEC), long ago decided that was a bad idea because too many owners were selling a pig in a poke to unwary public investors, who found out too late their shares weren't worth what they paid for them. Nowadays all the owners, including the professional investors, will remain owners after the IPO and their fortune rise and fall with the public stock price, making everyone interested in the same goal — consistent price appreciation.

The SEC aside, the prospect of selling shares over time, along with the likelihood that the company's continued success will raise the stock price still further, makes the IPO the preferred exit strategy, if the company can get it. That's a big "if," because not every company that has investor backing makes a big enough splash to interest investment bankers. Remember the eight in 10 companies that don't make it? And the one in 10 that makes it big? Well, that means that roughly 90% of the start-ups that get funded by professional investors will not likely be good enough to become IPO stock — the actual numbers are even more daunting. And of those that do, many will deliver less stellar performance than projected in their IPO offering literature.

Some of them will sink to market prices below their IPO price, while others will languish with modest returns and sort of disappear into the haze without ever making a significant impact on the market.

Still, the exhilarating prospects of making it big in that breathtaking game gives company owners hope. Along the way, they are aided by the coaches and advisors, the investors, consultants, accountants, lawyers, and a variety of others, because everyone wants to play in the big game. And everyone believes it can happen to them — and no one knows for sure, until they take their shot.

The first sale of equity in a company to the public is generally in the form of shares of common stock, through an investment banking firm.

Don't Count on an IPO

It would be simple if any company could just go public. Unfortunately, it takes more than mere desire — and few succeed. The most likely candidates for an IPO are companies in industries that are hot — according to the whims of the stock market — and companies that are expected to reach revenues upwards of $100 million quickly.

However, new equity issues have not been a major source of funds for corporations for many years.Typically over the past 25 years, stock issues have accounted for only 2 and 5 years or 6 percent of total sources of funds, internal financing represents 40 to 60 percent of the total, with debt financing making up the remainder. As we noted earlier, one major reason for this is that the tax laws tend to encourage reinvestment of profits rather than the paying out of profits in dividends.

Creditors

The creditors of a corporation are those individuals of business firms to whom the corporation owes money. They include laborers who have not been paid for their work or who have a claim against the corporation for future pension benefits; firms who have shipped goods to the corporation but have not been paid; banks and insurance companies who have made short-term (less than one year) loans to the corporation to cover temporary cash needs; and long-term creditors, including bondholders (holders of bonds, which are long-term credit instruments issued by a corporation). By long-term we men that the repayment day is more than one year in the future. To own a $1,000 bond issued, say, by American Telephone and Telegraph (AT&T) is to be a creditor of AT&T much as a bank is a creditor of that organization. The bond contract specifies the interest due per year to the bond holder; the date at which the bond matures (comes due); the amount to be paid by the corporation at the date of maturing of the bond; the assets (if any) to which the bondholder has prior claim in case of default, that is, in case the corporation fails to make its interest payment or its maturity payment on time; and any other provisions that limit the corporation's ability to engage in financing operations (for example, provisions that limit payment of dividends unless the corporation has a "favorable" income statement or balance sheet, provisions that limit additional bond issues).

Text 3

The Stock Exchange and Corporate Financing

Essentially all of the gigantic business firms in the world are corporations. The reasons for this are limited liabilities, tax advantages, and a lifetime for the firm independent of a lifetime of individual owners of the firm. All of these features of the corporate business form are advantages to stockholders, which in turn increase the liquidity of stock, that is, increase the ease with which stock certificates can be bought or sold.

If a new owner buys a partnership the partnership must be reorganized, moreover, since the new partner is personally liable for all the partnership debts, the individual will have to check very thoroughly into the wealth and honesty of every other member, and would be well advised to keep a very close and continuous check on the activities of the partnership. As a practical matter, it just doesn't make sense to enter unless a person intends to be an active partner, participating in every important decision of the firm. Moreover, it is difficult to get out except by selling one's partnership interest to the partners, because anyone who buys in must be someone with the same interest in making the investment in the partnership into a large commitment by spending time participating in management of the enterprise.

With a corporation individuals can become owners as investors only, not concerning themselves with management issues. In fact, the large corporations are typically run by an "inside" group of managers who remain in control of the corporation over long periods of time, whatever the turnover in the firm's stock ownership. On the one hand, this has the advantage that the interest of the management group might not necessarily coincide with the interests of the stockholders, and particularly the stockholders who own only a few shares of the corporation. On the other hand, the individual who wants the flexibility of being able to sell out quickly and at a known price determined by a more or less competitive market (with large numbers of buyers and sellers) finds this more of an advantage than disadvantage.

The place where stocks of corporations (or at least of large corporations) are bought and sold is the stock exchange. The leading U.S. corporations have their stocks "listed" on the New York Stock Exchange, the world largest exchange, located in Wall Street, the heart of the financial world, while the American Stock Exchange (also located in New York City) handles the stocks of somewhat less widely held firms. There are also regional exchanges such as the Los Angeles

Exchange, but the Securities and Exchanges Commission is currently working to integrate the operations of all of these institutions.

Acquisition: The Strategic Exit

Let's suppose you're the founder/CEO of a company that didn't get angel funding, didn't get VC funding, didn't get strategic partner funding, and still managed to build a company that is making it on its own. The company is self-sufficient in terms of cash flow and modestly profitable, but it just doesn't have enough resources to take full advantage of its market position. Let's further assume that your company's not going to be an IPO candidate because it's just not exciting enough to sizzle the pages of a prospectus. Finally, let's suppose the company was built on some innovative technology that's likely to be seriously challenged in a few years. This is a pretty fair assumption, just because technology moves pretty fast these days, particularly if a company has demonstrated there's a ready profitable market for it.

Many founders will look at the prospect of running such a company for 5 or 10 more years to just make an adequate living and say, "No more!" Others will be ready to go the distance, but fearful of their chances against bigger, well-financed competitors and worried that they might lose it all. Their options? Fold the tent and go home, hang on and hope for the best, or find a very big brother to protect the company from intruders.

In financial circles, finding a big brother doesn't mean going to some charity event or calling long-lost relatives. It means finding a large company that will acquire the young company and perhaps be willing to pay off the owner/managers after some transition period or offer them jobs running their company from inside the newly acquired big brother.

Without a strategic partner, the management team must find a prospective buyer and then convince that a company that is acquiring it would be a good idea. They might do that by hiring an investment banker or by initiating their own search, but the idea is to find a friendly 800-pound gorilla they know and like before an 800-pounder they don't know and don't like arrives on the block. The young company will be looking for the following:

- the possibility of making a friendly deal, with a better price for the stock held by the owners than might be available later, at more challenging times;
- jobs for the company's employees, including the CEO if desired, which might not be so easy later with an unfriendly buyer, and
- the ability to pick the time to look for a deal, when the company looks its best, things are on an uptrend, there's cash in the bank, and it isn't facing any immediate threat.

By contrast, the potential acquirer will have a different list, which might include the following:

- maintaining or increasing a growth rate that stockholders have come to expect, particularly if the acquisition is in a growth area expected to be "hot" very soon;
- protecting itself from inroads into its market by younger companies with a kind of innovative products it lacks;
- putting excess plant capacity to work by building products for the young company at favorable incremental cost because it's already paying for the capacity;
- putting excess cash to work earning a better long-term return than it can earn sitting in the bank, or
- developing complementary products (e.g., lawn tools for a lawnmower company or computer printers for a computer company).

There are some distinct differences in an acquisition under these circumstances and a kind of deal that might be made with a strategic investor. For example, a company that acquires a venture rather than investing in it early on doesn't bear the added cost and risk of nurturing the young company to self-sufficiency.

For coming late to the party, however, it will likely pay much more for the company now, because it has less risk and a higher certainty of a good return on investment. And the selling stockholders are generally entitled to a better price because they rode out the rough times carrying all the risk.

Of course, like any acquisition transaction, the outcome will be the result of negotiation more than calculation and logic, as each party tries to present his or her case and convince the other to accept it or something close to it. For this reason, CEOs wishing to buy or sell will typically enlist the services of negotiating experts, such as investment bankers, mergers and acquisitions (M&A) consultants, or lawyers skilled in deal making.

Operation of the Stock Exchange

Markets differ from one another in many ways, depending on the number of participants, the kinds of goods and services bought or sold, the national and local character of the market, and other factors. At the high extreme we have the New York Stock Exchange, a highly organized market with hundreds of specialized traders who buy and sell billions of dollars' worth of stocks and bonds each day. At the other extreme is the corner grocery store, with a limited range of items and with a limited range of items and with sales barely large enough to support the individual who operates the store. But what these and other markets have in common is the fact that they are sites where information is transmitted among market participants, where bids and offers are made and accepted or rejected, and where sales or trades are concluded.

Such markets like the stock exchanges, the international gold market are highly organized and complicated. Ordinary citizens do not buy directly in these markets. They place their orders through brokerage houses which then relay them to floor brokers who then make buying and selling arrangements with other brokers on the floor of the exchange.

How do the stock exchanges work? In principle at least, things are fairly simple. You own stock in a company listed on the New York Stock Exchange, and you wish to sell your stock. To do so, you call the local office of a brokerage firm (such as Bache and Co., or Merrill Lynch, etc. — the "Thundering Herd" — or any of more than 100 such firms).You tell the firm to sell your shares either "at market" price, i.e. the best price the broker can get for the shares, or at a "limit price", that is, at a price you specify for the stock. For example, if the last transaction in your stock took place at $100 per share you might instruct the broker to sell your 100 shares at price of $102 or higher; $102 is the "limit" price for your shares.

The local office then teletypes your order to its brokerage office in New York City, which relays the order to its representative on the floor of the New York Stock Exchange. That representative then goes to the post on the floor of the exchange where your stock is traded. At this position there is an individual called a specialist who deals in your stock. The specialist accepts buy and sell orders from the representatives of brokerage houses and other individuals who own seats at the exchange. To own a seat means an individual or firm has the right to buy and sell shares on the floor of the exchange. The specialist keeps a book where all buy and sell orders at various limit prices are listed. The specialist's job is "to make a market" in the stocks he or she specializes in. That is to say, specialists buy and sell stocks on their own account, in order to trigger the buy and sell orders they have on their books at limit prices. They also execute the "market" orders they get.

To illustrate, the book of the specialist might look like this:

Buy orders	Sell orders
100 shares at $98	100 shares at $99
250 shares at $97.25	150 shares at $99.25
300 shares at $97	200 shares at $100

Now an order comes in to the specialist to sell 100 shares "at market." The specialist can execute this order by triggering the buy order at $98 per share; alternatively, the specialist might decide to buy the 100 shares personally, at, say, $98.25 per share. In any case, an order to buy and sell "at market" automatically gets executed at the best price the specialist can get for the shares being traded.

In a certain sense one can argue that specialists are in a preferred position relative to the market in the stocks they deal in. They know the demand and supply schedules for those stocks, as summarized in the limit orders on their books, and they can use the information to make money on their own account through their buying and selling activities. Consequently, the Securities and Exchange Commission (SEC) has rather detailed regulations concerning permissible actions on the specialists part, and there are indications that at some time in the future, the SEC might rule that specialists' order books are to be transmitted over the ticker tape just as prices are transmitted, so that all investors can take advantage of the information contained in the order book.

Reading the Financial Page

If you are the type who reads the headlines of the paper, the comics, the want ads and the sports, the financial page of the paper might be something of a mystery to you. The makeups used by different pages differ somewhat. Any representative sample of information presented on the financial page of a local paper first has the New York Stock Exchange (NYSE) list.

For each stock abbreviated to fit on the page, data are shown as to high and low prices for the previous year, the annual dividend, the yield (dividend/price), the price/earning ratio (P/E), then sales of the stock (in hundreds of shares), the high, low and closing (last) price of the day, and last, the net change (difference between the price of the last sale today and the last sale yesterday).

The New York Stock Exchange lists the stock of most large publicly held corporations in the country, where as American Stock Exchange (Amex) lists the shares of smaller companies.

The Over-the-Counter Market

There is also an "over-the-counter market". The over-the-counter market is quite different from the organized securities exchanges such as the NYSE or Amex. Stocks listed in the over-the-counter market are bought and sold by securities dealers operating from their own offices, and typically supplying shares from inventories of shares they hold themselves. Shares on the over-the-counter market are less widely held than the shares sold on the exchanges and hence are less liquid.

The commission charged for buying or selling shares on the over-the-counter market is higher than that charged for shares traded on the exchanges. The over-the-counter listing shows the name of the company, the annual dividend rate per share, and bid and offer quotations as of 9.00 A.M. in terms of dollars per share. Thus, Acme Electric, which pays a 24 cents dividend per share could be bought for roughly $7.25 per share and could be sold for roughly $6.50 per share. The phrase "roughly" is to indicate that the quoted bid and asked figures can change quite quickly on the basis of just a few transactions, because on the market any share is quite "thin" (few shares trade hands — few buyers and few sellers). However, the bid and asked quotations are indicative of the current state of the market, much as the price of the last sale of the day is for the organized exchanges.

In addition to information on stock prices, most financial pages also present information on bond prices, and on the selling prices of mutual funds, using much the same terminology as that employed in the stock lists.

We can distinguish between different kinds of traders on these markets.

Speculators are individuals who buy or sell with the object of making a profit in the future on the basis of change in the price of the goods.

Bears buy shares expecting the market to rise.

Bulls are speculators who expect share prices to fall.

Stags buy new issues of shares hoping to sell them quickly as a profit.

Hedgers — individuals who negotiate purchases or sales today in order to avoid risks of price fluctuations in the future. Thus, a wheat farmer might contract in April to sell the wheat crop (which will be harvested in August) for some fixed price, thus eliminating the risk that wheat prices will fall between the time of planting and the time of harvesting.

Arbitragers are traders who buy and sell in one market in order to make profit by performing an opposite transaction in some other market.Thus, if one dollar sells for 225 yen in New York, while one dollar sells for 230 yen in Tokyo, the arbitrager can take one dollar and buy 230 dollars yen in Tokyo, at the same time contracting to sell his 230 yen in New York for 230/225 dollars, or about $1.022. This might not seem like much of the profit, but what if an arbitrager invests $1million in the Tokyo market. The transaction would then net about $22,000 and is close to being completely risk-free. Arbitragers are important, because their actions have the effect of bringing all markets in the goods into line with one another, after taking into account the costs of transporting goods (including insurance and so forth) between markets.

Text 4

Capital Markets

The following list of capital markets, although not comprehensive, identifies the differences between markets and the assets traded in them.

1. *Equity, or stock, markets.* The stock exchange is the main "secondary" market for shares in corporations — i.e., limited liability companies. It is a secondary market in the sense that the shares are already in existence, so that trade takes place between investors and need not directly involve the corporations themselves.

The "primary" market involves the issuance of new shares by corporations. There are various categories of shares (e.g., ordinary shares, preference shares) but the distinctions among them are neglected here, being peripheral to the basic principles of price determination.

The pattern of share prices is normally summarized by reference to particular well-known stock price averages or indexes, such as the

Dow-Jones Industrial Average, Standard and Poor's 500 index, or the Financial Times Stock Exchange 100 index.

2. *Bond markets.* These are markets for long-term securities such as government debt (known as gilt-edged securities in Britain) or corporate bonds. Bonds are usually regarded as less risky than shares because bonds normally oblige the issuer to promise to take specific actions on definite dates in the future.

The distinction is not quite as clear as it might first seem because bond contracts can include clauses that provide for different actions in a multitude of different contingencies. Also, it is possible that the issuer of the bond will default with respect to some clause in the agreement. Even so, a typical bond is a promise to pay (a) a sequence of coupons (commonly twice a year) and (b) a lump sum maturity value (or face value) on a specified date in the future.

If there is any distinction between "stocks" and "shares", it is not one of any significance here. A company's "stock" could refer to the whole value of its equity, while "shares" could refer to the ownership of a portion of that stock.

Bonds are commonly traded on stock exchanges in much the same way as shares. A feature of medium-term and long-term bonds is that, like shares, much of the trade is amongst investors, without the direct involvement of the issuer (government or company).

3. *Money markets.* Money markets exist to facilitate the exchange of securities such as treasury bills (commonly, three-month or six-month government debt) or other loans with a short time to maturity. Although such securities are traded in markets, any holder does not have to wait long before the issuer is obliged to redeem the debt in compliance with the terms of the contract.

4. *Commodity markets.* Markets of some form exist for almost every commodity, though financial studies are usually confined to highly organized markets for a fairly narrow range of commodities, including precious metals (gold, silver, platinum), industrial metals (such as lead, tin and copper), petrochemicals or agricultural commodities (such as cereals, soya beans, sugar and coffee). This

list is not exhaustive but it does suggest that the commodities in question need to have certain physical characteristics: namely, that they can be graded according to well-defined attributes, that they are divisible into precisely defined units, and that they are storable (though often subject to deterioration over time). Most organized commodity markets involve trading in contracts for the delivery of the stated commodity on a future date, though perhaps one very near to the present.

5. *Physical asset markets,* such as for real estate. In this case, the relevant asset for financial analysis is often a security (e.g. a mortgage) constructed to have a well defined relationship with the physical asset (e.g., a mortgage being a loan secured against the equity of the property). It is not uncommon for mortgages to be securitized by financial intermediaries that issue bonds backed by (and with payoffs defined by) bundles of mortgages.

6. *Foreign exchange markets* — FOREX or FX-markets. These are markets for one currency against another. Governments often intervene in such markets — not infrequently with disastrous consequences — to fix, or at least influence, exchange rates among currencies. Two notable features of FX markets are (a) the vast turnover of funds (often about $1.5 trillion each day in mid-2001) and (b) round-the-clock trading.

7. *Derivatives markets.* Corresponding to most of the above categories are derivative, or synthetic, securities. They are "derivative" in the sense that their payoffs are defined in terms of the payoffs on an underlying asset or assets. The underlying asset could itself be a derivative, so that a whole hierarchy of such instruments emerges. Almost all derivatives are variants of two generic contracts.

(a) *Forward agreements*. These are contracts in which the parties agree to execute an action (typically, the exchange of a specified amount of money for a specified amount of some commodity) at a stipulated location and date in the future. For example, a forward contract might specify the delivery of 5000 bushels of domestic feed wheat to a grain elevator in Chicago, six months from the date of the agreement, at a price equal to $3.50 per bushel. A *futures contract* is a special type of forward contract designed to allow for trading in the contract itself. *Repo contracts* are combinations of loans and forward agreements. *Swaps* are sequences of forward contracts packaged together.

(b) *Options* are contracts for which the holder has the right, but not the obligation, to execute a specified action on an agreed date or over a range of dates. For example, an option might stipulate that its owner can purchase 100 IBM ordinary shares for $220 per share at any time prior to the following 30 September. Many sorts of option contracts are traded. For example, options on futures are options to purchase or sell futures contracts; *swaptions* are options on swap contracts. *Exotic options* encompass a variety of contracts involving non-standard terms for their execution.

Many financial exchanges started life as mutually owned organizations. Examples include the LSE, the NYSE, NASDAQ, the CBOT, the London Metal Exchange (LME) and the International Petroleum Exchange (IPE).

6. Match the terms (A) and their definitions (B), translate into Russian.

A

a) options; b) foreign exchange (FOREX) markets; c) physical asset markets; d)money markets; e) stock shares; f) arbitragers; g) bulls; h) bears; i) hedgers; j) leverage; k) cumulative preferred shares; l) stockholders; m) a share of stock; n) undistributed profits; o) intangible assets; p) tangible assets; q) start up capital; r) working capital; s) finance at the micro level; t) finance at the macro level; u) finance; v) repo contracts; w) swaps; x) futures contract; y) derivatives; z) bond; z') treasury bills.

B

1. Individuals who negotiate purchases or sales today in order to avoid risks of price fluctuations in the future.

2. Commonly three-month or six-month government debt.

3. A special type of forward contract designed to allow for trading in the contract itself.

4. Markets for real estate.

5. The art and science of making money.

6. Refer to the ownership of a portion of that stock.

7. Comprise company's goodwill, brand, and copyright.

8. The money needed to start a business.

9. The study of financial planning, asset management and fund raising for business firms and financial institutions.

10. Refer to the whole value of its equity.

11. The residual claimants against the assets and income of the corporation.

12. Their payoffs are defined in terms of the payoffs on an underlying asset or assets.

13. Markets for one currency against another.

14. Traders who buy and sell in one market in order to make profit by performing an opposite transaction in some other market.

15. Inventories, equipment, buildings and property represent an investment of capital in the new business.

16. Contracts for which the holder has the right, but not the obligation, to execute a specified action on an agreed date, or over a range of dates.

17. The money needed to continue operating business.

18. The use of the borrowed money to increase the average income of stockholders at the same time that the variability of the income increases.

19. The study of financial institutions and financial markets and how they operate within the financial system.

20. Dividends not paid in one year accumulate as obligations of the company and must be paid up in full before any common stock dividends may be paid.

21. Combinations of loans and forward agreements.

22. Sequences of forward contracts packaged together.

23. Markets to facilitate the exchange of securities such as treasury bills or other loans.

24. Represents a unit of ownership of a company.

25. A promise to pay (a) a sequence of coupons (commonly twice a year) and (b) a lump sum maturity value (or face value) on a specified date in the future.

26. Profits after taxes less dividends, that is, profits that are not paid out to stockholders.

27. Traders who buy shares expecting the market to rise.

28. Speculators who expect share prices to fall.

7. Fill in the blanks by inserting the following, translate into Russian paying attention to the terms and their contextual use.

A

a) a sequence of coupons; b)less risky than the issue; c)secondary; d) the over-the-counter; e) the stock; f) regulations; g) the buy and sell orders; h) the floor; i) brokerage houses; j) information; k) the stock exchange; l) management; m) the interest; n) the public stock price; o) the initial public offering (IPO); p) common stockholders; q) the balance; r) the risk; s) corporate assets; t) to vote; u) vice president for finance; v) the vast turnover of funds; w) round-the-clock trading; x) a security.

B

1. The place where stocks of corporations (or at least of large corporations) are bought and sold is ... .

2. A typical bond is a promise to pay (a) (commonly ... twice a year) and (b) a lump sum maturity value (or face value) on a specified date in the future.

3. Bonds are usually regarded as ... shares because bonds normally oblige the issuer to promise to take specific actions on definite dates in the future.

4. In the physical asset markets case, the relevant asset for financial analysis is often ... (e.g., a mortgage) constructed to have a well defined relationship with the physical asset (e.g., a mortgage being a loan secured against the equity of the property).

5. The first time the company sells its shares in the public market called ... .

6. There's a way for the investor to mitigate ... without losing entirely the potential for appreciation.

7. The Securities and Exchange Commission (SEC) has rather detailed ... concerning permissible actions on the part of specialists.

8. That is to say, specialists buy and sell stocks on their own account, in order to trigger ... they have on their books at limit prices.

9. To own a seat means an individual or firm has the right to buy and sell shares on ... of the exchange.

10. Ordinary citizens do not buy directly in these organized and complicated markets. They place their orders through ... .

11. Finance will likely be responsible for treasury activities, often under an executive carrying the title of treasurer or ... .

12. In the event of liquidation, common stockholders have rights to ... only after bondholders, holders of other debt, and preferred stockholders.

13. Typically no dividends can be paid to ... until all dividends due to the preferred stockholders have been paid.

14. The bond contract specifies ... due per year to the bond holder.

15. 'Primary' market involves ... of new shares by corporations.

16. Stocks listed in ... market are bought and sold by securities dealers operating from their own offices, and typically supplying shares from inventories of shares they hold themselves.

17. Once the holders convert their shares, the preference ends and they participate like other ..., for better or worse.

18. If there's enough money to satisfy 100% of the preferred stockholders' claims, then ... goes to the common stockholders.

19. The stock exchange is the main ... market for shares in corporations — i.e., limited liability companies.

20. With a corporation individuals can become owners as investors only, not concerning themselves with ... issues.

21. The New York Stock Exchange lists ... on the largest publicly held corporations in the country.

22. Equity ownership in a corporation entitles the stockholders to dividends and/or capital appreciation and the right ... .

23. What these and other markets have in common is the fact that they are sites where ... is transmitted among market participants.

24. Two notable features of FX markets are (a) ... (often about $1.5 trillion each day in mid-2001) and (b) ... .

25. Nowadays all the owners, including the professional investors, will remain owners after the IPO and their fortunes rise and fall with ... .

8. Find the following information in texts 1—4, translate it into Russian.

— internal and external funding sources of corporations;
— types of information to be found on financial pages;
— the concept of finance;
— financial market traders and their functions;
— the market to address for buying or selling real estate;
— preferred and common stock: advantages and disadvantages;
— over-the-counter market: how it differs from the organized securities exchanges.

9. Do sight interpreting of texts 1 and 2 into Russian.

10. Render text 3 in Russian.

11. Do a written translation of text 4 paying attention to the terms and their contextual use.

Part II. Translation from Russian into English

1. Read the text, pick out the financial terms and give their English equivalents from task 1, Part I.

2. Compare the U.S. and Russian financial systems: are they the same or different? Do sight interpreting of the differences of the Russian financial system into English.

Text 1

Инфраструктура рынка. Биржа как элемент рынка

Инфраструктура рынка — это совокупность различных учреждений, государственных и коммерческих фирм, обеспечивающих успешное функционирование рыночных отношений.

Инфраструктура финансового рынка включает в себя биржи, банки, страховые компании и фонды.

Биржа (от лат. *bursus* 'кошелек') как форма организации, контроля и регулирования рынка известна с XVI века. Биржа — это рынок оптовой торговли стандартными товарами или рынок операций по купле-продаже валюты, ценных бумаг и рабочей силы. В зависимости от предмета торгов различают товарные, фондовые, валютные биржи и биржи труда.

Товарные биржи — это организованный рынок материальных и вещественных объектов: сырья, оборудования, зерна, металла. Такие биржи называют специализированными. Биржи, на которых представлены разнообразные товары, называют универсальными.

Биржа не является местом непосредственной купли-продажи, на ней лишь заключаются торговые сделки, контракты и на основе спроса и предложения формируются цены.

Фондовые биржи — это рынок ценных бумаг, главным образом, облигаций, на котором заключаются сделки по их купле-продаже с установлением цены. Типичной операцией фондового рынка является расчет индекса Доу-Джонса. Он исчисляется как среднее арифметическое цен акций тридцати крупных корпораций. Этот показатель появился в 1807 г., в нынешнем виде рассчитывается с 1928 г.

На валютной бирже происходит торговля крупными партиями валюты. Валютные биржи входят в состав фондовых бирж. На фондовых биржах устанавливается рыночная цена, т.е. биржевой курс (котировка) ценных бумаг, определяемый отношением рыночной цены к номинальной стоимости акции, облигации.

Биржи организуются в государственной и частной форме собственности, но чаще всего биржа — это акционерное общество. Доход биржи образуется за счет процента от стоимости продаж товаров, валюты, доходов от продажи брокерских мест и учредительских взносов.

В биржевой практике различают несколько типов сделок.

Форвардная сделка — это сделка с реальным товаром, когда продавец должен иметь товар в наличии и предъявить его к поставке в срок, обозначенный в контракте.

Фьючерсная сделка — это сделка с товарами, которых в момент заключения сделки в наличии нет. Фактически покупается не товар, а право на товар.

Опцион — это получаемое за плату (премию) право на приобретение товара или ценных бумаг по установленной цене. Это право может передаваться, что дает их держателям возможность получать спекулятивный доход.

Хеджирование (от англ. *hedge* ‘ограждать, страховать’) преследует цель обеспечить страхование возможных потерь в связи с резким повышением цен. Сущность хеджирования состоит в том, что одновременно заключаются две сделки:

— сделка на немедленную поставку товара;

— контрсделка на продажу такой же партии товара через определенный срок.

Цель состоит в том, чтобы компенсировать возможные потери при продаже товаров с немедленной поставкой за счет покупки на указанный срок. И наоборот, продажа товаров на срок компенсирует потери от понижения цены при покупке товара на условиях немедленной поставки.

Купля-продажа иностранной валюты осуществляется на валютном рынке. Эту функцию могут осуществлять как частные торговцы валютой, так и органы центральных банков. Операции с иностранной валютой проводятся либо на условиях немедленной поставки валюты (сделка СПОТ), либо в виде срочных сделок в течение 1—3 месяцев (форвардные сделки).

Основными действующими лицами на бирже являются брокер, дилер, «бык» или «медведь».

Брокер — это посредник между продавцами и покупателями, выступающий от имени и по поручению своего клиента и представляющий его интересы. Брокеры имеют право осуществлять за счет своих клиентов все виды сделок. В роли брокеров могут выступать отдельные лица, брокерские конторы и даже целые брокерские фирмы.

Дилер — физическое и юридическое лицо, торгующее товарами или ценными бумагами от своего имени и за свой счет. Прибыль дилера складывается из разницы между ценой покупки и ценой перепродажи.

«Бык» — это участник торгов, играющий на повышение цен товаров или ценных бумаг и скупающий их в данный момент в расчете продать позднее по более высокой цене.

«Медведь» — это участник торгов, играющий на понижение цен, которое возникает в результате активной продажи при ограниченной покупке.

Биржа во всех ее формах, с одной стороны, входит в инфраструктуру рыночной экономики, с другой — является самостоятельной формой предпринимательства.

2. Render the peculiarities of the Russian stock market in English.

3. Do sight interpreting of the information about stock market players into Russian.

4. Do a written translation of text 1 into English, paying attention to financial terms from task 1, Part I and their contextual use.

Unit VI

MANAGEMENT. MARKETING

Part I. Translation from English into Russian

1. Give Russian equivalents of the following terms:

1. 4 P's
2. advertising
3. automation
4. brand
5. branding
6. control system
7. customize
8. differentiator
9. distribution channel
10. equity
11. flexibility
12. incompatible
13. lead time
14. market share
15. market challenger
16. market follower
17. marketing
18. marketing mix
19. marketing strategy
20. niche
21. operational capability
22. operations management
23. personal selling
24. planning system
25. product life-cycle
26. product reliability
27. production management
28. promotional tool
29. public relations
30. publicity
31. research and development (department)
32. return on assets
33. sales forecasting
34. sales promotion
35. sales promotion campaign
36. service company
37. staff motivation
38. staff training
39. target market
40. trademark

2. Read texts 1—5.

3. Study the following, paying attention to the terms and their contextual use:

a) what management is;

b) what marketing is;

c) what marketing strategies and promotional tools include;
d) how to define brand and branding.

4. Pick out the idiomatic expressions and give their Russian equivalents.

5. Pick out the abbreviations from the following texts and give their Russian equivalents.

Text 1

Production and Operations Management

Manufacturing companies require three basic functions: finance, production, or operations, and marketing. Finance raises the capital to buy the equipment to start the business, production, or operations, makes the product, and marketing sells and distributes it. Operations management is also of crucial importance to service companies.

The objectives of the production department are usually to produce a specific product, on schedule, at minimum cost. But there may be other criteria, such as concentrating on quality and product reliability, producing the maximum possible volume of output, fully utilizing the plant or the work force, reducing lead time, generating the maximum return on assets, or ensuring flexibility for product or volume changes. Some of these objectives are clearly incompatible, and most companies have to choose between price, quality, and flexibility. There is an elementary trade-off between low cost and quality, and another between low cost and the flexibility to customize products or to deliver them in a very short lead time.

Production and operations management obviously involves production plants and factories or service branches, and the equipment in them, parts (raw materials or supplies), processes (the steps by which production or services are carried out), and planning and control systems (the procedures used by management to operate and monitor the system). But it also involves *people* — the personnel, or human resources, who will always be necessary in production and operations, despite increasing automation. People are particularly important in organizations offering a service rather than making a product. Such organizations exist to serve the customer, but it can also be argued that they have to serve their workforce, because workers will often treat the public the same way that management treats them, so staff training and motivation are clearly important.

Manufacturing companies all have to decide how much research and development (R&D) to do. Should they do fundamental or applied research themselves, or use research institutes, universities, and independent research laboratories, or simply license product or service designs from other organisations as necessary? Companies are faced with a 'make or buy' decision for every item, process or service.

Decisions about what products to make or what services to offer have to take into account a company's operational capability, and labour, capital and equipment requirements. Introducing new products obviously requires accurate sales forecasting. If it is necessary to construct a new plant or facility, decisions have to be made concerning its location, its size or capacity, the floor layout, the hiring of staff, the purchase of equipment, the necessary level of inventory of parts and finished products, and so on.

Text 2

Marketing Strategies

A company's marketing strategies-sets of principles designed to achieve long-term objectives obviously depend on its size and position in the market. Other determining factors are the extent of the company's resources, the strategies of its competitors, the behaviour of the consumers in the target market, the stage in the life-cycle of the products it markets, and the overall macro-economic environment.

The aim of a market leader is obviously to remain the leader. The best way to achieve this is to increase market share even further. If this is not possible, the leader will at least attempt to protect its current market share. A good idea is to try to find ways to increase the total market. This will benefit everyone in the field, but the market leader more than its competitors. A market can be increased by finding *new users* for a product, by stimulating *wider usage* of a product, or by exploiting *new uses,* which can sometimes be uncovered by carrying out market research with existing customers.

To protect a market share, a company can innovate in products, customer services, distribution channels, cost reductions, and so on; it can extend and stretch its product lines to leave less room for competitors; and it can confront competitors directly in expensive sales promotion campaigns.

Market challengers can either attempt to attack the leader, or to increase their market share by attacking various market followers. If they choose to attack the leader, market challengers can use most of the strategies also available to market leaders: product innovation, price reductions, cheaper or higher quality versions, improved services, distribution channel innovations, manufacturing cost reduction, intensive advertising, and so on.

Market followers are in a difficult position. They are usually the favourite target of market challengers. They can reduce prices, improve products or services, and so on, but the market leader and challenger will usually be able to retaliate successfully. A market follower that takes on a larger company in a price war is certain to lose, given its lesser resources.

In many markets, market followers fall in the middle of a V-shaped curve relating market share and profitability. Small companies focusing on specialised narrow segments can make big profits. So can the market leader, with a high market share and economies of scale. In between come the less profitable market followers, which are too big to focus on niches, but too small to benefit from economies of scale.

One possibility for followers is to imitate the leaders' products. The innovator has borne the cost of developing the new product, distributing it, and making the market aware of its existence. The follower can clone this product (copy it completely), depending on patents and so on, or improve, adapt or differentiate it. Whatever happens, followers have to keep their manufacturing costs low and the quality of their products and services high.

Small companies that do not establish their own niche a segment of a segment are in a vulnerable position. If their product does not have a "unique selling proposition", there is no reason for anyone to buy it. Consequently, a good strategy is to concentrate on a niche that is large enough to be profitable and that is likely to grow, that doesn't seem to interest the leader, and which the firm can serve effectively. The niche could be a specialised product, a particular group of end-users, a geographical region, the top end of a market, and so on. Of course unless a nicher builds up immense customer goodwill, it is vulnerable to an attack by the market leader or another larger company. Consequently, multiple niching developing a position in two or more niches is a much safer strategy.

Text 3

Promotional Tools

Marketing is often defined as a matter of identifying consumer needs and developing the goods and services that satisfy them. This involves developing the right product, pricing it attractively, and making it available to the target customers by persuading distributors and retailers to stock it. But it is also necessary to inform potential consumers of the product's existence, its features, and its advantages, and to persuade them to try it. There are generally several stages involved in a consumer's decision to buy a new product. A well-known acronym for this process is AIDA, standing for Attention, Interest, Desire, and Action. According to the familiar "4 P's" formulation of the marketing mix — product, price, place and promotion — attracting attention, arousing interest, and persuading the consumer to act are all parts of promotion. Marketing textbooks conventionally distinguish four basic promotional tools: advertising, sales promotion, public relations, and personal selling, which together make up the marketing communications mix.

For consumer goods, the most important tool is generally advertising. As well as advertising particular brands, companies also carry out prestige or institutional advertising, designed to build up the company's name or image. Advertising is often combined with sales promotions, such as free samples, coupons and competitions.

For industrial goods, particularly specialised ones, the most important tool is often personal selling. Sales reps can build up relationships with company buyers and can be very useful in persuading them to choose a particular product.

The fourth promotional tool is public relations (frequently abbreviated as PR): activities designed to improve or maintain, or protect a company's or a product's image. Public relations includes things like company publications, most notably the annual report, sponsorship, community relations programmes, the lobbying of politicians, and the creation of news stories, all designed to get publicity for the company or a particular product. Unlike paid advertising, publicity is any (favourable) mention of a company's products that is not paid for, in any medium received by a company's customers or potential customers. Companies often attempt to place information in news media to draw attention to a product or service. Quite apart from financial considerations, the advantage of publicity is that it is generally more likely to be read and believed than advertising. It can have a great impact on public awareness that could not even be achieved by a massive amount of advertising.

Within the limits of their budget, marketers have to find the optimal communications mix of advertising, sales promotion, personal selling, and publicity, without neglecting the other elements of the marketing mix, i.e., the possibility of improving the product, lowering its price, or distributing it differently.

Text 4

A Short History of Brands

The word *brand* comes from the Old Norse *brandr,* meaning to burn and from these origins made its way into Anglo-Saxon. It was of course by burning that early man stamped ownership on his livestock, and with the development of trade, buyers would use brands as a means of distinguishing between the cattle of one farmer and another. A farmer with a particularly good reputation for the quality of their animals would find their brand much sought after, while the brands of farmers with a lesser reputation were to be avoided or treated with caution. Thus, the utility of brands as a guide to choice was established, a role that has remained unchanged to the present day.

Some of the earliest manufactured goods in "mass" production were clay pots, the remains of which can be found in great abundance around the Mediterranean region, particularly in the ancient civilisations of Etruria, Greece and Rome. There is considerable evidence among these remains of the use of brands, which in their earliest form were the potter's mark. A potter would identify his pots by putting his thumbprint into the wet clay on the bottom of the pot or by making his mark: a fish, a star or a cross, for example. From this we can safely say that symbols (rather than initials or names) were the earliest visual form of brands.

In Ancient Rome, principles of commercial law developed, which acknowledged the origin and title of potters' marks, but this did not deter makers of inferior pots from imitating the marks of well-known makers in order to dupe the public. In the British Museum there are even examples of Roman pottery bearing imitation of Roman marks, which were made in Belgium and exported to Britain in the first century AD. Thus, as trade followed the flag — or Roman Eagle — so the practice of unlawful imitation lurked close behind, a practice that remains commonplace despite the strictures of our modern, highly developed legal systems.

With the fall of the Roman Empire, the elaborate and highly sophisticated system of trade, which had bound together in mutual interdependence the Mediterranean and west European peoples, gradually crumbled. Brands continued to be used but mainly on a local scale. The exceptions were the distinguishing marks used by kings, emperors and governments. The fleur-de-lis in France, the Hapsburg eagle in Austria-Hungary and the Imperial chrysanthemum in Japan indicated ownership or control. (Interestingly, the chrysanthemum signifies death in Korea, a Japanese colony intermittently over the centuries.) In a similar fashion the cockleshell, derived from the legend about the shrine of St James at Santiago de Compostella in north-west Spain, a favourite medieval centre of pilgrimage when the holy places of Palestine were closed to pilgrims by the Muslims, was widely used in pre-Renaissance Europe as a symbol of piety and faith.

In the 17th and 18th centuries, when the volume manufacture of fine porcelain, furniture and tapestries began in France and Belgium, largely because of royal patronage, factories increasingly used brands to indicate quality and origin. At the same time, laws relating to the hallmarking of gold and silver objects were enforced more rigidly to give the purchaser confidence in the product.

However, the widescale use of brands is essentially a phenomenon of the late 19th and early 20th centuries. The industrial revolution, with its improvements in manufacturing and communications, opened up the western world and allowed the mass-marketing of consumer products. Many of today's best-known consumer brands date from this period: Singer sewing-machines, Coca-Cola soft drinks, Bass beer, Quaker oats, Cook's tours, Sunlight soap, Shredded Wheat breakfast cereal, Kodak film, American Express travellers' cheques, Heinz baked beans and Prudential Insurance are just a few examples.

Hand in hand with the introduction of these brands came early trade mark legislation. This allowed the owners of these brands to protect them in law (indeed, the Bass "Red Triangle" trade mark was the very first registered in the UK in 1876, and the beaming Quaker, who adorns the pack of the eponymous oats, is now well into his second century). The birth of advertising agencies such as J. Walter Thompson and N.W. Ayer in the late 19th century gave further impetus to the development of brands.

But it is the period since the end of the Second World War that has seen the real explosion in the use of brands. Propelled by the collapse of communism, the arrival of the internet and mass broadcasting systems, and greatly improved transportation and communications, brands have come to symbolise the convergence of the world's economies on the demand-led rather than the command-led model. But brands have not escaped criticism. Recent anti-globalisation protests have been significant events. They have provided a timely reminder to the big brand owners that in the conduct of their affairs they have a duty to society, as well as customers and shareholders.

Text 5

Elements of the Brand

Brands are intrinsically striking and their role is to create an indelible impression.

Intrinsically striking

The visual distinctiveness of a brand may be a combination of any of the following: name, letters, numbers, a symbol, a signature, a shape, a slogan, a colour, a particular typeface. But the name is the most important element of the brand as its use in language provides a universal reference point. The name is also the one element of the brand that should never change. All other elements can change over time (Shell's famous logo has evolved significantly from the early line drawing and Pepsi-Cola switched to all-blue livery a few years ago), but the brand name should be like Caesar: “as constant as the northern star”.

This is not to say that brands achieve true visual distinctiveness through their names alone. Nike without its tick-like swoosh, Camel cigarettes without “Old Joe”, the supercilious dromedary, Michelin without exuberant Monsieur Bibendum, McDonald's without its Golden Arches would be paler properties indeed. Brands like these — and many thousands of others — rely for their visual distinctiveness on the harmonious combination of these elements and the consistency with which this is maintained.

This said, in certain markets where the use of branding is highly developed and consumers are particularly sophisticated, these rules are sometimes tested. In the fashion-clothing market, for example, brands like Mambo and Diesel have experimented with the use of completely different logos; Diesel even changed the name for a season (although all other visual aspects of the brand remained the same). The success of such tactics depends upon the awareness of the consumer. These two brands enjoy almost “cult” status, and the loyalty with which they are followed by their devotees has assured success.

Name changes of products and services are rare: they are uncommon too among companies, but perhaps a little more frequent. With products and services, the main reasons for change are either to extend the appeal of a brand to new markets, where the original name may not be optimal, or to standardise the company's international trade mark portfolio. The Lucky Dog Phone Company, an AT&T subsidiary, changed its name to Lucky Guy in the United States because no counterpart to the lucky dog exists in the American Chinese, Japanese and Korean markets, all important targets. Mars changed the Marathon name to Snickers in the UK to bring the product's name into line with the rest of the world.

Companies generally change their names either because their function or their ownership has changed, or because their name is in some way misleading. Sometimes they revert to initials: Minnesota Mining and Manufacturing became 3M, a name that is both handier and more flexible strategically. Sometimes they combine the names of the merging companies: GlaxoSmithKline. Sometimes they opt for an entirely new name: Altria is now the name of the tobacco, beer and foods group once known as Philip Morris. There is no right or wrong way of renaming businesses, it is as much a matter of what the company feels comfortable with and what it feels it can make work. The key is commitment and good communications.

Sometimes these rules are not observed as faithfully as they should be. When Guinness merged with Grand Metropolitan, the holding company adopted the name Diageo. Shareholders were not impressed, thinking that the decision to adopt a meaningless, foreign-sounding name, when perfectly good names like Grand Met or Guinness were available, amounted to corporate treachery. At the extraordinary general meeting held to approve the new name outbursts of booing enlivened the proceedings at each mention of “Diageo”.

Name changes following mergers can be highly charged events, and closer communication with all stakeholder groups, particularly private shareholders, who may also be pensioners of the firms involved, may help ease the transition. In the case of Diageo, a name that has now “bedded down”, the company should have explained why it had decided to adopt a neutral name for the new holding company and issued firm reassurances regarding the famous trading names — particularly Guinness — that it would continue to use.

Diageo, like Aviva, an insurance business, and Altria, mentioned above, is strictly a holding company name (as was the unfortunate Consignia, a name briefly adopted by the Post Office and now consigned to history). These names are not intended for “public consumption” — although a mischievous press made great play of post offices becoming “consignias” — so clarity is paramount; the rationale for change must be communicated to — and understood by — all stakeholder groups.

Creating an indelible impression

In developed economies consumers have an astonishing — often bewildering — array of choice. There are, for example, dozens of car manufacturers, hundreds of car models and thousands of different vehicle specifications to choose from. The days when Henry Ford offered “any colour you want as long as it's black” are now long gone. This diversity of choice puts pressure on those making or selling products or services to offer high quality, excellent value and wide availability. It also puts pressure on them to find more potent ways of differentiating themselves and securing competitive advantage. According to *Fortune* magazine (1997):

In the twenty-first century, branding ultimately will be the only unique differentiator between companies. Brand equity is now a key asset.

Much of the skill of marketing and branding nowadays is concerned with building "equity" for products whose characteristics, pricing, distribution and availability are really quite close to each other. Take cola drinks, for example. Coca-Cola and Pepsi-Cola are able to dominate the worldwide cola market. The power of their bottling and distribution systems no doubt plays a part in this, but the main factor is the strength and appeal of the two brands to consumers. The strong, instantly recognisable names, logos and colours of these two brands symbolise their makers' promise that consumers' expectations will be fulfilled, whatever the subtleties of these might be.

Brands allow the consumer to shop with confidence, and they provide a route map through a bewildering variety of choices. The customer does not have to be an expert on the complexities of mobile telecommunications to choose between one service supplier and another. The brand name, the tariff and the method of payment are all that is required to make an informed choice. And as tariffs and methods of payment are largely the same among competing companies, it is the brand and consumers' appreciation of its underlying appeals that will ultimately drive the purchase decision. It is the inculcation of these "underlying appeals" — the bedrock of brand equity — that concerns brand owners and has become the subject of unceasing attention and investment. Brands with strong equity embed themselves deeply in the hearts and minds of consumers.

The real power of successful brands is that they meet the expectations of those that buy them or, to put it another way, they represent a promise kept. As such they are a contract between a seller and a buyer: if the seller keeps to its side of the bargain, the buyer will be satisfied; if not, the buyer will look elsewhere in the future.

6. Match the following terms (column A) with their definitions (column B).

A	B
1) ***management***	a) the sum of activities involved in directing the flow of goods and services from producers to consumers

2) ***advertising***	b) a type of product made by a particular company
3) ***commercial***	c) eagerness and willingness to do something without needing to be told or forced to do it
4) ***PR***	d) someone who starts a company, arranges business deals, and takes risks in order to make a profit
5) ***marketing***	e) to change something to make it more suitable for you, or to make it look special or unusual
6) ***promotion***	f) the business of making sure that people know about a new product, film etc or what a particular famous person is doing
7) ***motivation***	g) the act or skill of directing and organizing the work of a company or organization
8) ***brand***	h) a situation in which no one has an unfair advantage
9) ***outsourcing***	i) a specific area of marketing which has its own particular requirements, customers, and products
10) ***customize***	j) a limited group that a plan, idea, etc. is aimed at
11) ***niche***	k) an advertisement on television or radio
12) ***entrepreneur***	l) the period of time that it takes for goods to be delivered after someone has ordered them
13) ***life-cycle***	m) an attempt to make a product or event popular or successful, especially by advertising
14) ***publicity***	n) any visible sign or device used by a business enterprise to identify its goods and distinguish them from those made or carried by others

15) ***strategy***	o) the action of calling something to the attention of the public especially by paid announcements
16) ***target audience***	p) a series of stages through which something (as an individual, culture, or manufactured product) passes during its lifetime
17) ***lead time***	q) the practice of using workers from outside a company
18) ***trademark***	r) a range of products or designs
19) ***portfolio***	s) the part of an organization's work that is concerned with obtaining the public's approval for what it does
20) ***equity***	t) a well-planned series of actions for achieving an aim, especially success against an opponent

7. Fill in the blanks by inserting the following, translate into Russian.

1) analyse; 2) communicate; 3) contribute; 4) divide; 5) form; 6) improve; 7) measure; 8) commercialise; 9) perform; 10) risk; 11) select; 12) train; 13) understand; 14) use; 15) work out

Management

Actually, management as we (1) ... it today is a fairly recent idea. Most economists in the eighteenth and nineteenth centuries, for example, wrote about factors of production such as land, labour and capital, and about supply and demand, as if these were impersonal and objective economic forces which left no room for human action. An exception was Jean-Baptiste Say, who invented the term "entrepreneur», the person who sees opportunities to (2) ... resources in more productive ways.

Entrepreneurs are people who are alert to so-far undiscovered profit opportunities. They perceive opportunities to (3) ... new technologies and products that will serve the market better than it is currently being served by their competitors. They are happy to (4) ... their own or other people's capital. They are frequently unconventional, innovative people. But entrepreneurship isn't the same as management, and most managers aren't entrepreneurs.

So, what's management? Well, it's essentially a matter of organizing people. Managers, especially senior managers, have to set objectives for their organization, and then (5) ... how to achieve them. This is true of the managers of business enterprises, government departments, educational institutions, and sports teams, although for government services, universities and so on we usually talk about administrators and administration rather than managers and management. Managers (6) ... the activities of the organization and the relations among them. They (7) ... the work into distinct activities and then into individual jobs. They (8) ... people to manage these activities and perform the jobs. And they often need to make the people responsible for performing individual jobs (9) ... effective teams.

Managers have to be good at communication and motivation. They need to (10) ... the organization's objectives to the people responsible for attaining them. They have to motivate their staff to work well, to be productive, and to (11) ... something to the organization. They make decisions about pay and promotion.

Managers also have to (12) ... the performance of their staff, and to ensure that the objectives and performance targets set for the whole organization and for individual employees are reached.

Furthermore, they have to (13) ... and develop their staff, so that their performance continues to (14) ... . Some managers obviously (15) ... these tasks better than others. Most achievements and failures in business are the achievements or failures of individual managers.

8. Do sight interpreting of texts 1 and 5 into Russian.

9. Render texts 2 and 4 in Russian.

10. Do a written translation of text 3 into Russian.

Part II. Translation from Russian into English

1. Read the text, pick out the management and marketing terms and give their English equivalents from task 1, Part I.

2. Compare the marketing notions and concepts in Part I and Part II.

Text

Реклама

Реклама — оповещение различными способами для создания широкой известности чему-нибудь с целью привлечения потребителей, зрителей и т.п.

Реклама стала неотъемлемой частью нашей жизни. Общественный спрос на рекламу появляется там, где потребитель имеет выбор, может свободно сделать его. Реклама развивается тем интенсивнее, чем шире становится предложение товаров и услуг. Отсутствие нормальных рыночных отношений, разумеется, ставит под сомнение необходимость рекламы. Сейчас ее можно увидеть и услышать повсюду: по телевидению, радио, в печати, а также через наружные средства массовой коммуникации. Например, реклама в США играет жизненно важную роль как стимулятор экономического роста. Ее можно считать также развлекательной стороной американской жизни, а многие творения специалистов по рекламе относятся к подлинным произведениям искусства.

Реклама оказывает большое влияние на потребителя в выборе товаров.

Как и во всем мире, внимание жителей России более всего привлекает телевизионная реклама (61,2%). Более четверти россиян (26,2%) вообще не обращают внимания ни на какие виды рекламы. Реклама в газетах и журналах может заинтересовать 21% респондентов. Остальные виды рекламы привлекают гораздо меньше внимания опрошенных. Так 14,9% россиян обращают внимание на рекламу по радио. Щитовая реклама способна привлечь 6,6% опрошенных, реклама на транспорте — 4,7% россиян. Реклама, присылаемая по почте, привлекает 2,5% респондентов. На рекламных агентов, как и на рекламу в Интернете, обращают внимание по 0,5% опрошенных. Остальные 2% участников опроса затруднились с ответом. Таким образом, реклама, размещенная в СМИ, является наиболее эффективной, поскольку привлекает наибольшее количество потенциальных потребителей.

В то же время не вся реклама эффективна и привлекает внимание потребителя.

У человека существует система установок, стереотипов, через которые можно и нужно формировать образ, причем в совокупности с изобразительно-выразительными средствами языка. Реклама достигнет цели лишь в том случае, если при ее создании будут учитываться особенности человеческой психики.

Общепринятой моделью восприятия рекламы принято считать AIDMA-model, подразумевающую следующую цепочку: *внимание — интерес — желание — мотив — действие*. Прежде всего, реклама должна привлечь внимание потенциального потребителя, которое может быть как произвольным, так и непроизвольным.

Первое возникает тогда, когда предмет замечен как бы случайно, без намеренного указания на него со стороны. Поэтому для такого привлечения внимания часто используются яркие, запечатлевающиеся в сознании образы, ассоциации. Второе — требует определенного напряжения, связанного с тем, что человек сознательно хочет что-то увидеть.

Далее реклама должна пробудить интерес потребителя, воздействуя на его интеллект или эмоции.

Если реклама привлекает эмоционально, то, чтобы заставить человека задержать на ней свое внимание, она должна заинтересовать его своим содержанием, вызвать ту или иную реакцию. Например, обрадовать, заинтриговать, удивить, подбодрить. Хорошая реклама не только сформирует в сознании потребителя представление о продукции, создаст рекламный образ, но и пробудит в нем желание воспользоваться ею, т.е. последовать неким ненавязчивым «советам». Это, в конечном счете, и есть ее главная задача.

Воздействие рекламы зависит и от содержащейся в ней оценки рекламируемой продукции, и от аргументации в ее пользу. Если такой оценки и аргументации потребитель не обнаруживает, то и влияние рекламы значительно ослабевает. Аргументы можно подразделить на объективные, логически раскрывающие сущность рекламируемой продукции, ее отличительные особенности (например, в рекламе компьютеров компании Intel Pentium говорится об отличительных свойствах компьютеров этой фирмы: удобство, быстрота, надежность), и на вызывающие определенные эмоции и ассоциации (например, «Фэйри — отличное средство для мытья посуды» или «Финт — только для тех, кто вправду крут!»).

И как только человек осознает, что рекламируемая продукция или услуга — это именно то, что ему нужно, он принимает решение, за которым и следует действие. Однако человек не всегда может рационально объяснить причину совершения покупки.

Реклама внедряет в сознание людей этот рекламный образ, который в дальнейшем становится стереотипом и через который легче воздействовать на потребителей. Творческие подходы могут быть разными. Например, при рекламе товаров массового спроса, как правило, используют эмоциональные мотивы, для изделий промышленного назначения — рациональные.

Эффективность и сила рекламы заключается в том, насколько ясно будет для человека представление о внешнем виде и содержании рекламируемого товара. Он представляет собой совокупность рекламного текста, графического изображения, слогана и т.д. Если эти элементы рекламы тщательно проработаны и существуют во взаимосвязи, представляя одно целое, то вероятнее всего, что эта реклама может стать эффективной.

Реклама обязательно должна быть направлена на определенную группу людей, и эта группа должна быть хорошо изучена.

Для этого проводят маркетинговые, социологические и прочие исследования, чтобы можно было прогнозировать действия этой группы. И поскольку образ жизни группы с определенным доходом достаточно последователен, придерживающиеся его люди, скорее всего, будут единообразно реагировать и приобретать одинаковые или сходные товары. Происходит ориентация на своего потенциального клиента. Таким образом, реклама, создающая привлекательный образ и направленная на определенную аудиторию, является довольно эффективной.

Активно действуя на сознание потребителя и пропагандируя те или иные свойства товара, реклама оказывает большое влияние на формирование потребностей в целом: уровня и стиля потребления, образа жизни, моды и т.д.

Так, например, по данным исследований Mori, каждый четвертый британский опрашиваемый школьник признал, что в течение последних 12 месяцев так или иначе преступал закон. Среди причин увеличения числа малолетних преступников исследование отмечает негативное влияние рекламы, которая пропагандирует обладание материальными «статусными» вещами — это ведет к росту уличной преступности.

Из этого можно сделать вывод, что, навязывая определенный стереотип современного человека, который должен обладать определенными атрибутами, чтобы быть модным, реклама достигает своей цели — провоцирует человека на покупку или, в крайнем случае, на приобретение товара иным способом.

3. Render the text, Part II in English.

4. Do a written translation of the text, Part II paying attention to the marketing terms and their contextual use.

5. Translate the following quotes into English.

⇨ Менеджмент — это искусство достижения целей в условиях ограниченности ресурсов (Терри Гибсон).

⇨ Маркетинг состоит в том, чтобы рассказать людям (или распространить среди людей) историю о ваших преимуществах, причем так, чтобы эти люди могли оценить такие преимущества (Сет Годин).

⇨ Хороший дизайнер скажет: правильное сочетание ясности, простоты и функциональности даст красивую оболочку (Якоб Нильсен).

Unit VII

ECONOMIC GLOBALIZATION

Part I. Translation from English into Russian

1. Give Russian equivalents of the following terms.

1. ad valorem tariff
2. Bretton Woods
3. business cycle
4. common market
5. comparative advantage
6. corporate tax
7. custom union
8. distributional impact
9. dumping
10. EBRD
11. embargo
12. exchange control
13. FDI
14. fixed exchange rate
15. free trade area
16. GATT
17. globalization
18. ICE
19. IMF
20. inequality
21. infant industry
22. insecurity
23. liberalization
24. LME
25. MNE
26. NYMEX
27. OECD
28. poverty
29. preferential trade
30. procurement policy
31. proliferation
32. protectionism
33. quota
34. race to the bottom
35. restricted trade
36. senile industry
37. subsidy
38. tariff
39. trade policy
40. trade/ trading
41. TSE
42. World Bank
43. WTO

2. Read texts 1—4.

3. Study the following, paying attention to the terms and their contextual use:

a) what economic globalization means;
b) two waves of globalization;
c) what world trade means;
d) what restricted and preferential trade means;
e) what kind of international financial institutions exist now.

4. Pick out the idiomatic expressions and give their Russian equivalents.

5. Pick out the abbreviations from the texts above and give their Russian equivalents.

Text 1

Economic Globalization and Its History

Globalization refers to the way in which national economies are becoming increasingly interconnected with one another. This increasing interconnection reveals itself in three main markets:

- In 1990 total trade in *goods and services* (both exports and imports) amounted to 32% of GDP for OECD economies and 34% for emerging markets. By 2001 these numbers were 38% and 49% respectively.
- Increased *capital* flows both between OECD nations and also between OECDб and emerging markets. For example, Foreign Direct Investment (FDI) totaled $324 bn in 1995 but reached $1.5 trillion by 2000.

While *labor* flows have not reached their nineteenth century highs, immigration has risen sharply in recent years.

History of Globalization

World trade has been increasing for centuries as explorers have discovered trade routes and the technology of transport has improved. The great voyages of Christopher Columbus to the Americas in 1492 and Vasco da Gama to India in 1498 are dramatic examples of this long-running process of globalization. However, while these heroic journeys opened up new trading opportunities, the trade tended to be in high value added items that played a relatively small role in the economy. If trade is substantial, then prices for the same commodities should be similar in each location. Large price differentials can only persist if traders cannot buy commodities in a cheap location (which pushes up prices) and sell them in a more expensive location (which depresses prices). Trade forces prices to converge.

The driving forces behind this first age of globalization were dramatic declines in transportation costs. These declines were driven by the shift from sail to steam: larger, faster, and more reliable ships, the introduction of refrigeration for agricultural trade, the opening of the Suez and Panama Canals, and improvements in navigation, finance, and insurance. By the early twentieth century, this globalization process led to high levels of integration, reflected in the following quote by John Maynard Keynes:

What an extraordinary episode in the economic progress of man that age was, which came to an end in August 1914... The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or trouble, in their prospective fruits and advantages (The Economic Consequences of the Peace, 1920).

Before 1914 world trade grew at an average of 5 % per year, although it fluctuated widely depending on the business cycle.

After the end of WWI in 1918, trade resumed but collapsed dramatically during the early 1930s. The United States and the rest of the world were in the midst of the Great Depression, and to prevent imports from capturing domestic demand, the United States enacted protectionist measures. Other countries retaliated, and trade declined.

By the end of WWII, most countries wanted to construct international institutions that would minimize the threat of conflict and foster international economic relations. To promote these goals, the International Monetary Fund and the World Bank were founded, and the General Agreement on Trade and Tariffs (GATT, which was later transformed into the World Trade Organization) was enacted. Through a series of negotiations, GATT achieved reductions in trade tariffs and other barriers to trade.

Differences between Two Waves of Globalization

The first wave of globalization was driven by falling transportation costs and came to an end due to war and increasingly protectionist trade policies. By contrast, the second wave of globalization has been driven by a reversal of trade policies and increasing trade liberalization.

According to the data, contemporary globalization in the goods market has passed the highs of the first wave of globalization to reach unparalleled levels. By contrast, while immigration has recently increased, it has not yet reached the levels of the end of the nineteenth century. Capital markets, on this measure, are of a similar scale, size, and role to those of the first wave of globalization.

There are other differences between these two waves of globalization. In the earlier wave, trade tended to be rather simple, with raw materials and agricultural goods going in one direction and finished manufactured goods in the other. The value-added chain today is, however, far more complex and involves many more stages. To exploit the comparative advantage of different countries, firms have sliced up the production process and located different stages in different countries. As a consequence, it is estimated that around one-third of all trade is intrafirm — that is, multinational enterprises (MNEs) with production distributed across many countries shipping products at various stages of completion to different parts of the company around the world. Not only does this make the structure of trade today different from the past but the existence of MNEs and strategic alliances amongst major companies creates large and powerful economic entities, which governments have to deal with.

The removal of trade restrictions, or *trade liberalization*, has been the subject of much criticism, and we shall review in the next section these arguments against globalization. For now we focus on the alleged advantages of trade liberalization.

Text 2

Problems of Globalization

In 1824 the English historian Thomas Macauley noted that "Free trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular". We have already noted the gains that lead from comparative advantage and trade liberalization, yet as trade has increased and emerging markets liberalized, there has been growing criticism of globalization and even riots on the city streets.

Distributional Impacts and Inequality

Trade has important distributional effects with some sectors expanding and others contracting. Individuals in the contracting sector will have to find jobs elsewhere, assuming a constant natural rate of unemployment. This may involve relocating, retraining, or accepting a lower wage. Understandably, groups in society will resist these changes and, so, resist globalization. However, comparative advantage also makes clear that although this group loses, the benefits to society overall are positive.

Globalization has also been criticized for causing inequality and increased poverty in emerging markets. The argument is that with so many countries competing amongst themselves for the foreign direct investment (FDI) of large multinational enterprises (MNEs), wages will be bid down, which will lead to increased inequality and more poverty. We have already discussed in the previous section the relationship between trade liberalization and inequality. The most recent estimates on poverty suggest that between 1970 and 1998 the percentage of the world's population living on less than $1 a day has fallen from 16% to 5%, while the proportion living on less than $2 has declined from 44% to 19%. In other words, during the period when globalization advanced rapidly, the world saw a *decline* in poverty.

MNEs and FDI

One of the major criticisms of globalization is the dominant role played by *multinational enterprises*. The largest company is Wal-Mart, which ranks forty-fourth, somewhat larger than Pakistan but smaller than Chile. With companies being larger than economies, there is a danger that trading rules will be set up to benefit corporations rather than citizens. One critic of globalization, Noreena Herz, says in her book *The Silent Takeover* that globalization leads to "a world in which the primary service that national governments appear able to offer their citizens is to provide an attractive environment for corporations or international financial institutions."

We will consider the influence that MNEs exert on trade negotiations. The other issue to consider is whether countries and workers benefit by receiving FDI or if only MNEs do. While bank lending and equity and bond finance flows in and out rapidly, FDI is more stable. Finally, it does not seem the case that FDI encourages greater corruption. At the very least, this suggests that MNEs and related FDI bring some economic benefits to a country.

Environmental Damage

Critics of globalization fear it leads to environmental damage in two ways. First, due to the power of MNEs, governments abandon efforts to protect the environment through legislation. Second, increased levels of trade lead to greater use of fuel and more environmental damage. Further, much of this trade seems "pointless" — the United Kingdom, for instance, exports almost exactly the same number of pigs as it imports.

The need for governments to agree to global environmental standards to stop countries competing with one another along this dimension is connected to our next topic — the race to the bottom. The evidence regarding whether FDI worsens pollution is inconclusive, depending on which environmental indicator is considered. For instance, urban air pollution seems uncorrelated with FDI. Further, there is a strong correlation between GDP and environmental regulation, so that if FDI does raise GDP, it may also lead indirectly to improvements in the environment. There is also evidence that trade protectionism can damage the environment.

What about fuel arguments? That global trade leads to an increase in fuel use is undeniable. One cause of this is that airline fuel is frequently tax exempt, so that the full cost of environmental damage is not paid by exporters and, as a result, trade is too extensive.

The other issue is whether or not the trade is "pointless." For instance, on average, every month Sweden imports 1305 metric tons of bottled water and exports 791 metric tons. Can this be justified? The main cost of this trade pattern is the additional transport costs — it would be cheaper for Sweden to consume its own water rather than ship it overseas and import other water. However, this cost can be offset by two factors. The first is that competition is increased through imports. This will lead to lower prices. Existing consumers of bottled water pay less. Because prices fall, more bottles are sold as consumption rises. The second benefit is that the variety of products available increases. If consumers value variety, this will also boost welfare. If the competition and variety effects are large enough, they can offset the higher transport costs.

Insecurity and "the Race to the Bottom"

Comparative advantage means that a nation specializes in certain sectors so that it becomes vulnerable to adverse demand or price movements in that sector. In other words, workers face greater insecurity. This insecurity is further increased by the fact that MNEs and other firms can easily relocate to other countries. It is noticeable that countries that do more trade tend to have larger levels of government transfer payments, unemployment benefits, and welfare payments, which will help to offset this insecurity and cushion the volatility of employment.

However, while globalization may increase the need for governments to protect certain sectors of the population, the fear is, it will reduce their ability to do so. MNEs can choose to locate around the globe, and so countries will compete to attract them by reducing corporate tax rates and offering large subsidies. This process is called "the race to the bottom" as governments compete with one another to offer the lowest corporate tax rates. If governments do cut corporate tax rates, then unless they can increase labor income taxes, they will not have enough revenue to finance the welfare state and will have to reduce their generosity. Globalization therefore may remove the ability to protect workers at the same time as it increases the need for this protection. The same argument can be applied to government regulations concerning environmental protection, working standards, and minimum wages. One way to overcome this problem is for governments to agree to common standards. For instance, the EU has rules restricting the subsidies that its member countries are allowed to pay to firms in order to prevent a race to the bottom, and efforts to create global environmental standards, such as the Kyoto agreement, are ongoing.

The race to the bottom argument rests on three assumptions.

MNEs do not have a strong reason to locate in one country rather than another, so they are easily tempted away by subsidies.

MNEs do not bring substantial spillover benefits to offset the lower tax rates they pay.

Corporate taxes are at the appropriate level to begin with and are not too high.

What is the evidence regarding the race to the bottom? Considering the overall tax burden paid by firms, expressed as a percentage of GDP, there is little support — the corporate tax take has not declined over time. This does not invalidate the threat of the race to the bottom; it just suggests that it has not yet operated strongly.

Cultural and Political Concerns

We have focused above on the economic implications of globalization, but many of the criticisms are more politically focused. Globalization produces a greater role for markets, so naturally globalization is seen critically by those with anticapitalist views.

Globalization also means that more resources are being allocated by market mechanisms and this may lack legitimacy. For instance, consider the case of a country that has banned child labor but now, because of globalization, finds itself importing textiles made using child labor. No democratic decision has been made in the importing country, yet market forces have brought about this change. This is also an example where countries begin to lose their national sovereignty: domestic rules cease to have jurisdiction. Other examples of this loss of sovereignty are connected to the power of MNEs and the rules of the World Trade Organization (WTO) that lead domestic governments to alter their policies. A loss of cultural sovereignty is also a common criticism of globalization. Globalization has led to a proliferation of global brands and an alleged homogenization of cultures — "Americanization" or "Europeanization."

This is a wide and varied list of criticisms of globalization. We have covered cultural change, environmental problems, inequality and poverty, the monopoly power of MNEs, instability, and insecurity. What is interesting, is that these were precisely the criticisms made of industrialization in the nineteenth century as *domestic* markets began to grow and restructure the economy. Governments then realized that in order to bring out the best features of markets they would have to intervene to restrict industrial pollution, introduce town planning and health regulation, introduce schemes to help the poor, create government organizations to restrict monopoly abuse by firms and provide regulation and insurance to preserve stability in the banking system. In other words, in response to the growth of markets we saw the development of national governments, institutions and regulations to reduce the disadvantages of markets and support the advantages. What this argument suggests is that with the development of global markets we require national governments to agree to international standards and help construct global institutions in order to optimize the contribution that global markets make to welfare.

Text 3

Restricted and Preferential Trade

The infant industry argument. Some industries in a country may be in their infancy, but have a potential comparative advantage. This is particularly likely in developing countries. Such industries are still too small to have gained economies of scale, their workers are inexperienced, they lack back-up facilities, such as communications networks and specialist suppliers. They may have only limited access to finance for expansion. Without protection, these *infant industries* will not survive competition from abroad.

Protection from foreign competition, however, will allow them to expand and become more efficient. Once they have achieved a comparative advantage, the protection can then be removed to enable them to compete internationally.

Similar to the infant industry argument is the *senile industry argument.* This is where industries with a potential comparative advantage have been allowed to run down and can no longer compete effectively. They may have considerable potential, but be simply unable to make enough profit to afford the necessary investment without some temporary protection.

To reduce reliance on goods with little dynamic potential. Many developing countries have traditionally exported primaries: foodstuffs and raw materials. The world demand for these, however, is fairly income inelastic, and thus grows relatively slowly. In such cases, free trade is not an engine of growth. Instead, if it encourages countries' economies to become locked into a pattern of primary production, it may prevent them from expanding in sectors like manufacturing, which have a higher income elasticity of demand. There may thus be a valid argument for protecting or promoting manufacturing industry.

A country may engage in dumping by subsidising its exports. Alternatively, firms may practise price discrimination by selling at a higher price in home markets and a lower price in foreign markets in order to increase their profits. Either way, prices may no longer reflect comparative costs. Thus, the world would benefit from tariffs being imposed to counteract such practices.

It can also be argued that there is a case for retaliating against countries that impose restrictions on your exports. In the ***short*** run, both countries are likely to be made worse off by a contraction in trade. But if the retaliation persuades the other country to remove its restrictions, it may have a longer-term benefit. In some cases, the mere threat of retaliation may be enough to get another country to remove its protection.

Methods of restricting trade. Tariffs (customs duties). These are taxes on imports and are usually *ad valorem tariffs:* i.e., a percentage of the price of the import. Tariffs that are used to restrict imports are most effective if demand is elastic (e.g. when there are close domestically produced substitutes). Tariffs can also be used as a means of raising revenue, but in this case they are more effective if demand is inelastic. They can also be used to raise the price of imported goods to prevent "unfair" competition for domestic producers.

Quotas. These are limits imposed on the quantity of a good that can be imported. Quotas can be imposed by the government, or negotiated with other countries which agree "voluntarily" to restrict the amount of exports to the first country.

Exchange controls. These include limits on how much foreign exchange can be made available to importers (financial quotas), or to citizens travelling abroad, or for investment. Alternatively, they may take the form of charges for the purchase of foreign currencies.

Import licensing. The imposition of exchange controls or quotas often involves requiring importers to obtain licences. This makes it easier for the government to enforce its restrictions.

Embargoes. These are total government bans on certain imports (e.g. drugs) or exports to certain countries (e.g. to enemies during war).

Export taxes. These can be used to increase the price of exports when the country has monopoly power in their supply.

Subsidies. These can be given to domestic producers to prevent competition from otherwise lower-priced imports. They can also be applied to exports in a process known as *dumping*. The goods are 'dumped' at artificially low prices in the foreign market. (This, of course, is a means of artificially *increasing exports,* rather than reducing imports.)

Administrative barriers. Regulations may be designed to exclude imports. For example, in Germany all lagers not meeting certain purity standards are banned. Taxes may be imposed that favour local products or ingredients.

Procurement policies. This is where governments favour domestic producers when purchasing equipment (e.g. defence equipment).

The world economy seems to have been increasingly forming into a series of trade blocs, based upon regional groupings of countries: the European region centred on the European Union, the Asian region on Japan, the North American region on the USA and the Latin American region. Such trade blocs are examples of *preferential trading arrangements.* These arrangements involve trade restrictions with the rest of the world, and lower or zero restrictions between the members.

Although trade blocs clearly encourage trade between their members, many countries outside the blocs complain that they benefit the members at the expense of the rest of the world. For many developing economies, in need of access to the most prosperous nations in the world, this represents a significant check on their ability to grow and develop.

Types of preferential trading arrangement. There are three possible forms of such trading arrangements.

Free trade areas. A free trade area is where member countries remove tariffs and quotas between themselves, but retain whatever restrictions *each member chooses* with non-member countries. Some provision will have to be made to prevent imports from outside coming into the area via the country with the lowest external tariff.

Customs unions. A customs union is like a free trade area, but in addition, members must adopt *common* external tariffs and quotas with non-member countries.

Common markets. A common market is where member countries operate as a *single* market. Like a customs union, there are no tariffs and quotas between member countries and there are common external tariffs and quotas. But a common market goes further than this. A full common market includes the following features:

A common system of taxation. In the case of a *perfect* common market, this will involve identical rates of tax in all member countries.

A common system of laws and regulations governing production, employment and trade. For example, in a perfect common market, there would be a *single* set of laws governing issues such as product specification (e.g. permissible artificial additives to foods, or levels of exhaust emissions from cars), the employment and dismissal of labour, mergers and takeovers, and monopolies and restrictive practices.

Free movement of labour, capital and materials, and of goods and services. In a perfect common market, this will involve a total absence of border controls between member states, the freedom of workers to work in any member country and the freedom of firms to expand into any member state.

The absence of special treatment by member governments of their own domestic industries. Governments are large purchasers of goods and services. In a perfect common market, they should buy from whichever companies within the market offer the most competitive deal and not show favouritism towards domestic suppliers — they should operate *a common procurement policy.*

The definition of a common market is sometimes extended to include the following two features of *economic and monetary union*:

A fixed exchange rate between the member countries' currencies. In the extreme case, this would involve a single currency for the whole market.

Common macroeconomic policies. To some extent, this must follow from a fixed exchange rate, but in the extreme case it will involve a single macroeconomic management of the whole market, and hence the abolition of separate fiscal or monetary intervention by individual member states.

Most countries have not pursued a policy of totally free trade. Their politicians know that trade involves costs as well as benefits. In this section, we will attempt to identify what these costs are, and whether they are genuine reasons for restricting trade.

Although countries may sometimes contemplate having completely free trade, they usually limit their trade. However, they certainly do not ban it altogether. The sorts of questions that governments pose are (a) should they have freer or more restricted trade and (b) in which sectors should restrictions be tightened or relaxed? Ideally, countries should weigh up the marginal benefits against the marginal costs of altering restrictions.

Text 4

The World Economic Organizations

The European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) was established in 1991 when communism was crumbling in central and eastern Europe and ex-soviet countries needed support to nurture a new private sector in a democratic environment. Today the EBRD uses the tools of investment to help build market economies and democracies in 28 countries from central Europe to central Asia. The EBRD is the largest single investor in the region and mobilises significant foreign direct investment beyond its own financing.

Intercontinental Exchange (ICE)

ICE's products include derivative contracts based on key energy commodities: crude oil and refined oil products, such as heating oil and jet fuel, and other products like natural gas and electric power. Recently, ICE Futures introduced what has become Europe's leading emissions futures contract in conjunction with the European Climate

Exchange. The majority of trades in ICE's markets are cash-settled, based on the value of the underlying commodity, rather than settled through physical delivery of the commodity.

The International Monetary Fund (IMF)

The IMF is an international organization of 184 member countries. It was established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment. Since the IMF was established its purposes have remained unchanged, but its operations—which involve surveillance, financial assistance, and technical assistance — have developed to meet the changing needs of its member countries in an evolving world economy.

The London Metal Exchange (LME)

The London Metal Exchange is the world's premier non-ferrous metals market with highly liquid contracts and a worldwide reputation. It is innovative while maintaining its traditional strengths and remains close to its core users by ensuring that its contracts continue to meet the high expectations of industry. As a result, it is highly successful with a turnover in excess of US $4,500 billion per annum. It also contributes to the UK's invisible earnings to the sum of more than 250 million pounds in overseas earnings each year.

The New York Mercantile Exchange (NYMEX)

The New York Mercantile Exchange, Inc. is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals. The Exchange has stood for market integrity and price transparency throughout its 132-year history. Transactions executed on the Exchange avoid the risk of counterparty default because the Exchange clearing house acts as the counterparty to every trade.

Tokyo Stock Exchange (TSE)

The stock trading floor has attracted attention as a symbol of the securities and financial markets of our country for more than 120 years since floor trading began at the former Tokyo Stock Exchange, the predecessor of the current Tokyo Stock Exchange, on June 1, 1878. However, the stock trading floor was closed on April 30, 1999 in an effort to accelerate the speed and reduce the cost of transactions by member securities companies, and seek further efficiency in the Tokyo market.

The World Bank Group

The World Bank Group is a group of five international organizations responsible for providing finance and advice to countries for the purposes of economic development and poverty reduction, and for encouraging and safeguarding international investment. The group and its affiliates have their headquarters in Washington D.C., with local offices in 124 member countries. Together with the separate International Monetary Fund, the World Bank organizations are often called the "Bretton Woods" institutions, after Bretton Woods, New Hampshire, where the United Nations Monetary and Financial Conference, which led to their establishment, took place (1—22 July 1944).

6. Match the following terms (column A) with their definitions (column B).

A	B
1) ***globalization***	a) an official order stopping trade with another country
2) ***free trade***	b) making a system, laws, or moral attitudes less strict
3) ***senile***	c) united or undivided
4) ***preferential***	d) policy some countries have of helping their own industries by putting a large tax on imported goods or by restricting imports in some other way

5) ***fixed rate***	e) the development of an increasingly integrated economy marked especially by free trade, free flow of capital, and the tapping of cheaper foreign labor markets
6) ***dumping***	f) the act of obtaining something, such as supplies for an army or other organization
7) ***embargo***	g) contrary to the economic system, in which most of the means of production are privately owned, and production is guided, and income distributed largely through the operation of markets
8) ***tariff***	h) level which stays the same and does not or cannot vary
9) ***custom***	i) money that is paid by a government or organization to make prices lower, and reduce the cost of producing goods
10) ***procurement***	j) a tax that people pay for importing and exporting goods
11) ***ad valorem***	k) of or characteristic of old age
12) ***liberalization***	l) the limited number or quantity of something
13) ***subsidy***	m) new, not well-developed
14) ***protectionism***	n) policy by which a government does not discriminate against imports or interfere with exports
15) ***anticapitalism***	o) a tax on goods coming into a country or going out of a country
16) ***quota***	p) periodic fluctuation in the rate of economic activity, as measured by the levels of employment, prices, and production
17) ***cycle***	q) giving or receiving a favour
18) ***single***	r) the way in which wealth, property, etc. is shared among the members of a society
19) ***distribution***	s) the selling of goods in quantity at below market price
20) ***infant***	t) based on value

7. Fill in the blanks by inserting the following, translate into Russian.

a) pillars b) ambiguous c) currency d) checks e) single f) ratified g) intergovernmental h) agreement i) customs j) motion k) work m) policy n) predecessor

The European Union (EU)

The European Union (EU) is an ... and supranational union of 25 democratic member states. The European Union was established under that name in 1992 by the Treaty on European Union (the Maastricht Treaty). However, many aspects of the Union existed before that date through a series of ... relationships, dating back to 1951. The Union currently has a common ... market consisting of a ... union, a single ... managed by the European Central Bank (so far adopted by 12 of the 25 member states), a Common Agricultural Policy, a common trade ..., and a Common Fisheries Policy. A Common Foreign and Security Policy was also established as the second of the three ... of the European Union. The Schengen ... abolished passport control, and customs ... were also abolished at many of the EU's internal borders, creating a single space of mobility for EU citizens to live, travel, ... and invest.

The Eurasian Economic Community (EurAsEC, or EAEC)

The Eurasian Economic Community (EurAsEC, or EAEC) was put into ... on 10 October 2000 when Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan signed the treaty. EurAsEC was formally created when the treaty was finally ... by all five member states in May 2001. EurAsEC grew out of the CIS Customs Union. All the members of EurAsEC are also members of the older Commonwealth of Independent States, and the relationship between the two organisations is ... .

8. Do sight interpreting of text 1 into Russian.

9. Render texts 2 and 4 in Russian.

10. Do a written translation of text 3 into Russian.

Part II. Translation from Russian into English

1. Read texts 1 and 2, pick out the economic terms and give their English equivalents from task 1, Part I.

2. Compare the economic notions and concepts in Part I and Part II.

Text 1

Пути преодоления недостатков капиталистической системы

В условиях развития процесса глобализации практически все страны стремятся активизировать свою экономическую деятельность в системе мировой экономики, которая характеризуется не только свободным движением товаров и услуг, но, что более важно, свободным движением идей и капитала. Это касается как прямых капиталовложений, так и финансовых операций. Роль и тех и других постоянно возрастала после Второй мировой войны, но в последние годы ускорился процесс глобализации именно финансовых рынков, что привело к тесной взаимосвязи между движением валютных курсов, банковским процентом и котировками акций в разных странах. По сути систему мировой экономики следует рассматривать как глобальную капиталистическую систему. Преимущества этой системы проявятся только в результате продуманных и настойчивых усилий по исправлению и уменьшению ее недостатков, которые можно сгруппировать в пять основных категорий: неравномерное распределение благ и концепции миграции капитала, нестабильность финансовой системы, опасность глобальных монополий и олигархий, неоднозначная роль государства, проблема ценностей и социального согласия. Все эти категории, разумеется, произвольны, а проблемы в каждой из них взаимосвязаны.

Неравномерное распределение благ и концепции миграции капитала. Блага глобальной капиталистической системы в основном распределяются неравномерно. В этих условиях капитал оказывается в значительно лучшем положении, чем наемные работники, поскольку он более мобилен. При этом финансовый капитал в системе мировой экономики имеет преимущество перед промышленным капиталом. Например, когда какое-нибудь производство, скажем, завод, уже построено, передвинуть его в другой регион представляется достаточно нелегким делом. Конечно, многонациональные корпорации обладают гибкостью с точки зрения расценок на перемещение, они имеют возможность оказывать определенное влияние в процессе выработки решения об инвестициях. Но эта гибкость несравнима со свободой выбора, которой пользуются международные финансовые инвесторы. Есть преимущество и в том, чтобы находиться в центре мировой экономики, а не на периферии. Все эти факторы способствуют привлечению капитала в финансовый центр. Они также объясняют, почему масштабы и значение финансовых рынков постоянно растут.

Вместе с тем теория экономики масштаба исходит из того, что перенос производства в другие страны ведет к росту его масштабов, снижает издержки производства. Международные корпорации делают ставку на организацию производства с меньшими издержками. Поэтому необходимо осуществлять прямые вложения капитала за рубежом. Теория размещения, обосновывая причины размещения производства и капитала в разных странах, отмечает, что причинами этого являются доступ к более дешевым ресурсам, значительно низкие транспортные расходы, создание масштабного экспортного рынка.

Массовый отток капитала за рубеж исследует теория бегства капитала. Причинами этого явления она считает экономическую и политическую нестабильность, неблагоприятный инвестиционный климат, опасение обесценения валют, криминальную деятельность. Современные теории международных инвестиций объясняют международное движение капитала разницей в процентных ставках, минимизацией рисков потери вложенных ресурсов, различным уровнем налогообложения, деловыми циклами, разницей в трансакционных издержках и др.

На основе современных концепций миграции капитала экономистами разработан ряд моделей, обосновывающих возможность и необходимость прямых инвестиций за рубежом. Среди них модель монополистических преимуществ С. Хаймера, Ч.П. Киндлебергера, Г. Дж. Джонсона и Р. Лакруа. ТНК направляют прямые инвестиции в другие страны, так как они имеют монопольные преимущества перед местными иностранными компаниями (собственность на определенные ресурсы, новейшие технологии, наличие оригинальных продуктов, управленческая квалификация), что обеспечивает им более высокие доходы.

Text 2

Тезисы Джорджа Сороса о глобализации

Глобализация — это слишком часто употребляемый термин, которому можно придавать самые различные значения. В настоящем обсуждении мы будем исходить из того, что этот термин означает глобализацию финансовых рынков и растущее доминирующее влияние на национальные экономики глобальных финансовых рынков и транснациональных корпораций. В этом смысле глобализацию следует отличать от свободной торговли, которая не имеет таких далеко идущих последствий для отдельных стран.

Характерной особенностью глобализированных финансовых рынков является то, что они обеспечивают возможность свободного движения финансового капитала. Поскольку капитал является одним из необходимых ингредиентов производства, каждая страна должна конкурировать с другими странами за его привлечение; это лишает ее возможности облагать капитал налогами и регулировать его. Нормы и системы социального обеспечения, которые зависят от налогов с заработной платы и выходных пособий, стали контрпродуктивными, поскольку они обеспечивают отток капитала на другие нужды. Аналогичным образом все более несостоятельной становится практика обложения высокими налогами корпоративных и личных доходов. Под давлением глобализации отдельные страны должны уменьшать роль государства в экономике для повышения своей конкурентоспособности.

Глобализация принесла огромные блага. Государственное вмешательство в экономику никогда не было особенно эффективным; кроме того, государство склонно злоупотреблять своей властью. Глобализация открыла людям новые возможности для новаторства и предпринимательства и ускорила глобальный экономический рост. Но у глобализации имеются и негативные аспекты. Во-первых, она предрасположена к кризисам; во-вторых, она усиливает неравенство между богатыми и бедными как внутри стран, так и между ними; в-третьих, она вызывает неправильное распределение ресурсов между частными и государственными интересами. Когда я говорю о государственных интересах, я имею в виду, прежде всего, эффективное государственное управление. Главной причиной нищеты и бедности во всем мире является неэффективное государственное управление. Следует подчеркнуть необходимость отделения предоставления востребованных во всем мире государственных услуг, таких, как охрана окружающей среды или борьба с инфекционными заболеваниями, от потребности в политических и структурных улучшениях в отдельных странах. Тогда придется признать, что существуют не три, а четыре главных недостатка, которым следует уделить внимание.

Разумеется, на глобализацию нельзя взваливать вину за неэффективное государственное управление. Если уж на то пошло, глобализация заставила отдельные страны повысить эффективность государственного управления или, по крайней мере, ограничить роль государства в экономике. Но глобализация сделала мир более взаимозависимым, и неэффективное государственное управление является препятствием на пути к правильно функционирующему глобальному обществу.

Три других недостатка можно приписать свободному движению капитала. Сама по себе свободная торговля не могла бы привести к финансовым кризисам, равно как и усилить неравенство между богатыми и бедными. Свободная торговля укрепляет сравнительное преимущество всех участников; свободное движение капитала укрепляет сравнительное преимущество владельцев капитала и тех, кто им управляет. Если движение капитала, особенно финансового капитала, является свободным, то движение людских ресурсов по-прежнему остается ограниченным. Именно оно склоняет чашу весов в пользу поставщиков капитала. Это проявляется как внутри отдельных стран, так в международных масштабах, потому что каждая страна должна прилагать усилия для удержания и привлечения капитала.

3. Render text 1, Part II in English.

4. Do a written translation of text 2, Part II paying attention to the economic terms and their contextual use.

5. Translate the following quotes into English:

⇨ В эпоху глобализации и интернационализации производства единственным критерием его эффективности и востребованности выпускаемой продукции является конкурентоспособность (А. Захаров).

⇨ В условиях нефтедолларовой зависимости экономики, инновационный сектор, во-первых, может обслуживать нефтяной сектор, во-вторых, самостоятельно выходить на мировой рынок. Хотя это очень тяжело. В-третьих, за счет повышения технологий может обслуживать внутренний рынок (М. Делягин).

⇨ Мы должны, в конечном счете, выйти из этого кризиса победителями и создать современную архитектуру международных финансово-экономических отношений (Д. Медведев).

⇨ Занять миллиарды для того, чтобы понизить налоги, это единственный способ предотвратить затяжную рецессию. Наша неспособность к быстрым действиям будет означать не только провал экономической политики, но и всего руководства страной в целом. Нерешительные и запоздалые действия приведут к еще большему ослаблению экономики, увеличению проблем в финансовой системе, росту процентных ставок и налогов (Г. Браун).

Appendix 1. INCOTERMS

Наименование термина	Краткая характеристика термина
EXW — название места (от англ. *ex works* ‘с завода’)	Продавец предоставляет товар в распоряжение покупателя на своем предприятии. Покупатель несет все расходы и риски, связанные с погрузкой и перевозкой, а также выполняет все таможенные формальности для вывоза товара.
FCA — название места (от англ. *free carrier* ‘франко-перевозчик’)	Обязанности продавца считаются выполненными с момента доставки прошедшего таможенную очистку товара перевозчику в названное место. Продавец должен за счет покупателя получить экспортную лицензию (если необходимо) и выполнить все таможенные формальности для вывоза товара.
FAS — название порта отгрузки (от англ. *free alongside ship* ‘свободно вдоль борта судна’)	Продавец должен разместить товар вдоль борта судна на причале или на лихтерах в пункте отгрузки. С этого момента все расходы и риски гибели или повреждения товара несет покупатель. Продавец также обязан за свой счет получить экспортную лицензию (если это необходимо) и выполнить все таможенные формальности для вывоза товара.
FOB — название порта отгрузки (от англ. *free on board* ‘свободно на борту судна’)	Обязанности продавца считаются выполненными с момента перехода товара через поручни судна в порту отгрузки. Продавец должен за свой счет получить экспортную лицензию (если необходимо) и выполнить все таможенные формальности для вывоза товара.

Наименование термина	Краткая характеристика термина
CFR — название порта назначения (от англ. *cost and freight* ‘стоимость и фрахт’)	Продавец должен оплатить расходы и фрахт, необходимые для доставки товаров в указанный порт назначения. Однако риск гибели или повреждения товара переходит к покупателю в момент передачи товара через поручни судна в порту отгрузки. Экспортные пошлины оплачивает продавец, а импортные — покупатель.
CIF — название порта назначения (от англ. *cost, insurance and freight* ‘стоимость, страхование и фрахт’)	Термин отличается от CFR тем, что на продавца дополнительно возлагается обязанность заключить за свой счет договор морского страхования от риска гибели или повреждения товара во время перевозки. Продавец обязан заключить договор страхования и оплатить страховые взносы.
CPT — название места назначения (от англ. *carriage paid to* ‘перевозка оплачена до’)	Продавец оплачивает фрахт за перевозку товара до указанного места назначения. Но риск гибели или повреждения товара переходит от продавца к покупателю в момент, когда товар передается в распоряжение первого перевозчика. Экспортные пошлины оплачивает продавец, а импортные — покупатель.
CIP — название места назначения (от англ. *carriage and insurance paid to* ‘перевозка и страхование оплачены до’)	Продавец несет те же обязанности, что и согласно термину CPT, но дополнительно также должен оформить транспортное страхование от рисков гибели или повреждения товаров во время перевозки.

Наименование термина	Краткая характеристика термина
DAF — название места поставки (от англ. *delivered at frontier* ‘поставка до границы’)	Обязанности продавца считаются выполненными, когда товар, прошедший таможенное оформление для экспорта, прибывает в указанное место на границе. При этом обязанности по получению импортной лицензии и таможенному оформлению для ввоза товара возлагается на покупателя.
DES — название порта назначения (от англ. *delivered ex ship* ‘поставка с судна’)	Продавец должен доставить еще не прошедший таможенное оформление для импорта товар в распоряжение покупателя на борт судна в определенном договором порту назначения. С этого момента все риски и дальнейшие расходы несет покупатель, включая уплату импортных пошлин.
DEQ — название порта назначения (от англ. *delivered ex quay* ‘поставка с пристани’)	Обязанности продавца считаются выполненными с момента предоставления товара, не прошедшего таможенного оформления для импорта, на пристани в определенном договором порту назначения. Продавец обязан нести все расходы и риски, связанные с транспортировкой и выгрузкой товара на пристань. Таможенную очистку товара для импорта осуществляет покупатель.
DDU — название места назначения (от англ. *delivered duty unpaid* ‘поставка без оплаты пошлины’)	Обязанности продавца выполнены в момент доставки товара в определенный договором пункт в стране ввоза. Продавец несет все риски и расходы по доставке товара, исключая уплату налогов, пошлин и иных сборов, взимаемых при ввозе товара.

Наименование термина	Краткая характеристика термина
DDP — название места назначения (от англ. *delivered duty paid* ‘поставка с оплатой пошлины’)	В отличие от DDU, это условие поставки возлагает обязанность по таможенной очистке ввозимого товара и оплате всех налогов и сборов, взимаемых при ввозе, на продавца. Термин DDP предполагает максимальные обязательства продавца по доставке товара.

Appendix 2. MAJOR JOB TITLES IN BUSINESS

Finance Job Titles

1. Account Examiner
2. Account Examiner Supervisor
3. Account Executive
4. Account Manager
5. Accountant
6. Accountant Manager
7. Accounting
8. Accounting Assistant
9. Accounting Manager
10. Accounting Technician
11. Accounts Assistant
12. Accounts Payable
13. Accounts Receivable
14. Appraiser
15. Audit Manager
16. Auditing
17. Auditor
18. Bank Manager
19. Bank Teller
20. Banking
21. Billing Specialist
22. Bookkeeper
23. Cashier
24. Certified Public Accountant
25. Claims Examiner
26. Collections Representative
27. Controller
28. Cost Accountant
29. Credit Analyst
30. Economic Analyst
31. Economic Manager
32. Economic Specialist
33. Finance
34. Financial Advisor
35. Financial Analyst
36. Financial Counselor
37. Investment Banking
38. Leasing Industry
39. Liability Examiner
40. Loan Officer
41. Loan Processor
42. Mortgage Banking
43. Mutual Funds
44. Payroll Administrator
45. Risk Management
46. Senior Accountant
47. Tax Accountant
48. Teller

Managerial Job Titles

1. B2B
2. Business
3. Business Analyst
4. Convention Management
5. Development Manager
6. ICT Manager
7. IT Manager
8. IT Support Administrator

9. IT Support Officer
10. Manufacturer
11. Out Sourcing Executive
12. Planning Analyst
13. Planning Manager
14. Planning Specialist
15. Policy Assistant
16. Project Control Manager
17. Support Analyst
18. Systems Integration
19. Technology Assistant

Sales Job Titles

1. Advertising Sales
2. Animal Health Sales
3. Auto Sales
4. Automobile Sales
5. Automotive Sales
6. Biotech Sales
7. Boat Sales
8. Branch Manager
9. Business Development Manager
10. Business to Business Sales
11. Buyer
12. Car Sales
13. Channel Manager
14. Chemical Sales
15. Clothing company
16. Computer Sales
17. Counselor
18. Customer Service Manager
19. Dental Sales
20. Direct Sales
21. Director of Sales
22. Educational Sales
23. Employment Counselor
24. Entry Level Pharmaceutical Sales
25. Food Sales
26. Golf Sales
27. Guidance Counselor
28. Health Care Sales
29. Help Desk
30. Hotel Sales
31. Industrial Sales
32. Inside Sales
33. Insurance
34. Insurance Industry
35. Insurance Sales
36. Insurance Specialist
37. International Sales
38. IT Sales
39. Manager Sales
40. Marketing
41. Marketing Manager
42. Medical Device Sales
43. Medical Equipment Sales
44. Medical Sales
45. Merchandiser
46. Outside Sales
47. Pharmaceutical Sales
48. Pharmaceutical Sales Rep
49. Product Manager
50. Product Marketing Manager

51. Professional Sales
52. Promotional Agent
53. Promotional Specialist
54. Property Analyst
55. Property Manager
56. Real Estate
57. Real Estate Agent
58. Real Estate Appraiser
59. Real Estate Sales
60. Retail
61. Retail Manager
62. Retail Sales
63. Sales
64. Sales and Marketing
65. Sales Associate
66. Sales Executive
67. Sales Management
68. Sales Manager
69. Sales Rep
70. Sales Representative
71. Sales Training
72. Service Manager
73. Share Time Sales
74. Software Sales
75. Software Services
76. Store Manager
77. Surveying Technician
78. Technical Sales
79. Telemarketer
80. Telephone Sales
81. Travel Agent
82. Wine Sales

Appendix 3. WORLD'S MAJOR CURRENCIES

Country	Currency	ISO-4217	Symbol
	A		
Afghanistan	Afghan afghani	AFN	
Albania	Albanian lek	ALL	
Algeria	Algerian dinar	DZD	
American Samoa	*see United States*		
Andorra	*see Spain and France*		
Angola	Angolan kwanza	AOA	
Anguilla	East Caribbean dollar	XCD	EC$
Antigua and Barbuda	East Caribbean dollar	XCD	EC$
Argentina	Argentine peso	ARS	
Armenia	Armenian dram	AMD	
Aruba	Aruban florin	AWG	*ƒ*
Australia	Australian dollar	AUD	$
Austria	European euro	EUR	€
Azerbaijan	Azerbaijani manat	AZN	
	B		
Bahamas	Bahamian dollar	BSD	B$
Bahrain	Bahraini dinar	BHD	
Bangladesh	Bangladeshi taka	BDT	
Barbados	Barbadian dollar	BBD	Bds$
Belarus	Belarusian ruble	BYR	Br
Belgium	European euro	EUR	€

Country	Currency	ISO-4217	Symbol
Belize	Belize dollar	BZD	BZ$
Benin	West African CFA franc	XOF	CFA
Bermuda	Bermudian dollar	BMD	BD$
Bhutan	Bhutanese ngultrum	BTN	Nu.
Bolivia	Bolivian boliviano	BOB	Bs.
Bosnia-Herzegovina	Bosnia and Herzegovina konvertibilna marka	BAM	KM
Botswana	Botswana pula	BWP	P
Brazil	Brazilian real	BRL	R$
British Indian Ocean Territory	*see United Kingdom*		
Brunei	Brunei dollar	BND	B$
Bulgaria	Bulgarian lev	BGN	
Burkina Faso	West African CFA franc	XOF	CFA
Burma	*see Myanmar*		
Burundi	Burundi franc	BIF	FBu
	C		
Cambodia	Cambodian riel	KHR	
Cameroon	Central African CFA franc	XAF	CFA
Canada	Canadian dollar	CAD	$
Canton and Enderbury Islands	*see Kiribati*		

Country	Currency	ISO-4217	Symbol
Cape Verde	Cape Verdean escudo	CVE	Esc
Cayman Islands	Cayman Islands dollar	KYD	KY$
Central African Republic	Central African CFA franc	XAF	CFA
Chad	Central African CFA franc	XAF	CFA
Chile	Chilean peso	CLP	$
China	Chinese renminbi	CNY	¥
Christmas Island	*see Australia*		
Cocos (Keeling) Islands	*see Australia*		
Colombia	Colombian peso	COP	Col$
Comoros	Comorian franc	KMF	
Congo	Central African CFA franc	XAF	CFA
Congo, Democratic Republic	Congolese franc	CDF	F
Cook Islands	*see New Zealand*		
Costa Rica	Costa Rican colon	CRC	₡
Côte d'Ivoire	West African CFA franc	XOF	CFA
Croatia	Croatian kuna	HRK	kn
Cuba	Cuban peso	CUC	$
Cyprus	European euro	EUR	€
Czech Republic	Czech koruna	CZK	Kč

Country	Currency	ISO-4217	Symbol
	D		
Denmark	Danish krone	DKK	Kr
Djibouti	Djiboutian franc	DJF	Fdj
Dominica	East Caribbean dollar	XCD	EC$
Dominican Republic	Dominican peso	DOP	RD$
Dronning Maud Land	*see Norway*		
	E		
East Timor	*see Timor-Leste*		
Ecuador	uses the U.S. Dollar		
Egypt	Egyptian pound	EGP	£
El Salvador	uses the U.S. Dollar		
Equatorial Guinea	Central African CFA franc	GQE	CFA
Eritrea	Eritrean nakfa	ERN	Nfa
Estonia	Estonian kroon	EEK	KR
Ethiopia	Ethiopian birr	ETB	Br
	F		
Faeroe Islands (Føroyar)	*see Denmark*		
Falkland Islands	Falkland Islands pound	FKP	£
Fiji	Fijian dollar	FJD	FJ$
Finland	European euro	EUR	€
France	European euro	EUR	€

Country	Currency	ISO-4217	Symbol
French Guiana	*see France*		
French Polynesia	CFP franc	XPF	F
	G		
Gabon	Central African CFA franc	XAF	CFA
Gambia	Gambian dalasi	GMD	D
Georgia	Georgian lari	GEL	
Germany	European euro	EUR	€
Ghana	Ghanaian cedi	GHS	
Gibraltar	Gibraltar pound	GIP	£
Great Britain	*see United Kingdom*		
Greece	European euro	EUR	€
Greenland	*see Denmark*		
Grenada	East Caribbean dollar	XCD	EC$
Guadeloupe	*see France*		
Guam	*see United States*		
Guatemala	Guatemalan quetzal	GTQ	Q
Guernsey	see United Kingdom		
Guinea-Bissau	West African CFA franc	XOF	CFA
Guinea	Guinean franc	GNF	FG
Guyana	Guyanese dollar	GYD	GY$
	H		
Haiti	Haitian gourde	HTG	G

Country	Currency	ISO-4217	Symbol
Heard and McDonald Islands	*see Australia*		
Honduras	Honduran lempira	HNL	L
Hong Kong	Hong Kong dollar	HKD	HK$
Hungary	Hungarian forint	HUF	Ft
	I		
Iceland	Icelandic króna	ISK	kr
India	Indian rupee	INR	Rs
Indonesia	Indonesian rupiah	IDR	Rp
International Monetary Fund	Special Drawing Rights	XDR	SDR
Iran	Iranian rial	IRR	
Iraq	Iraqi dinar	IQD	
Ireland	European euro	EUR	€
Isle of Man	*see United Kingdom*		
Israel	Israeli new sheqel	ILS	
Italy	European euro	EUR	€
Ivory Coast	*see Côte d'Ivoire*		
	J		
Jamaica	Jamaican dollar	JMD	J$
Japan	Japanese yen	JPY	¥
Jersey	*see United Kingdom*		
Johnston Island	*see United States*		
Jordan	Jordanian dinar	JOD	

Country	Currency	ISO-4217	Symbol
	K		
Kampuchea	*see Cambodia*		
Kazakhstan	Kazakhstani tenge	KZT	T
Kenya	Kenyan shilling	KES	KSh
Kiribati	*see Australia*		
Korea, North	North Korean won	KPW	W
Korea, South	South Korean won	KRW	W
Kuwait	Kuwaiti dinar	KWD	
Kyrgyzstan	Kyrgyzstani som	KGS	
	L		
Laos	Lao kip		
LAK	KN		
Latvia	Latvian lats	LVL	Ls
Lebanon	Lebanese lira	LBP	
Lesotho	Lesotho loti	LSL	M
Liberia	Liberian dollar	LRD	L$
Libya	Libyan dinar	LYD	LD
Liechtenstein	uses the Swiss franc		
Lithuania	Lithuanian litas	LTL	Lt
Luxembourg	European euro	EUR	€
	M		
Macau	Macanese pataca	MOP	P
Macedonia (Former Yug. Rep.)	Macedonian denar	MKD	

Country	Currency	ISO-4217	Symbol
Madagascar	Malagasy ariary	MGA	FMG
Malawi	Malawian kwacha	MWK	MK
Malaysia	Malaysian ringgit	MYR	RM
Maldives	Maldivian rufiyaa	MVR	Rf
Mali	West African CFA franc	XOF	CFA
Malta	European Euro	EUR	€
Martinique	*see France*		
Mauritania	Mauritanian ouguiya	MRO	UM
Mauritius	Mauritian rupee	MUR	Rs
Mayotte	*see France*		
Micronesia	*see United States*		
Midway Islands	*see United States*		
Mexico	Mexican peso	MXN	$
Moldova	Moldovan leu	MDL	
Monaco	*see France*		
Mongolia	Mongolian tugrik	MNT	
Montenegro	*see Italy*		
Montserrat	East Caribbean dollar	XCD	EC$
Morocco	Moroccan dirham	MAD	
Mozambique	Mozambican metical	MZM	MTn
Myanmar	Myanma kyat	MMK	K
	N		
Nauru	*see Australia*		

Country	Currency	ISO-4217	Symbol
Namibia	Namibian dollar	NAD	N$
Nepal	Nepalese rupee	NPR	NRs
Netherlands Antilles	Netherlands Antillean gulden	ANG	NA*f*
Netherlands	European euro	EUR	€
New Caledonia	CFP franc	XPF	F
New Zealand	New Zealand dollar	NZD	NZ$
Nicaragua	Nicaraguan córdoba	NIO	C$
Niger	West African CFA franc	XOF	CFA
Nigeria	Nigerian naira	NGN	
Niue	*see New Zealand*		
Norfolk Island	*see Australia*		
Northern Mariana Islands	*see United States*		
Norway	Norwegian krone	NOK	kr
	O		
Oman	Omani rial	OMR	
	P		
Pakistan	Pakistani rupee	PKR	Rs.
Palau	*see United States*		
Panama	Panamanian balboa	PAB	B./
Papua New Guinea	Papua New Guinean kina	PGK	K
Paraguay	Paraguayan guarani	PYG	

Country	Currency	ISO-4217	Symbol
Peru	Peruvian nuevo sol	PEN	S/.
Philippines	Philippine peso	PHP	
Pitcairn Island	*see New Zealand*		
Poland	Polish zloty	PLN	
Portugal	European euro	EUR	€
Puerto Rico	*see United States*		
	Q		
Qatar	Qatari riyal		
QAR	QR		
	R		
Reunion	*see France*		
Romania	Romanian leu	RON	L
Russia	Russian ruble	RUB	R
Rwanda	Rwandan franc	RWF	RF
	S		
Samoa (Western)	*see Western Samoa*		
Samoa (America)	*see United States*		
San Marino	*see Italy*		
São Tomé and Príncipe	São Tomé and Príncipe dobra	STD	Db
Saudi Arabia	Saudi riyal	SAR	SR
Sénégal	West African CFA franc	XOF	CFA
Serbia	Serbian dinar	RSD	din.

Country	Currency	ISO-4217	Symbol
Seychelles	Seychellois rupee	SCR	SR
Sierra Leone	Sierra Leonean leone	SLL	Le
Singapore	Singapore dollar	SGD	S$
Slovakia	European euro	EUR	€
Slovenia	European euro	EUR	€
Solomon Islands	Solomon Islands dollar	SBD	SI$
Somalia	Somali shilling	SOS	Sh.
South Africa	South African rand	ZAR	R
Spain	European euro	EUR	€
Sri Lanka	Sri Lankan rupee	LKR	Rs
St. Helena	Saint Helena pound	SHP	£
St. Kitts and Nevis	East Caribbean dollar	XCD	EC$
St. Lucia	East Caribbean dollar	XCD	EC$
St. Vincent and the Grenadines	East Caribbean dollar	XCD	EC$
Sudan	Sudanese pound	SDG	
Suriname	Surinamese dollar	SRD	$
Svalbard and Jan Mayen Islands	*see Norway*		
Swaziland	Swazi lilangeni	SZL	E
Sweden	Swedish krona	SEK	kr
Switzerland	Swiss franc	CHF	Fr.
Syria	Syrian pound	SYP	

Country	Currency	ISO-4217	Symbol
	T		
Tahiti	*see French Polynesia*		
Taiwan	New Taiwan dollar	TWD	NT$
Tajikistan	Tajikistani somoni	TJS	
Tanzania	Tanzanian shilling	TZS	
Thailand	Thai baht	THB	
Timor-Leste	*uses the U.S. Dollar*		
Togo	West African CFA franc	XOF	CFA
Trinidad and Tobago	Trinidad and Tobago dollar	TTD	TT$
Tunisia	Tunisian dinar	TND	DT
Turkey	Turkish new lira	TRY	YTL
Turkmenistan	Turkmen manat	TMT	m
Turks and Caicos Islands	*see United States*		
Tuvalu	*see Australia*		
	U		
Uganda	Ugandan shilling	UGX	USh
Ukraine	Ukrainian hryvnia	UAH	
United Arab Emirates	UAE dirham	AED	
United Kingdom	British pound	GBP	£
United States of America	United States dollar	USD	US$
Upper Volta	*see Burkina Faso*		

Country	Currency	ISO-4217	Symbol
Uruguay	Uruguayan peso	UYU	$U
Uzbekistan	Uzbekistani som	UZS	
	V		
Vanuatu	Vanuatu vatu	VUV	VT
Vatican	*see Italy*		
Venezuela	Venezuelan bolivar	VEB	Bs
Vietnam	Vietnamese dong	VND	₫
Virgin Islands	*see United States*		
	W		
Wake Island	*see United States*		
Wallis and Futuna Islands	CFP franc	XPF	F
Western Sahara	*see Spain*		
Western Samoa	Samoan tala	WST	WS$
	Y		
Yemen	Yemeni rial	YER	
	Z		
Zaïre	*see Congo, Democratic Republic*		
Zambia	Zambian kwacha	ZMK	ZK
Zimbabwe	Zimbabwean dollar	ZWR	Z$

Appendix 4. MAJOR ABBREVIATIONS AND ACRONYMS IN ECONOMICS AND FINANCE

a.a.r. — against all risks	от всех рисков; страхование от всех рисков
AC; a/c — current account	р/с — расчетный счет; текущий счет
a.c. — anni currentis	с.г. — сего года
ACCR — annual credit review report	годовой кредитный отчет
accr. int — accrued interest	начисленные проценты
acctg — accounting	бухгалтерский учет
A/cs. Pay.; a/c pay — accounts payable	кредиторская задолженность; счета к оплате; долги; денежные обязательства; текущая задолженность (кредиторам)
A/cs. Rec.; a/c гес — accounts receivable	дебиторская задолженность; средства в расчетах; права требования (по денежным обязательствам); текущая задолженность (дебиторов), счета к получению
ACT — advance corporation tax	налог на дивиденды; налог на прибыль (юридических лиц)
Acv — actual cash value	фактическая стоимость наличными
a/d — after date	от сего числа; от даты векселя
AD procedures — anti-dumping procedures	антидемпинговые процедуры

a.d.s — autograph document signed	собственноручно написанный и подписанный документ
AE — admissible error	допустимая ошибка; несущественная ошибка
AEOR — annual evaluation overview report	годовой оценочный обзор
a.f. — as follows	как указано далее
AFC — average fixed cost(s)	средние постоянные издержки
agd — agreed	согласен; согласовано
AGM — annual general meeting	годовое собрание акционеров
AIJ — activities implemented jointly	мероприятия, реализуемые на совместной основе; проекты, реализуемые совместно (частично за счет донорских средств)
a.m. — above-mentioned	вышеупомянутый
AMA — asset management account	счет управления активами
AMR — annual monitoring report	годовой контрольный отчет
ao; a/o — account of	за счет кого-либо; в счет средств кого-либо
a.o.c.b — any other competent business	разное (пункт повестки дня)

A / P — authority to pay	доверенность на производство платежей; полномочия на производство платежей
A/P — authority to purchase	доверенность на покупку; полномочия на производство закупок
APR — annual percentage rate	процентная ставка в годовом исчислении; годовая процентная ставка
APY — annual percentage yield	доход в виде процентов в год; годовой доход в процентах
AR — annual report	годовой отчет
AR — auditor's report;/ audit report	АЗ — аудиторское заключение; аудиторский отчет; отчет аудиторов; заключение аудиторов
ARI — accounting rate of interest	учетная процентная ставка
AS — after sight	по предъявлении
asap; a.s.a.p. — as soon as possible	по возможности в ближайшее время; немедленно; как можно скорее; в возможное ближайшее время
asf — and so forth	и т.д. — и так далее
ATM — automated teller machine	банкомат
ATR — acid test ratio	отношение ликвидных статей баланса банка к депозитам; промежуточный коэффициент ликвидности
ATS schilling	австр. шил. — австрийский шиллинг

ATS account — automatic transfer service account	АТС — счет
av. average	ср. — средняя; средняя величина
AVC — average variable cost(s)	средние переменные издержки
B/B — back-to-back letter of credit	компенсационный аккредитив
B/B — bare board; bare boat	чартер на судно, зафрахтованное без экипажа
B/C — bills for collection	векселя на инкассо
bcc — blind carbon copies	копии, не включенные в рассылку (реквизит документа)
BD — bank draft	банкирский чек; банковский чек
BD — Banking Department	банковский департамент
b.d.i. — both dates inclusive	включительно; обе даты включительно
BDS — Board of Directors Series	документы Совета директоров
BDU — Business Development Unit	отдел привлечения бизнеса; отдел маркетинга; отдел по работе с инвесторами и кредиторами
B/F; BF — brought forward	перенесенный остаток
BG — Board of Governors	Совет управляющих

BIC — Business Information Centre	справочно-информационный центр
bkge — brokerage	брокерская комиссия
b/1 — bill of lading	коносамент
BOD — Board of Directors	Совет директоров
bold — Board On Line Documents	документы Совета директоров, доступные в электронной форме
BOM — beginning of month	на начало месяца; начало месяца
BoP; BOP — balance of payments	платежный баланс
BoT — balance of trade	торговый баланс
balance of payments	платежный баланс
Bp — basis point	базисный пункт
B/p — bills payable	кредиторская задолженность; счета к оплате; денежные обязательства; долги; текущая задолженность (кредиторам)
BP — business plan	ПХД — план хозяйственной деятельности; деловой план; экономический расчет; бизнес-план (разг.)
bps — basis points	базисные пункты
B/г — bills receivable	дебиторская задолженность; права требования (по денежным обязательствам), текущая задолженность (дебиторов), счета к получению

BS; B/S — balance sheet	баланс; балансовый отчет
b/s — bill of sale	купчая
BTC — business training centre	УДЦ — учебно-деловой центр
BUA — budgetary unit account	счет бюджетной позиции
BV — book value	балансовая стоимость (активов); книжная стоимость (активов)
BW; Bw — bid wanted	приглашение на торги; предложение представлять заявки
CAD — cash against documents	«наличные против документов»
CADS — cash available for debt service	располагаемая наличность для обслуживания долга
CAMEL — capital, asset quality, management, earnings, liquidity	здоровые банковские принципы (достаточность капитала, высокое качество активов, компетентные руководители, доходность, ликвидность)
C&I — cost and insurance	стоимость и страхование
CAPEX — capital expenditure	капитальные расходы; капитальные затраты
CAT — customer activated terminal	комплексный банкомат; банкомат, предоставляющий ряд банковских услуг (помимо выдачи наличных денег)
CB — correspondent bank	банк-корреспондент

cbe — can't be everywhere	«занят другими заданиями»; «у меня и без того много работы»
CCL — critical consumption level	критический уровень потребления
cct — correct	верно
CD — certificate of deposit	депозитный сертификат
cd. — cum dividend	включая дивиденд; включая дивиденды
CEO — chief executive officer	генеральный директор (компании)
CF — carried forward	перенесенный остаток (прошлого периода)
CFO — chief financial officer	финансовый директор (компании)
CGT — capital gains tax	налог на увеличение стоимости капитала; налог на прирост капитала
Ch. — chapter	глава; раздел
Chgs — charges	расходы
cia — cash in advance	предоплата; предоплата наличными
CL — credit line	кредитная линия
CLC — commercial letter of credit	документарный аккредитив; товарный аккредитив
CMO — collaterised mortgage obligation	долговое обязательство, обеспеченное ипотекой
C/N — credit note	кредитовое авизо

C/O — certificate of origin	свидетельство о происхождении (товара или груза)
c.o.b. — close of business	конец рабочего дня; прекращение операций
COD — cash on delivery	наложенный платеж; наложенным платежом
cod consignment — cash-on-delivery consignment	отправление наложенным платежом; отправление груза наложенным платежом
COF — cost of funds	стоимость денежных средств; стоимость привлеченных денежных средств
cons — consignment	груз; партия груза; консигнационная поставка товаров
cons — note consignment note	транспортная накладная
COO — chief operating officer	должностное лицо компании, отвечающее за текущую деятельность; главный инженер (на предприятии)
cp — cashpoint	банкомат; кассовый аппарат
cp — commercial paper	краткосрочный коммерческий вексель (на срок менее одного года; без обеспечения)
CPI — consumer price index	ИПЦ — индекс потребительских цен
C/R — company's risk	риск компании
cr — credit	кредит; кредит счета
CRF — capital recovery factor	фактор возвращения капитала; фактор возврата капитала

CV — curriculum vitae	биографическая справка; анкетные данные
Cvt — convertible	конвертируемый
D/A — deposit account	депозитный счет
D/A — documents against acceptance	«документы против акцепта»
D/C — documents against cash	«документы против денег»
dd — due date	срок платежа
DK — don't know	неизвестно; не знаю
d/l — demand loan	кредит до востребования
D/P — documents against payment	документы под расчет; «деньги против документов»; документы за наличный расчет
DSA — debt service account	счет обслуживания долга
DSR — debt service ratio	коэффициент обслуживания долга
E&OE — Errors and omissions excepted	исключая ошибки и пропуски; ошибки и пропуски не считаются
EAON — except as otherwise noted	кроме случаев, когда указано иное
EDP — electronic data processing	электронная обработка данных; безбумажный документооборот
EE — energy efficiency	энергоэффективность; энергосбережение
EER — economic exchange rate	рыночный обменный курс

enc — enclosure; enclosures	приложение; приложения (реквизит документа)
EOD — every other day	раз в два дня
EOM — end of month	конец месяца; на конец месяца
EPS — earnings per share	доход на акцию; доход в расчете на одну акцию
economic rate of return	экономическая ставка дохода; доходность для экономики страны; ставка доходности для экономики страны
estd — established	основано; учреждено (о предприятии)
et seq	все последующие
EUA — European unit of account	ЭКЮ / европейская валютная единица; европейская расчетная единица
Exs; Exps — expenses	издержки; расходы
FAO — for attention of...	адресат:
FDI — foreign direct investment	прямые иностранные инвестиции; прямые иностранные капиталовложения
FE — foreign exchange	валюта; иностранная валюта; инвалюта; СКВ
FEZ — Free Economic Zone	СЭЗ / свободная экономическая зона
FIG — financial industrial group	ФПГ / финансово-промышленная группа

f.i.t. — free of income tax	не облагаемый подоходным налогом
FOC — free of charge	бесплатно; безвозмездно
forex	инвалюта
FP — fully paid	полностью оплачено
FRN — floating rate note	долговое обязательство с плавающей ставкой; вексель с плавающей ставкой; облигация с плавающей ставкой (на международном рынке)
FS — feasibility study	ТЭО / технико-экономическое обоснование
FS — final settlement	окончательный расчет
FSU — Former Soviet Union	б. СССР / бывший СССР; бывший Советский Союз
F/T — full time	на полный рабочий день; полный рабочий день; на полную рабочую неделю
fwd — forward	препроводите; перешлите; переадресуйте
FX — foreign exchange	СКВ / валюта; иностранная валюта; инвалюта
FY — financial year; fiscal year	финансовый год
FYA — for your attention	Вашему вниманию; на Ваше рассмотрение
FYI — for your information	Для Вашего сведения; в порядке информации; для сведения; направляется в порядке информации

G&A — general and administrative expenses	общие административные издержки; общие административные расходы; административно-хозяйственные расходы
GAAP — Generally Accepted Accounting Principles	ОПБУ / общепринятые принципы бухгалтерского учета
GATT — General Agreement on Tariffs and Trade	ГАТТ / Генеральное соглашение по тарифам и торговле
GDI — gross domestic income	валовой внутренний доход
GDI — gross domestic investment	валовые внутренние инвестиции
GDP — gross domestic product	ВВП / валовой внутренний продукт
GNDI — gross national disposable income	ВРНД / валовой располагаемый национальный доход
GNE — gross national expenditure	валовой национальный расход; валовые национальные расходы
GNI — gross national income	ВНД / валовой национальный доход
GNP — gross national product	ВНП / валовой национальный продукт
govt — government	правительственный; государственный; правительство
GP — general purpose	общего назначения

GPN — general procurement notice	общее уведомление о закупках; объявление о предстоящих закупках; объявление о закупках (по проекту)
GSP — gross social product	ВОП / валовой общественный продукт
GTM — good this month	действительно в течение месяца
GTW — good this week	действительно в течение недели
GTZ; GtZ — Gesellschaft fur technische Zusammenorbeit (Germanagency hr technical cooperation)	Германское агентство технического сотрудничества
HQ — headquarters	штаб-квартира; главная контора
HR — human resources	людские ресурсы; рабочая сила; трудовые ресурсы; работники
IB — investment banking	инвестиционно-банковская деятельность
ILC — irrevocable letter of credit	безотзывный аккредитив
INCOTERMS — International Commercial Terms	ИНКОТЕРМС /Международные условия торговли
insce — insurance	страхование; страховое дело
int — interest	проценты
IOU I — owe you	долговая расписка; долговое обязательство
IPD — interest, profits and dividends	проценты, прибыли и дивиденды

IFF — investment privatisation fund	приватизационный фонд (Словацкая Республика; Чешская Республика)
IPO — international public offering	открытая подписка на ценные бумаги, проводимая одновременно в ряде стран
i.v. — invoice value	фактурная стоимость
JSC — joint-stock company	А/О; АО / акционерное общество
JV — joint venture	СП / совместное предприятие
K — thousand	тыс. тысяча
L/A — letter of advice	авизо; извещение
L/A — letter of authority	доверенность; полномочия
LC; L/C — letter of credit	аккредитив
L/I — letter of intent	письмо о намерениях
LIB — limited international bidding	ограниченные международные торги
LOC — letter of commitment	гарантийное письмо
LOC — letter of credit	аккредитив
LOI — letter of information	информационное письмо; информационный бюллетень
LOI — letter of intent	письмо о намерении; письмо о намерениях
LOR — letter of representation	письмо-заверение
L/T — letter of transmittal	препроводительное письмо; сопроводительное письмо

M&A — merger and acquisition	слияние и приобретение; слияние и поглощение
MC — marginal cost	предельные издержки
m.d. — ... months after date	через ... месяцев
MNE — multinational enterprise	многонациональное предприятие
моu — memorandum of understanding	меморандум о взаимопонимании
MSE — micro- and small enterprises	микро- и мелкие предприятия
NA — national accounts	национальные счета; государственная отчетность
NA; n/a — not applicable	не применимо
n.a. — not available	нет данных; данные отсутствуют
NBV — net book value	чистая балансовая стоимость; чистая книжная стоимость
nc — no charge	бесплатно; безвозмездно
NCU — national currency unit	единица национальной валюты
NCV — no commercial value	коммерческой ценности не имеет; денежной ценности не имеет
nd — по date	без даты; дата отсутствует; не датировано; дата не проставлена
NDA — net domestic assets	ЧВА / чистые внутренние активы

NICs — newly industrialised countries	новые промышленно развитые страны; новые индустриализированные страны
NMP — net material product	ЧМП / чистый материальный продукт
NNI — net national income	ЧНД / чистый национальный доход
NNP — net national product	ЧНП / чистый национальный продукт
NOA — net operating assets	активы, используемые в основной деятельности; активы, используемые в деятельности по реализации; основные фонды
NOI — net operating income	чистый доход от основной деятельности; чистый доход от реализации; чистый доход от деятельности по реализации
nop — not otherwise provided for	если не предусмотрено иное; иначе не предусмотренный
O/A — on account	в кредит
O/A — outstanding account	неоплаченный счет; неурегулированный счет
o/d — on demand	до востребования
OER — official exchange rate	официальный обменный курс
o/h; O/H — overhead; overheads	накладные расходы
O/N — rate overnight rate	ставка по требованию

o/o — order of	по поручению ...; по распоряжению...
O/T — overtime	сверхурочные
p/a; p.a. — per annum	в год; годовых; процентов годовых
PA — power of attorney	доверенность; полномочия
P&L; P+L — profit and loss	прибыли и убытки; счет прибылей и убытков
pcrn; p.c.m. — per calendar month	в месяц
pd — paid	уплачено; оплачено
pd — per day	в сутки; в день
PIK — payment in kind	натуральная оплата; оплата натурой; платеж натурой
PIN — personal identification number	личный номер клиента; персональный код пользователя
pls — please	просьба; пожалуйста
POP — point of purchase	торговая точка
PR — public relations	связи с общественностью; работа с общественностью; организация общественного мнения; формирование общественного мнения
P/T — part time	на неполный рабочий день; неполный рабочий день; неполная рабочая неделя
pw — per week	в неделю
QC — quality control	контроль качества
QSR — quarterly status report	квартальный отчет (о стадии прохождения проектов)

R&D — research and development	НИОКР / научно-исследовательские и опытно-конструкторские работы
ROE — return on equity	чистая прибыль на уставный капитал (в процентном выражении)
RPI — rate of price inflation	темпы инфляции
RPI — retail price index	ИРЦ / индекс розничных цен
RSU — remote service unit	банкомат (расположенный вне банка); автономный банкомат
s.a. — subject to approval	при условии одобрения; подлежит одобрению
S&P — sale and purchase	купля-продажа
sd — sine die	без даты; без указания даты
SE — Stock Exchange	фондовая биржа
soc — social overhead costs	расходы на социальную сферу
SOE — state-owned enterprise	государственное предприятие
SRP — suggested retail price	ориентировочная розничная цена; розничная цена, рекомендуемая производителем
ST — investments short-term investments	краткосрочные капиталовложения
SWIFT — Society for Worldwide Interbank Financial Telecommunication	система СВИФТ; система SWIFT; Организация всемирной межбанковской финансовой связи

SWOT — strengths / weaknesses / opportunities /trends; strengths / weaknesses / opportunities/threats	сильные и слабые стороны, возможности, тенденции; сильные и слабые стороны, возможности, опасности
TA — technical assistance	техническое содействие
TA — transit account	транзитный счет
TA — travel authorisation	командировочное предписание
T&E — card travel and entertainment card	корпоративная кредитная карточка; служебная кредитная карточка
tbd — to be decided	решение еще не принято; требует принятия решения
tbd — to be determined	подлежит определению; требует принятия решения
tbd — to be discussed	подлежит обсуждению; требует обсуждения
tbd — to be drafted	формулировка еще не подготовлена; требуется формулировка; формулировка уточняется
t.c.f. — till called for	до востребования
TD — time and date	время и дата
tks — thanks	благодарю; спасибо
TOR — terms of reference	ТЗ / техническое задание; задание; круг ведения; положение; мандат (консультанта)
UA — unit of account	расчетная единица
UFN — until further notice	до последующего уведомления
VAT — value added tax	НДС / налог на добавленную стоимость

VC — venture capital	венчурный капитал
viz. — videlicet [Latin]; namely	а именно
W/B — waybill	коносамент
WB — World Bonk	ВБ / Всемирный банк
wef — with effect from...	вступающий в силу с ...
WG — working group	рабочая группа
wh — warehouse	склад
w/o — without	без
WPI — wholesale price index	ИОЦ / индекс оптовых цен
WTO — World Trade Organisation	ВТО / Всемирная торговая организация
XAMR — expanded annual monitoring report	развернутый годовой контрольный отчет
YTM — yield to maturity	доход от ценной бумаги при ее погашении; доход от ценной бумаги за период всего оговоренного срока ее обращения
YTR — yield to redemption	доходность до срока погашения; доходность до предъявления к погашению; доходность до выхода облигации в тираж погашения; доходность до выкупа (ценной бумаги эмитентом); доходность к погашению
ZBB — zero-based budget	бюджет с нулевым ростом

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Вдовичев Алексей Владимирович
Науменко Наталья Петровна

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ООО «ФЛИНТА», 117342, г. Москва, ул. Бутлерова, д. 17-Б, комн. 324.
Тел./факс: 334-82-65; тел. 336-03-11.
E-mail: flinta@mail.ru; WebSite: www.flinta.ru

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А.В. Вдовичев, Н.П. Науменко

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