

**MINISTRY OF HIGHER AND SPECIAL SECONDARY EDUCATION**

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The Methodic Work is fulfilled for the third year bachelor–students of Banking and finance Department.

The primary good of this work is to teach students to read special literature and work with it. It includes texts, complex of lexical exercises to the text. This work can be used both for class work and for homework.

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# UNIT 1

## ECONOMICS

- Texts:**
1. What is Economics all about?
  2. Business Entities
  3. What is capitalism and How does it operate?

**Ex 1. As you read the text below try to give the Uzbek (Russian) equivalents of the following words and word – combinations:**

raw materials	output
labour force	production costs
utilize	consumer preferences
rational solution	benefit (from)
rationing device	sophisticated technologies
equitable	to be subject to
revenues	alternate
allocation	monetary policy
exceed	fiscal policy
input	to seek profits

### Text 1.

#### WHAT IS ECONOMICS ALL ABOUT?

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

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

It is done through a market, which is a set of arrangements through which buyers and sellers make contact and do business, in which choices concerning the allocation of resources and transactions among members

of society involving factors of production, incomes, goods and services are left to countless independent decisions of individual consumers and producers acting on their own behalf.

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

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

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

Another important force of the market is competition. On the one hand, it protects the customers – they have the right of choice and they benefit from the fact that competition keeps price close to costs; on the other hand, it makes producers and suppliers of scarce resources utilize them economically, using most sophisticated technologies.

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

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

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

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

**С.Н.Любимцева, В.Н.Коренева**  
**Курс англ.яз. для финансистов.**

**Ex 2. Give derivatives of:**

distribution	production	economy
competition	regulation	supply
allocation	expenditure	consumer
scarcity	growth	policy
profit	employment	effect

**Ex 3. Write out from the text international words like economy, resources, etc.**

**Ex 4. Look through the text again and find the answers to the following questions:**

1. What is characteristic of any society?
2. How can economic resources be classified?
3. What is the most efficient economic system? Why?
4. How does the market operate?
5. What is the price determined by?
6. What role do the price mechanisms play in free – market economy?
7. Why is competition an important force of the market?
8. What determines the economic environment?

**Ex 5. Match the words to their definitions.**

1. scarcity
  2. law of demand
  3. law of supply
  4. economic system
  5. price
  6. market
  7. distribution
  8. free market
- a. The demand for a particular product or service
  - b. A lack of something that can be used to satisfy all wants
  - c. A principle stating that producers will supply more of an item at a higher price than at a lower price
  - d. In economics, the allocation of resources among agents in an economy. It has been a fundamental question in economics since earliest times.
  - e. A principle stating that consumers will generally buy less of an item at a higher price than at a lower price.
  - f. A market that is free from government interference, prices rising and falling in accordance with supply and demand.

- g. The amount of money given or asked for when goods or services are bought or sold.
- h. A way of producing goods and services and of providing a means for people to get them.

**Ex 6. Critical Thinking. Define whether the statements below are true or false:**

Answers: 1 tr, 2 f, 3 tr, 4 f, 5 tr, 6 f, 7 tr, 8 tr

1. All businesses produce goods and service and seek profits.
2. Economic machines always run smoothly.
3. The price are determined through the interaction of demand and supply.
4. Only Britain operates a mixed system splitting the economy into public and private sectors.
5. The natural monopolies are transport, gas, electricity, and water supply.
6. The State doesn't regulate business and economy.
7. The value of all goods and services produced in the economy measured by gross domestic product (GDP)
8. Interaction of consumers, producers and the government constitutes economic activity.

**Ex 7. Write several paragraphs on the following:**

**a) The market mechanism**

**Use:** to make contact, to do business, to choose, to solve, to buy, to sell, to compete, to produce, price, allocation of resources

**b) Competition.**

**Use:** to benefit from, to keep, to cost, to utilize, economically, consumer, preferences, prices, to protect, production costs

**c) Favourable / unfavourable economic situation in a country.**

**Use:** economic activity, industrial production, standards of living, unemployment, inflation, external debt, export, import

**d) The rational solution of ways of utilizing resources.**

**Use:** economic growth, social, security of the needy, stable prices, full employment, distribution of revenues

**Ex 8. Cluster Project Making.**

**Discuss these question and present your ideas by “clusters”**

1. Describe the economic systems existing in the world today. Which is the most effective system from your point of view (mention the economic agents and their relationships).
2. Name the most important economic system has to solve with regard to them.

3. What is market? How does the market mechanism function?
4. Do you agree that competition is an important force of the market?
5. What characterizes the transition to market economy in Uzbekistan?
6. Is Uzbekistan attractive to foreign business men and investors, and what are the most typical forms of business organization?

## **Text 2.**

### **BUSINESS ENTITIES**

**Ex 1. Give equivalents of the following words and word combinations in your native language:**

entity	general supervision
sole	transferring ownership
separate	double taxation
profit making business	capital stock
public firm	employ manager
elect a board of directors	
dominant form	

**Ex 2. Read the text and point out its main parts.**

### **BUSINESS ENTITIES**

There are three main types of business entities – sole proprietorship, partnership, and corporation. A *sole proprietorship* is an unincorporated business owned by one person. This type of business entity is usually small in size and is common in the service, retailing, and farming industries. Often the owner is the manager. Legally the business and the owner are not separate entities. However, accounting views the business as a separate entity that must be accounted for separately from its owner.

A *partnership* is an unincorporated business that is owned by two or more persons known as *partners*. Some partnerships are large in size (e.g., international public accounting firms and law firms). The agreements between the owners are specified in a partnership contract. This contract deals with such matters as division of income each reporting period and distribution of resources of the business upon termination of its operations. A partnership is not legally separate from its owners. Legally each partner in a general partnership is responsible for the debts of the business (each general partner has *unlimited liability*). However, the partnership is a separate business entity to be accounted for separately from its several owners.

A *corporation* is a business that is incorporated under the laws of a particular state. The owners are *called stockholders* or *shareholders*. Ownership is represented by shares of capital stock that usually can be bought and sold freely. When an approved application for incorporation is filed by the organizers, the state issues a charter. This charter gives the corporation the right to operate as a separate legal entity, separate and apart from its owners. The stockholders enjoy limited liability. Stockholders are liable for the debts of the corporation only to the extent of their investment. The corporate charter specifies the types and amounts of capital stock that can be issued. Most states require a minimum of two or three stockholders and a minimum amount of resources to be contributed at the time of organization. The stockholders elect a governing board of directors, which in turn employs managers and exercises general supervision of the corporation. Accounting also views the corporation as a separate business entity that must be accounted for separately from its owners.

In terms of economic importance, the corporation is the dominant form of business organization in the United States. This dominance is caused by the many advantages of the corporate form: (a) limited liability for the stockholders, (b) continuity of life, (c) ease in transferring ownership (stock), and (d) opportunities to raise large amounts of money by selling shares to a large number of people. The primary disadvantage of a corporation is that its income may be subject to double taxation (corporate income is taxed when earned and then again when it is distributed to stockholders as dividends).

**Ex 3. Look through the text again and copy out all the words pertaining to**

- a) a sole proprietorship
- b) a partnership
- c) a corporation

Compare your list with the same ones of your friends. Do it as quickly as possible.

**Ex 4. Match the words in Column A with their definitions in Column B.**

**Column A**

**Column B**

Answers: 1c, 2c, 3g, 4f, 5b, 6d, 7a

- |                              |   |
|------------------------------|---|
| 1. Entrepreneur              | a) large business that carry an activities such as production in two or more countries  |
| 2. Liability                 | b) a voluntary association of two or more persons to carry as co – owners of a business for profit                                      |
| 3. Limited Liability         | c) person, who organizes, manages and takes risks in running a business   |
| 4. Sole proprietorship       | d) A business organizational form that is considered to be a legal being. It insulates its owners from personal                         |
| 5. partnership               | e) being responsible for debts  |
| 6. corporation               | f) an incorporated business owned by one person   |
| 7. multinational corporation | g) the responsibility of the owners of a corporation for the debts of that corporation only to extent of the amount they have invested. |

**Ex 5. Read the text again and note the advantages and disadvantage of the corporate form.**

**Ex 6. Answer the questions according to the text:**

1. Why is a sole proprietorship called by that name?
2. Do you know the best way for partners to avoid problems?
3. What does unlimited Liability mean to the owners?
4. What is the major way that a corporation is different from a sole proprietorship and a partnership.
5. Explain double taxation.
6. How is general supervision of the corporation exercised?

**Ex 7. Give extensive answers to these discussion questions:**

1. What are the most typical forms of business organization in the west and in Uzbekistan?
2. What Liability is borne by different forms of business unit (joint – stock companies; partnerships?)
3. Does the state regulate business and economy?
4. Uzbekistan is moving towards market economy, but not every one is happy about it. Say why you think some people are opposed to market economy.

**Ex 8. Prepare a short talk on the following:**

1. Form of business organization: sale traders, partnerships, private Limited companies, public limited companies, cooperative societies.
2. The variety of jobs and careers among which to choose is enormous. Are you going to work in a private business, in government agencies or in the non – for – profit sector?

### Text 3.

#### WHAT IS CAPITALISM AND HOW DOES IT OPERATE?

**Ex 1. Before listening the text try to understand these words and word – combinations:**

**restrictions** – limits on action

**initiative** – process of making first moves in an action

**social justice** – equality of opportunity and fairness of treatment of all groups

**profit** – in economics, the return of capital as a factor of production; for a single transaction, the excess of the selling price of the article or service being sold over the costs of providing it.

**profit, motive** – the intention to still have something left after paying the costs of production.

**laissez – faire** (les–ay–Fair) – opposing government interference in economic affairs.

**annoy** – to bother

#### WHAT IS CAPITALISM AND HOW DOES IT OPERATE?

Capitalism is an economic system in which there is private ownership of property and the means of production. It is on the profit motive and freedom of individual initiative in business. Capitalism is often referred to as the free enterprise system. A true capitalist society operates only on the basis of supply and demand in a free and unregulated marketplace. Such a society has as little government regulation as possible. It favors Adam Smith's policy of *laissez-faire* (les-ay-FAIR), which means "allow to act". In other words, it means "let people do as they please". The government should do only what is needed directly to protect health and safety.

Many people say they favor *laissez-faire*, but it hardly exists today. There are no complete unregulated capitalism economies in the modern world. Every capitalist nation has limits on the ownership of property and the conduct of business. There are also heavy profit taxes plus many restrictions on investors and entrepreneurs. These regulations, limits and **restrictions** have produced a managed capitalist economy in today's world.

Capitalism has undergone many changes over the years.

Economic hardship, wars, labor unionism, and the attempt to bring about **social justice** have led to many changes. As a result, American capitalism has come to mean different things at different times.

In spite of constant changes, there is a general way of describing a modern capitalism economy. It is based on the private ownership of property and the means of production. Its free enterprise profit system offers producers and investors a chance for profit. Part of that risk is linked to the operation of supply and demand. That risk exists even in the modern system of government regulation and restrictions.

Government regulation and restrictions have grown steadily over the years. They are supposed to protect the people and the entire nation against hardship and suffering. Today there is evidence that many people feel there are too many government regulations and restrictions.

Government powers have also expanded in other ways. Over the years the government has tried to limit the economic powers of individuals and large corporation. It has done this by use of tax laws and by efforts to regulate many aspects of industrial and financial activities. These efforts may be annoying and they are often resented. However, they do not change the basic nature of the capitalist economy. Capitalism in the United States may be managed and regulated, but it is based on private property and the profit motive. There still exists a fairly free market. Most goods and services are still bought and sold on the basis of supply and demand.

Modern – day capitalism in the United States permits people to engage in dozens of kinds of economic activities. These include the following economic rights:

- The right to own personal and **real property**.
- The right to buy and sell shares of ownership in properties and businesses.
- The right to seek employment freely with any company and leave such employment.
- The right to borrow or lend money at interest.
- The right to collect money in the form of rents
- The right to produce goods in privately owned factories and workshops.

Abramowitz. Adkins. Rogers.

Economic and The American Free Enterprise system.

**resent** – обижаться, хафа бўлмоқ

**Ex 2. Listen to the text again and answer the questions:**

1. Why is capitalism sometimes called a private enterprise system?
2. What about government regulation?
3. What does Laissez – faire mean?

4. Can you describe a modern capitalist economy?
5. In which way has the government tried to limit economic powers of individuals and corporations?
6. Why is profit so important and an energizing force in the economy?
7. Explain the phrase “on the basis of supply and demand”

**Ex 3. Language competition.**

Look through the text and write a list of key words, using these words write a short summary.

**Ex 4. Problem Solving.**

Paul A. Samuelson and Milton Friedman are both professors of economics at universities. Both won Nobel prize for their writings and theories. After reading their comments answers the questions that follow them.

**Questions:** How seriously do you take the recent decline in productivity

**S. :** Our actual drop in productivity is temporary.

**Fr.:** The sharp decline in productivity is not serious and it will be reversed when the economy recovers.

**Questions:** To what extent are government regulations specifically responsible for the productivity decline? In what way?

**S.:** Safety regulation and pollution controls do lower productivity ... but longer lives and purer air are part of what an affluent society will rationally want... .

**Fr.:** Excessive regulation has imposed a heavy hidden tax that discourages investment and enterprise and is ultimately paid by the consumer.

**Answers the questions:**

1. How much do they differ in their ideas about economics?
2. How much are they in agreement?
3. Do Samuelson and Friedman agree or disagree about the seriousness of the recent decline in productivity?
4. Do the two economists agree or disagree whether government regulations lower productivity?
5. What does Professor Samuelson feel is most important in promoting productivity growth?

## UNIT 2

### PUBLIC FINANCE

- Texts:** 1. Financial and Financial System  
 2. Why Finance?  
 3. The UK Economy

**Ex 1. As you read the text below try to match the words and word – combinations in Column A to the their Uzbek Russian equivalents in Column B.**

	Column A	Column B
<b>Answers:</b> 1g, 2j, 3f, 4h, 5c, 6i, 7a, 8e, 9d, 10b	1. turnover	a) оценка, смета; баҳолаш олдиндан хисоблаш
	2. financial flows	b) финансовый год; молиявий йил
	3. provision	c) семейное хозяйство; оилавий хўжалик
	4. encouragement	d) точный прогноз; аниқ башорат
	5. household	e) расходы, затраты; сарфлаш, харажатлар
	6. thrift institution	f) снабжение, обеспечение; таъминлаш
	7. estimate	g) оборот, оборачиваемость (денег, капитала); айланиш, айланувчилиги
	8. expenditure	h) поддержка, стимулирование, поощрение; қўллаб–қувватлаш, рағбатлантириш
	9. accurate forecast	i) сберегательное учреждение; депозит муассасаси (омонатларни қабул қилиш билан шуғулланувчи)
	10. fiscal year	j) финансовые потоки; молиявий оқимлар (куйилиш)

**Ex 2. Before reading the text will you predict according to its name “Finance and financial system” its content? What types of finance are you acquainted with?**

**Read the text and define its main parts.**

#### Text 1.

### FINANCE AND FINANCIAL SYSTEM

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

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

Public finance is the provision of money (by the community through taxes) to be spent by national and local government authorities on<sup>1</sup> projects of national and local benefit. It is a collective term for the financial flows and also the financial institutions of the public sector.

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

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

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

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

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

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

**С.Н.Любимцева, В.Н.Коренева**  
**Курс англ.яз.для финансистов.**

### **Ex 3. Answer the following questions:**

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

**Ex 4. Match the words in Column A with the definitions in Column B.**

	Column A	Column B
Answers: 1e, 2d, 3b, 4h, 5c, 6g, 7a, 8f	1. fiscal year	a) the situation that exists when the government spends more than it collects
	2. finance	b) in economics, the allocation of resources among agents in an economy.
	3. distribution	c) a specified sum paid regularly to a person who has reached a certain age or retired from employment
	4. budget	d) the practice of manipulating and managing money
	5. pension	e) it is sometimes called the tax year or the year of assessment. (In the USA it runs from July to the following 30 <sup>th</sup> June )
	6. fund	f) the situation that results when the government spends less than it brings in
	7. deficit spending	g) a reserve of money or investments held for a specific purpose, e.g to provide a source of pensions or to sell as units (unit trust, etc.)
	8. surplus	h) a financial plan setting targets for the revenue expenditures of a country or an organization for a specified period

**Ex 5. Form derivatives with the following words (some of derivatives you can find in the text)**

implement  
allocate  
fund

maintain  
insure  
govern

spend  
estimate  
transfer

**Ex 6. Define whether the statements below are true or false:**

Answers: 1tr, 2f, 3tr, 4tr, 5f, 6f, 7tr, 8tr

1. The budget is an estimate of national revenue and expenditure.
2. Budget revenues don't include tax and not tax revenues.
3. Accurate budget evaluation is more necessary now than ever before.
4. Anything can serve as money that is easily recognized, widely accepted and not easily copied.
5. Gold, shells and pelts (шкура, тери) are used as money in the majority of countries.
6. Revenue and expenditure forecasting is not the most fundamental step in the process of budget preparation.
7. Finance in an economic system comprises two parts: public finance and finance of economic entities.
8. The budget is the key instrument for expression and execution of the government's economic policy.

**Ex 7. Read this information and say what you know about the budget process in the Republic of Uzbekistan:**

In the United States the federal budget deals mainly with expenditure programmers, and revenues are covered only briefly. The size of the budget deficit or surplus is regarded as very important. An important aspect of the budgetary process is a great influence of the congress.

In Great Britain the preparation of the budget is the function of the Treasury, which is headed by the Chancellor of the Exchequer (министр финансов). The emphasis of the British Budget is on taxation and the state of the economy. The Budget is the Government's main economic statement of the year.

**Ex 8. Prepare a short talk on the following:**

- a) Finance and financial system
- b) A budget as a major instrument of a financial system
- c) Supervision over budget execution
- d) Budget organization and budget process in Uzbekistan

**Text 2.**

**WHY FINANCE?**

**Read the text. Give Uzbek–Russian equivalents to the underlined words and word combinations.**

One of the primary considerations when going into business is money. Without sufficient funds a company cannot begin operations. The money needed to start and continue operating a business is known as capital. A new business needs capital not only for ongoing expenses but also for purchasing necessary assets. These assets—inventories, equipment, buildings, and property – represent an investment of capital in the new business.

How this new company obtains and uses money will, in large measure, determine its success. The process of managing this acquired capital is known as financial management. In general, finance is securing and utilizing capital to start up, operate, and expand a company.

To start up or begin business, a company needs funds to purchase essential assets, support research and development, and buy materials for production. Capital is also needed for salaries, credit extension to customers, advertising, insurance, and many other day-to-day operations. In addition, financing is essential for growth and expansion of a company. Because of

competition in the market, capital needs to be invested in developing new product lines and production techniques and in acquiring assets for future expansion.

In financing business operations and expansion, a business uses both short-term and long-term capital. A company, much like an individual, utilizes short-term capital to pay for items that last a relatively short period of time. An individual uses credit cards or charge accounts for items such as clothing or food, while a company seeks short-term financing for salaries and office expenses. On the other hand, an individual uses long-term capital such as a bank loan to pay for a home or car—goods that will last a long time. Similarly, a company seeks long-term financing to pay for new assets that are expected to last many years.

When a company obtains capital from external sources, the financing can be either on a short-term or a long-term arrangement. Generally, short-term financing must be repaid in less than one year, while long-term financing can be repaid over a longer period of time.

Finance involves the securing of funds for all phases of business operations. In obtaining and using this capital, the decisions made by managers affect the overall financial success of a company.

**О.Л.Федотова**

**Ex 1. Comment on the meaning of the following words and word – combinations:**

investment of capital	arrangement
acquired capital	securing of funds
utilizing capital	overall financial success
credit extension	charge accounts
acquiring assets	production techniques
future expansion	all phases of business

**Ex 2. Look through the text again and define the main and secondary ideas of the text.**

**Ex 3. Determine which of the following statements are true and which are false. Then put T or F in the blanks. Correct those statements which are false by rewriting them:**

Answers: 1tr, 2f, 3f, 4tr, 5tr, 6tr, 7f

1. \_\_\_ Long – term financing is used by a company to purchase new equipment and to construct additional facilities.
2. \_\_\_ A new business only needs capital to meet day-to-day expenses.
3. \_\_\_ In financing business operation, a company relies al most entirely on short-term financing.
4. \_\_\_ Long-term and short-term financing may be acquired from outside, sources.
5. \_\_\_ How well a company manages its finances affects the overall success of the business venture.
6. \_\_\_ A company seeks long-term financing to pay for new assets that are expected to last many years.
7. \_\_\_ A company seeks long-term financing for salaries and office – expenses.

**Ex 4. Combine the words from two boxes to get terms from the text and translate them into native language.**

- a)
1. ongoing
  2. credit
  3. short – term
  4. charge
  5. bank
  6. business
  7. financial
  8. essential

- b)
- a) operations
  - b) accounts
  - c) extension
  - d) expenses
  - e) success
  - f) capital
  - g) loans
  - h) asset

Answers: 1d, 2c, 3f, 4b, 5g, 6a, 7e, 8h

**Ex 5. Translate the following words and word combinations into your native language:**

- a) **company**, company management, company financial management, company financial management expansion, rapid company financial management expansion;
- b) **production**, production development, production techniques, production techniques development;
- c) **product**, product line, new product line, new product line development, new product line development programme;
- d) **sources**, external sources, external sources research, external sources research programme, external sources research programme development.

**Ex 6. Complete the following on the basis of the information given in the text:**

1. A company cannot begin operations without ....
2. For purchasing necessary assets, for ongoing expenses a new business .....
3. Financial management is .....
4. Finance is .... and .....
5. A business uses .... and .... in financing operation and expansion
6. Capital needs to be invested in .....
7. The financing can be either on a short term or a long term arrangement when .....
8. Finance involves .... for all phases of business operations

**Ex 7. Make up questions to the text, reflecting its main idea by using underlined words.**

**Ex 8. Summarize the text.**

### **Text 3.**

#### **THE UK ECONOMY**

**Ex 1. Before reading the text try to find the suitable definitions of the given words and word – combinations:**

balance of payments  
income per head  
falling unemployment  
housing  
urban area

domestic demand  
declining proportions  
industrialized nations  
level of employment  
expenditure

**Ex 2.**

- a) read the text and pick up the main economic indicators
- b) say how they characterize the UK economy
- c) these words can help you:

<b>disposable income</b>	– прибыль после налогообложения; солиқлар тўланганидан кейинги даромад
<b>durable</b>	– долгосрочный; узок муддат фойдаланадиган
<b>/leisure pursuits/</b>	– занятие на досуге; бўш вақтда бирон-бир нарса билан шуғулланиш

## THE UK ECONOMY

The UK economy has recently experienced economic growth combined with low inflation and falling unemployment. In 1997 it achieved the first surplus on the current account of the balance of payments since 1985. Nevertheless, the economy continues to face problems, such as low levels of investment and productivity, and income per head is below that of many other major industrialized nations. The Government's economic policies are directed towards the achievement of high and stable levels of growth and employment, enabling everyone to share in higher living standards and greater job opportunities. Extra resources are being allocated to priority concerns, notably health, education, public transport, and the regeneration of urban areas and housing.

The value of all goods and services produced in the economy is measured by gross domestic product (GDP). In 1997, GDP at current market prices totaled £801,972 million. Between 1987 and 1997, GDP at constant prices increased by 24%. In 1997, GDP grew by 3.5%. Growth slowed during 1998, with a slower rise in domestic demand – under the influence of tighter monetary and fiscal policy.

Recent decades have generally seen the fastest growth in the services sector which now accounts for around two-thirds of GDP, compared with about a half in 1950. Oil and gas production has had a major impact on the UK economy since substantial production of gas started in the late 1960s and oil began to be produced in significant quantities in 1976. Manufacturing now contributes less than a quarter of GDP, compared with over a third in 1950. The level of productivity in the UK has been lower than in many other industrialized countries. Households' final consumption expenditure in 1997 amounted to £500,616 million at current market prices.

Over the longer term, as incomes rise, people tend to spend increasing proportions of their disposable income on durable goods and certain services. Spending on leisure pursuits and tourism, communications, health and financial services have all shown significant growth in recent years. Declining proportions are being spent on food, alcoholic drink, and tobacco.

Unemployment in the UK has fallen in recent years and is below that in many other European countries. In the three months to August 1998, unemployment, according to the International Labor Organization measure, was 1.8 million, some 226,000 fewer than a year earlier, and this represented 6.3% of the workforce. Employment in this period rose

by around 307,000 to 27.2 million and has now **recovered** to the level at the beginning of the 1990s.

**An official Hand Book  
Britain 1998**

**Ex 3. Give English interpretation of the following words and word – expressions:**

1. major industrialized nations
2. falling unemployment
3. living standards
4. monetary and fiscal policy
5. regeneration of urban areas
6. at current market prices
7. leisure pursuits
8. durable goods
9. consumption expenditure
10. substantial production

**Ex 4. Without looking at the text answer the following questions.**

1. What economic growth the UK experienced?
2. What are some problems which the economy faces?
3. What are extra resources being allocated?
4. What is defined by the growth or fall of GDP?
5. Where is the fastest growth?
6. What about the level of productivity?
7. How do people spend their disposable income?

## UNIT 3

### FISCAL MANAGEMENT

**Texts:** 1. Financial Policy

2. Macroeconomics and microeconomics

3. Bank of America's net rises as care business drives sales

#### Text 1.

#### FINANCIAL POLICY

**Ex 1. As you read the text below try to match words and combinations to their translation in your native languages.**

Answers: 1d, 2g, 3b, 4i, 5f, 6c, 7h, 8a, 9i, 10e

- |                              |  |
|------------------------------|--|
| 1. attainment                | a) управление государственным бюджетом;              |
| 2. exacerbate                | b) государственный долг; давлат қарзи                |
| 3. public debt               | c) бюджетно-налоговая политика; бюджет-солиқ сиёсати |
| 4. unsustainable             | d) достижение; эришиш, эга бўлиш                     |
| 5. swollen budget            | e) полномочия по сбору доходов; даромад йиғиш ҳуқуқи |
| 6. fiscal policy             | f) раздутой бюджет;                                  |
| 7. fiscal deficit            | g) ухудшаться; ёмонлашмоқ                            |
| 8. fiscal management         | h) дефицит бюджета; бюджет такчиллиги                |
| 9. fiscal federalism         | i) бюджетный федерализм; бюджет федерализми          |
| 10. revenue – raising powers | j) постоянный, трудно ликвидируемый; доимий          |

#### FINANCIAL POLICY.

#### FISCAL SPHERE

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

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

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

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

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

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

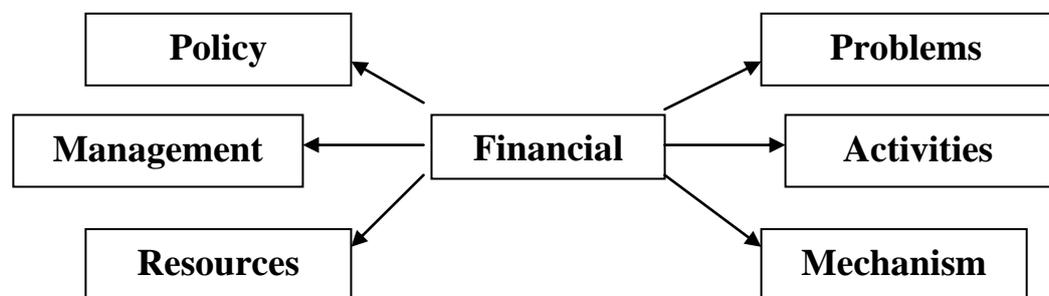
**С.Н.Любимцева, В.Н.Коренова**  
**Курс англ.яз. для финансистов**

**Ex 2. Given derivatives of:**

finance	collect	government
measure	consumption	distribute
sustain	transfer	defense
produce	effectiveness	objective

**Ex 3. Form word association:**

**Example:**



**Use words:**

- |               |              |
|---------------|--------------|
| 1. level      | 3. prospects |
| 2. guidelines | 4. fiscal    |

**Ex 4. Explain the following expressions and use them in sentences of your own:**

1. working out basic concepts
2. major economic targets
3. effective utilization
4. financial resources
5. to meet expenditure
6. to face unsustainable fiscal deficit
7. revenue – raising powers
8. govern the budget process
9. to set current goal
10. to overcome fiscal problems

**Ex 5. Answers the following questions:**

1. What does the notion “financial policy” mean?
2. Do many countries face financial problems these days? What are they?
3. What is fiscal policy
4. What fiscal trends have been registered in the industrial countries since the early 1970 s?
5. What does the effectiveness of fiscal management imply?
6. What is fiscal federalism?
7. What measure should countries facing unsustainable fiscal deficits take?

**Ex 6. Agree or disagree with the following statements:**

Answers: 1tr, 2f, 3tr, 4f, 5tr, 6f, 7tr, 8tr, 9f, 10tr

1. The economics policy in Uzbekistan is aimed at creating conditions of sustained economic growth by reducing inflation, by ensuring a free operation of markets of goods and factors of production, by achieving a balance of payment.
2. Fiscal policy is not a powerful tool in the hands of a government.
3. Many countries face financial problems.
4. Tax and expenditure policy issues are not central to an effective fiscal policy.
5. Streamlining (совершенствование) of intergovernmental fiscal relations is a serious task for many governments.
6. Fiscal deficit can't be rather easily reduced by countries having well-development capital markets.
7. In a growing number of industrial countries public debts have reached unsustainable levels.
8. Budget deficit may be reduced by borrowing from domestic bank and nonblank sources, and from the rest of the world.
9. Ministry of finance around the world not to practice soma variety of multiyear expenditure plans which get reviewed and approved every year.

**Ex 7. Write a summary of the text.**

**Ex 8. Write a short essay on the following:**

**a) your understanding of fiscal federalism:**

(levels of government, taxation, revenue–raising powers, control over expenditure autonomy of local government).

**b) What is the federal government responsible for?**

(defense, law enforcement, universities, national parks, road construction).

**c) What are the regional and local governments responsible for?**

(construction, local environmental issues, local enterprises, cultural institutions).

## **Text 2.**

### **MACROECONOMICS AND MICROECONOMICS.**

**Ex 1. Give the interpretation of the following, expressions by using English dictionary:**

business forces

gross domestic product

economic activity

personal income

total income

industrial production

total expenditures

revenue

fundamental equation

costs

market value

current supply

**Ex 2. a) Study these definitions before reading the text:**

1. Aggregate demand measures the sum of what is spent by different parties for goods and services.
2. Aggregate supply referees to the labour and capital required to produce the level of goods and services to meet aggregate demand.
3. Disposable Personal Income is the amount of money remaining after taxes are removed that an individual has the opportunity to spend.
4. Employment is the measure of human input to the production process.
5. Unemployment rate is a measure of labour–force utilization; the unemployment rate is equal to the number of people unemployed as a percentage of the total labour force.
6. Balance of Trade is the net difference between the collar value of a country is imports and exports over a specific period of time.

7. Inflation is a state of macroeconomic disequilibrium, usually associated with strong demand pressures on the economy.
8. ADP can be viewed as the total value of all goods and services produced in the country or as the total value of all payments made to produce all goods and services.

**b) read the text, and pay attention to its terminology**

Traditionally, the study of economics has been broken down into two disciplines. *Macroeconomics* is the study of business forces in the aggregate, or on a national or global level. *Microeconomics* is the study of the business dynamics that affect economic behavior within firms.

The study of macroeconomics is made in an attempt to measure and understand relationships governing overall economic activity. *Gross domestic product*, or GDP, is the most comprehensive measure of this activity. GDP measures economic activity from the perspective of the total income generated by different entities within an economy, as well as by measuring the total expenditure of those entities. Thus, GDP sets up a fundamental macroeconomic equation in which the sum of income generated from domestic sources equals the sum of the expenditures.

Business managers use GDP values to get a feel for overall economic conditions and for trends prevailing in the business environment. An increase in GDP has many economic and business-related implications. A consistently increasing GDP, for example, indicates that an economy is healthy and expanding. Managers may perceive a GDP increase as an indication that there may be an accompanying increase in the demand for goods and services within an economy. This might have the positive effects of increasing business revenue and creating more jobs. Managers could also perceive a potential economic expansion in terms of having potentially negative effects if demand exceeds the current supply or if capacity within market has already been fully utilized and cannot expand to meet the new production levels.

There are eleven recognized leading economic indicators, we will focus on the four most commonly used in business. GDP is the first of these four.

*Employment statistics*, the second indicator, measure how much of the available labor capacity of a country and is being used managers can use employment data to project levels of disposable income, which affect a consumer's willingness and ability to make purchases.

The third indicator, *personal income*, track both how people earn income as well as how they spend it. As a result, the personal income report, while far less timely than the employment report, is thought to be a better indicator of spending power with an economy and industries.

The primary uses of income break down to personal tax payments, consumption spending, interest payments, and personal savings.

The fourth indicator is industrial production, changes in the economy's output of goods is an indication of a strengthening or weakening of the economy overall, and it changes interest rates accordingly. The industrial production data, however, reflects production of goods only and does not include any measure of production of services.

The study of macroeconomic relationships can assist a business manager in making more informed and better business decisions in relation to the overall economy. The study of microeconomics, however, can assist managers with making better decisions on a firm-specific level.

Microeconomics deals with how the relationship between supply and demand affects business decisions at the level of a firm. More specifically, microeconomic analyses can help a manager make the most efficient use of the limited resources under his or her jurisdiction to manage. Further, microeconomic principles can be used to set production limits to maximize revenue, minimize costs, and determine appropriate prices for products and services. In microeconomics, the term *supply* refers quite literally to the amount or quantity of a product available for consumption in a given market. The term *demand*, however, is a measure of how much a consumer wants a product, expressed as a function of how much that consumer is willing to pay for the product.

Macroeconomics, or the study of how the economy behaves in the aggregate, can be used by business managers to understand and predict how changes in the overall economy may affect the success of the businesses they run. Managers can draw inferences about the economy in terms of the general business climate, or they can assess how specific changes in fiscal or monetary policy will drive trends in a particular industry.

Microeconomics, or the study of the dynamics of the firm, can also be used to aid managers in making critical business decisions on a daily basis. More specifically, managers can use their understanding of the dynamics of supply and demand to predict business changes. In addition, managers can use marginal analysis to target optimum levels of production to maximize revenues and profits while minimizing costs.

When used in conjunction, macro- and microeconomic concepts can enable a manager to understand, predict, and manage market forces to a company's benefit. Otherwise, a company is left to manage in the aftermath of what it could not capitalize on in the forefront.

**Paul A. Argenti**  
**The Fast Forward MBA Pocket Reference**

**Ex 3. Define which statements are true or false.**

<b>Answers:</b> 1tr, 2f, 3tr, 4tr, 5f, 6tr, 7f, 8f, 9tr	<ol style="list-style-type: none"> <li>1. Macroeconomics is a branch of economics with the analysis of the economy in the large.</li> <li>2. Macroeconomics doesn't study total expenditure, income and production, employment, prices and wages, tax revenues and government spending external trade flows.</li> <li>3. The major, index is the output.</li> <li>4. Fluctuations in the intensity of economic activity can be generated by both internal and external influences.</li> <li>5. The high inflation is not a dramatic fall in economic activity.</li> <li>6. Implementing fiscal policy is a major challenge for countries in transition</li> <li>7. Visible trade is trade in services such as banking insurance, transportation and tourism.</li> <li>8. Invisible trade is the imports and exports of tangible goods such as plant and machinery, consumer goods, raw materials.</li> <li>9. Fiscal policy is a major factor determining macroeconomic performance.</li> </ol>
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**Ex 4. Use these word expressions in you the sentences of your own:**

1. **budget /cash/ currant expenditure** – бюджетные /денежные/ текущие расходы; бюджет /пул/ жорий ҳаражатлар
2. **federal expenditure** – расходы федерального бюджета; федерал бюджетни ҳаражатлари
3. **environmental expenditure** – расходы на защиту окружающей среды; атроф – муҳитни ҳимоялаш ҳаражатлари
4. **economic crisis** – экономический кризис; иқтисодий танглик
5. **advanced economy** – экономика промышленно развитой страны; саноати ривожланган мамлакат иқтисодиёти
6. **economic performance** – экономические показатели; иқтисодий кўрсаткичлар
7. **economic equilibrium** – экономические равновесие; иқтисодий мувозанат

**Ex 5. Answer the following questions.**

1. What is a discipline – macroeconomics?
2. What is a discipline – microeconomics?
3. How is measure all economic activity?
4. Define GDP.
5. What do employment statistics measure?
6. What is personal income?
7. What does industrial production reflect?
8. What is the importance of macroeconomics and microeconomics?

**Ex 6. Say in a few words what the main text is about.**

**Ex 7. Develop these ideas:**

1. Economic production may collapse for a number of reasons.
2. Demand falls and is behind supply it brings recession and growing unemployment.
3. Economic laws cannot be changed
4. Output is defined either in terms of the Gross Domestic Product or Gross National Product.
5. Governments can influence the economic development through their economic policies.
6. Fiscal policy has been at the centre of the economic reform programs pursued by economies in transition.
7. Excessive growth in the money supply leads to high inflation rates.
8. The core of financial policy is fiscal policy.

**Ex 8. Prepare a short talk on the following:**

1. What do you think of the efficiency of fiscal management in Uzbekistan?
2. What is your idea of an effective fiscal policy?
3. How should intergovernmental fiscal relations in Uzbekistan be developing?

**Text 3.**

**BANK OF AMERICA'S NET RISES AS CORE BUSINESS DRIVES SALES**

**Ex 1. Comment on the meaning of the following words and word combinations:**

diverse	boost	long-term rate
non – interest income	pretext merger	short-term rate
restructuring charge	credit card fee	interest rate environment
hamper	securities gains	net – interest margin

**Ex 2. As you read the article point out the main idea and define its issues.**

## **BANK OF AMERICA'S NET RISES AS CORE BUSINESS DRIVES SALES**

**By Valerie Bauerlein**

Bank of America Corp., the second-largest U.S. bank by market value, reported a 9.6% increase in third-quarter profit.

The results were helped by broad – based growth in loans and fees on consumer and commercial accounts, the continued popularity of credit cards, and gains by the bank's trading operation.

"The fact that we had revenue growth in every line item was pretty astounding if you think about how diverse we are, how big we are," Kenneth Lewis, chairman and chief executive of the Charlotte, North Carolina, bank, said in an interview.

As a result, Bank of America's net income rose to \$4.13 million, or \$1.02 a share, from \$3.76 million, or 91 cents a share, in last year's third quarter. Revenue climbed 16% to \$14.61 million from \$12.59 million a year earlier.

The latest quarter included a \$120 million pretax merger and restructuring charge related to the nearly completed" integration of Fleet Boston Financial Corp, which Bank of America acquired last year for \$47 million. Excluding the charge, Bank of America made \$4.21 million in profit, or \$1.04 a share. Analysts expected an average of \$1.02 a share, according to Thomson First Call.

Like many other U.S. banks, Bank of America continues to struggle with a flattening yield curve, which hampers banks' ability to make money by lending funds at higher, long-term rates and paying out interest on deposits at lower, short-term rates. Bank of America's net-interest margin declined to 2.8% from 3.3% in last year's third quarter but was basically unchanged from the second quarter.

Bank of America said it was able to overcome the difficult interest – rate environment partly by attracting new depositors. The bank boosted its number of checking and savings accounts by 635,000 to 51 million.

Noninterest income, which reflects credit-card fees, service charges and other profits from trading, rose 39% to \$6.83 million from \$4.92 million a year earlier.

Analyst David George of A.G. Edwards & Sons said Bank of America had an unusually clean quarter, relying less than in the past on securities

gains, a profit source that investors see as volatile and less appealing than a bank's core business of taking deposits and making loans.

"The level of security gains was considerably less, and that's been a concern for investors in Bank of America," Mr. George said. "Consumer loan growth was good; core deposit growth was good. Basically, the core businesses at the bank were generally good."

**Ex 3. Look through the newspaper article again and write out key words, reflecting main problems.**

**Ex 4. Prepare a short summary of the article.**

## UNIT 4

### MONETARY POLICY

- Texts:** 1. Central Banking system  
2. Banking system in Uzbekistan  
3. Money Supply – Monetary Aggregates

**Ex 1. As you read the text below try to give the Uzbek (Russian) equivalents of the following words and word – combinations.**

fiscal policy	reserve requirements
light monetary system	chief functions
money supply	originate
reduction of inflation	disburse
budget deficit	accumulate
international	liquid ratio
prudential	lender of last resort

**Ex 2. Find English equivalents in Column A for the following Russian Uzbek phrases and words in Column B.**

<b>Column A</b>	<b>Column B</b>
1. intervene	a) инкассировать; инкассация қилмоқ
2. capital ratio	b) деньги в обращении; пул муомалада
3. target	c) отношение капитала к активам; асосий сармояни активларга нисбати
4. restriction	d) вмешиваться; аралашмоқ
5. executive branch	e) клиринг чеков; чек билан ҳисоб–китоб қилиш
6. money in circulation	f) цель, контрольная цифра; мақсад
7. to make sure	g) акцептовать; акцептламоқ, қабул қилмоқ
8. check clearing	h) перевод средств; маблағлар ўтказиш
9. to maintain accounts	i) ограничение; чегаралаш
10. accept	j) вести счета; ҳисоб рақамларни олиб бориш
11. collect	k) обеспечивать, гарантировать; таъминламоқ, қафолат бермоқ
12. transfer of funds	l) исполнительная ветвь власти; ижро этувчи бўлим

Answers: 1d, 2c, 3f, 4i, 5l, 6b, 7k, 8e, 9j, 10g, 11a, 12h

**Ex 3. Read the text paying attention to its logical parts. After reading the text define these parts.**

### **CENTRAL BANKING SYSTEM**

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

Central banks such as the Bank of England, the Federal Reserve Board of the US, the Bundesbank of Germany and the Central Bank of Russia function for the government and other banks, not for private customers. They are responsible for the implementation of monetary policy and supervision over the banking system. In particular, they control the money supply, fix the minimum interest rate and act as lenders of last resort to commercial banks with liquidity problems, issue coins and bank notes, influence exchange rates by intervening in foreign exchange markets. To ensure the safety of the banking system, central banks impose reserve requirements, obliging commercial banks to deposit a certain amount of money with the central bank at zero interest. Central banks in different countries also impose different “prudential ratios” on commercial banks such as capital ratio and liquid ratio. In the course of market reforms in Russia the Central Bank has been pursuing moderately tight monetary policy aimed at further reduction of inflation and putting an end to direct budget deficit crediting.' The CBR has been using the following main instruments of monetary policy:

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

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

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

The Bank of England is Britain's central bank. Founded in 1694, it was the world's second oldest central bank, being six years younger than Sweden's Riksbank. It was privately owned until it was nationalized in 1946.

The Bank of England is both monetary authority and bank supervisor, it is charged with the control of the banking system in the interests of the nation. The chief functions of the Bank of England are to act as the Government's bank in the widest possible sense. The main Government account is the central Exchequer Account in the Bank, to which all Government revenues eventually are credited, and from which all Government payments originate. Other major ministerial accounts also are kept in the Bank and the major expenses of Government departments are disbursed from these accounts.

The Bank does not lend money to the Government. If the Government needs funds it will borrow the sums required by issuing Treasury bills or by selling stocks. Treasury bills are short-term securities, offered for sale by tender, repayable three months after issue. The Bank's function is to balance every day the sums received against the sums needed, never allowing idle balances to accumulate. If moneys are received in excess of requirements, the Bank buys back Treasury bills, adding them to its portfolio.

The Bank of England are bankers to the commercial banks, and also to the discount and accepting houses. The ordinary commercial banks keep about half of their cash assets on current accounts with the Bank of England, which therefore acts as the “Bankers” “Bank”, using these deposits for the day-to-day settlement of indebtedness between the banks. A lot of overseas central banks and international bodies have accounts with the Bank of England to facilitate a wide variety of international transactions and to promote trade and prosperity.

**С.Н.Любимцева, В.Н.Коренева**  
**Курс англ.яз.для финансистов.**

**Ex 4. Answer the following questions.**

1. What is the major sector of any modern monetary system?
2. What are central banks responsible for?
3. What functions do central banks perform?
4. What is done to ensure the safety of a banking system?
5. Why are “prudential ratios” imposed on commercial banks?
6. What is the structure of the “Fed”?

7. What functions does the “Fed” perform?
8. What are the chief functions of the Bank of England?
9. Explain “Bankers Bank”

**Ex 5. Match the verbs from (a) with the nouns from (b) below:**

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

**Ex 6. Explain in English the following instruments of monetary policy:**

1. fixed targets for the money supply growth
2. refinancing of commercial banks
3. interest rates
4. open market operations
5. commercial banks reserve requirements
6. foreign currency control
7. direct quantity restrictions

**Ex 7. Give extensive answers to these discussion questions.**

1. What role does the central bank play in any country?
2. What is monetary policy? Why is it necessary?
3. How can money supply be regulated?
4. Is the international financial community concerned about banking crises?
5. Do industrialized countries face banking problems?
6. How do Asian countries solve their banking problems?

**Ex 8. Prepare a short talk on the following:**

- a) The structure of the Bank of England, the Federal Reserve System.
- b) The monetary policy pursued in Uzbekistan at the present time.
- c) Define money and list the assets used as money in different countries.

## Text 2.

### THE BANKING SYSTEM OF UZBEKISTAN

**Ex 1. As you read the text below try to match the words and expressions in Column A to their Uzbek – Russian equivalents in Column B.**

1. accumulate	a) иностранная валюта; чет эл валютаси
2. currency issue	b) надзор; назорат
3. control the money supply	c) выпуск денег в обращение; муомалага пул чиқариш
4. fix the interest rate	d) иностранный капитал; чет эл сармояс
5. legal base	e) предоставление кредита, ссуды; кредит бериш, ссуда бериш
6. crediting	f) устанавливать процентную ставка; фоиз курсини белгиламок
7. foreign capital	g) собирать; жамғармок, йиғмок
8. supervision	h) законодательная база; қонунчилик асоси
9. foreign currency	i) контролировать денежную массу; пул массасини назорат қилиш

**Ex 2. Find proper definitions and remind some terms.**

<b>Answers:</b> 1e, 2c, 3h, 4a, 5j, 6b, 7d, 8i, 9f, 10g	1. money	a) an amount by which withdrawals are greater than the balance in an account
	2. currency	b) the amount of funds that a bank must have on hand as some percentage of the total deposits of the bank
	3. demand deposit	c) the paper money and coins made under the direction of the government
	4. overdraft	d) the amount which has to be paid for the use of a bank's services by a current account holder
	5. rate of interest	e) anything that can be used in exchange for goods and services
	6. reserve requirements	f) a figure in the ledger indicating a withdrawal or a change
	7. change	g) it can be changed into any other currency without any restrictions
	8. maturity	h) Checking accounts; money that can be withdrawn from a bank without any advance notice
	9. debit	i) the point at which a loan or investment is due
	10. convertible currency	j) the amount per hundred pounds which is added to the balance of a deposit account

**Ex 3. Read the text and single out the main facts, pertaining to the structure of the banking system.**

### **THE BANKING SYSTEM OF UZBEKISTAN**

The banking system of the former USSR consisted of the State Bank of the USSR (Gosbank) and a number of specialized banks, Promstroybank (supporting industry and construction), Agroprombank (supporting agriculture), Sberbank (the national savings bank) and the Bank for Foreign Economic Activity (Vneshtorgbank, for business involving foreign exchange transactions). Gosbank issued the national currency, acted in a limited way as system regulator, provided some financial support for economic enterprises, and operated the payments system. These banks were created by the banking reforms of 1930-1932. Development of commercial banks, as such, began in 1988.

The banking system of the Republic of Uzbekistan was an integral part of the Soviet banking system.

A law of the republic, “On Banks and Banking Activity”, was promulgated in February 1991, establishing the new structure of the banking system. The new structure envisaged the creation of specialized banks as well as of commercial banks based on various non – state forms of property (i.e., private, corporate, cooperative, etc.). The creation of such banks had in fact started as early as 1989.

The regional branch of the State Bank of the USSR became the Central Bank of the Republic of Uzbekistan.

The Uzbekistan department of Vneshtorgbank became the National Bank for Foreign Economic Activity of Uzbekistan (National Bank). Its task was to give effect to government policy in the field of international economic activity, to service external economic transactions and to accumulate the nation’s foreign exchange reserves.

At present the banking system of the Republic of Uzbekistan is built on a two – level pattern:

The Central bank of Republic Uzbekistan carries out a number of functions. The basic among them are functions of monetary and credit regulation, realization of calculations and the advanced operations, regulations of bank activity and supervision of banks, storages of official gold and exchange currency reserves, the banker, the adviser and the fiscal agent of the government, crediting of commercial banks, bank of banks, a currency issue, accumulation of reserves of commercial banks.

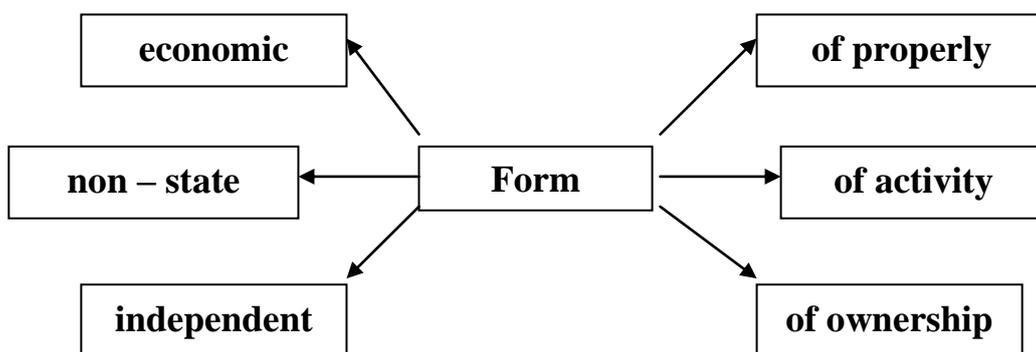
The second level of bank system is formed by commercial banks. They possess the big role in the mechanism of functioning of credit system. Commercial banks are the multipurpose organizations working in various sectors of the market of the loan capital. Banks accumulate the basic share of credit resources and give the clients a full complex of financial services, including crediting, reception of deposits, settlement service, purchase - sale and storage of securities, a foreign currency, etc. Commercial banks in Uzbekistan are subdivided into banks with the state pattern of ownership, joint-stock - commercial, banks with participation of the foreign capital and private banks. The majority of them are universal, carrying out all kinds of bank operations, but take place and the specialized, rendering mainly separate kinds of bank operations or serving separate branches of economy.

Present time in bank system of Republic Uzbekistan there is a process of universalization activity of banks, i.e. banks focus the activity on realization of every possible bank operations. Commercial banks, carrying out both commercial, and investment activity, give wide assortment of services in the financial market.

The network of commercial banks of Uzbekistan represents advanced enough system. For January, 1, 2006 29 commercial banks have been registered in Uzbekistan. From them 3 banks with the state pattern of ownership, 12 joint-stock - commercial banks, 5 banks with participation of the foreign capital and 9 private banks.

#### Ex 4. Form word association:

##### Example:



##### Use:

bank, structure  
activity, service

**Ex 5. Find pairs of opposites in the following lists:**

- |                               |                       |
|-------------------------------|-----------------------|
| 1. export proceeds            | a) deficit            |
| 2. fixed rate                 | b) minimum spread     |
| 3. international money market | c) lower limit        |
| 4. maximum spread             | d) devaluation        |
| 5. revaluation                | e) face value         |
| 6. supply                     | f) import proceeds    |
| 7. surplus                    | g) floating rate      |
| 8. true value                 | h) local money market |
| 9. upper limit                | i) demand             |

**Ex 6. Answer the questions:**

1. How was the soviet banking system organized?
2. What banking system exists in the Republic of Uzbekistan now?
3. What are the functions of the Central Bank of Uzbekistan?
4. What organizations are commercial banks?
5. How are the commercial banks subdivided?
6. Explain a process of universalization? What is a reason of this process?
7. What about of network of commercial banks of Uzbekistan?
8. How will the banking business of Uzbekistan be developing?

**Ex 7. Critical thinking. Define whether the statements below true or false.**

**Answers:** 1tr, 2f, 3tr, 4f, 5tr, 6tr, 7f, 8tr, 9tr, 10f

1. Credit policy is a combination of measures taken by the Central Banks to affect the supply of credit.
2. Monetary policy is not concerned about controlling the supply of money and credit.
3. When money is tight (is not enough) interest rates rise.
4. When money is tight inflation rises, because there is less money in circulation.
5. When money is tight aggregate demand falls, because people and business buy less, as they have less money.
6. When money is tight credit falls, because people and businesses borrow less at higher rates.
7. When money is tight output rises, because of less consumption, firms produce less.
8. The Central Bank participates in the payment system as provider of interbank payment services.
9. To ensure the safety of the banking system central banks impose reserve requirements.
10. Central banks are not responsible for the implementation of monetary policy and supervision over the banking system.

**Ex 8. Scan the financial newspapers available to you and look for articles about banking in Uzbekistan and the role of the Central Bank.**

Present your information in class and comment on it.

### **Text 3.**

#### **THE MONEY SUPPLY – MONETARY AGGREGATES**

**Ex 1. Before reading the text try to understand the following words and expressions:**

1. overnight – for 24 hours
2. money supply – the total amount of coins and paper currency outside banks plus all checking accounts and check like deposits
3. mutual – shared
4. demand deposit – checking accounts and check like deposits
5. capital – the money used to buy machinery, buildings and so on
- ...
6. term deposits – deposits on which interest is earned but from which withdrawals may legally take a period of time
7. to extend – to enlarge
8. to reduce – to lessen, to cut, to decrease

**Ex 2. Read the text for the main points.**

#### **THE MONEY SUPPLY – MONETARY AGGREGATES**

The Fed identifies three different components of the overall money supply:

1. *M1*—This is the narrowest category, consisting of only currency, checks, demand deposits, and traveler's checks. Of all the categories, *M1* has the highest liquidity.
2. *M2*—This category includes all *M1* money, but also includes savings, deposits under \$10,000, money market deposit accounts, money market mutual account balances, overnight repurchase agreements, and overnight Eurodollar deposits.
3. *M3*—This category contains all *M2* but also includes term deposits for repurchase agreements, and Eurodollar deposits, as well as dealer-only money market funds.

The supply of these aggregates available to the public is monitored through the joint activities of the Federal Reserve and the commercial banks. Commercial banks make the decision either to extend or to not extend credit to a particular individual or company based on the amount of capital it has to

lend. The Fed determines the reserve rates the banks must maintain on outstanding deposits, thereby reducing the amount of capital available to lend to credit customers.

Interest rates also play a key role in determining the available money supply. If interest rates are high, customers may prefer to save money rather than spend it, increasing the available reserves the commercial banks have to work with. Yet the banks, which must pay the interest on these outstanding deposits, must find customers who want to borrow funds so that the bank can earn enough interest revenue to cover depositor interest payments and, hopefully, have funds left over in the form of profits.

Interest rates also affect the demand for money. Economic activity can be viewed as a series of transactions, where money is the vehicle on which these transactions are based. If there is a great deal of economic activity, or a high number of transactions, the demand for money increases.

### **The Pocket Economist**

**Ex 3. Reread the text more carefully and complete the sentences below.**

1. M1 includes . . . .
2. M2 is M1 plus . . . .
3. M3 is M2 plus . . . .
4. The supply of these aggregates available through . . . .
5. The Fed determines the reserve rates, reducing . . . .
6. In determining the available money supply a key . . . . .
7. Interest rates affect . . . . .
8. The demand for money increases . . . . .

**Ex 4. What measures are used in Britain?**

This information can help you to answer this question.

- M1 is notes and coins in circulation, plus sterling sight deposits (that is, those withdrawals without notice) held by private sector.
- Sterling M3 (M3) is M1 plus sterling time deposits (those requiring notice of withdrawal) of the British private sector, plus all sterling deposits of the British public sector. To get M3, add the foreign currency deposits of all British residents.
- PSL2, short for private sector liquidity, is notes and coins in circulation; all sterling deposits (that is, including time deposits and certificates of deposit); other money market instruments (for example, treasury bills, bank bills and local authority debt held by the non-bank private sector); building societies share and deposit accounts, and some national savings securities.

## UNIT 5

### TAXATION

- Texts:** 1. What are taxes?  
 2. The main functions of taxation in a free market economy  
 3. Tax system of the Republic of Uzbekistan

**Ex 1. Find English equivalents in Column A for the following Russian, Uzbek phrases in Column B.**

Column A	Column B
1. code	a) расчет, вычисление; ҳисоб
2. after tax income	b) содержание налогового законодательства; солиқ қонунчилиқни мазмуни
3. levy	c) кодекс; кодекс
4. corporate income tax	d) постоянно работающее предприятие, облагаемое налогом; солиққа тортиладиган, доимо ишлаб турадиган корхона
5. tax assessments	e) доход от прироста капитала; сармоя қўйишдан кўрилган даромад
6. capital gains	f) установление налоговых ставок; солиқ ставкаларини ўрнатиш
7. taxable profit	g) налог на корпоративный доход; корпоратив даромадга солиқ
8. computation	h) доход после удержания налога; солиқ тўлангандан сўнг даромад
9. taxable permanent establishment	i) облагать налогом; солиққа тортиш
10. body of tax legislation	j) налогооблагаемая прибыль; солиққа тортиладиган даромад

**Answers:** 1c, 2h, 3i, 4g, 5f, 6e, 7j, 8a, 9d, 10b

**Ex 2. As you read the words below try to guess their meaning paying attention to the word – formation.**

payee	tax	finance	income
payer	taxability	financial	incomer
payable	taxable	financier	incoming
paying	taxation	financing	
payment	tax-collector		
payoff			
levy	assess		
levied	assessable		
levying	assessment		
levying	assessor		

**Ex 3. Read the text below concentrating on its contents and terminology, translate it.**

### **WHAT ARE TAXES?**

Taxes are a compulsory financial contribution by a person or body of persons towards the expenditure of a public authority. In modern economies taxes are the most important source of government revenues. Taxes on income (i.e. on wages, salaries, profits, dividends, rent and interest) and on capital are known as “direct” taxes. Taxes on Commodities or services are known as “indirect” taxes.

Businesses and individuals are subject to many forms of taxes. The various forms of business organization are not taxed equally. The tax situation is simplest for proprietorships and most partnerships; corporations or companies are treated differently.

In the United States of America nearly all of the federal government’s revenues come from taxes. By far the most important source of tax revenue is the personal income tax. Gross receipts from corporate income taxes yield a far smaller percentage of total federal receipts. Individual states levy their own taxes. As a result, for example, the profits of a corporation are liable to federal and sometimes state corporate income taxes. This often imposes a double tax burden. When the after–tax income is paid out to stock–holders as dividends, it is then taxed again as personal income.

In the United Kingdom there is no single code of tax law, the body of tax legislation being increased by each year’s Finance Act.

The United Kingdom operates a “scheduler” system, taxable income from different sources is calculated and taxed under the rules of a particular "schedule".

Tax assessments are normally based on returns issued by the Board, of Inland Revenue (referred to simply as “Inland Revenue”) completion by the taxpayer. While companies may receive tax return they normally submit instead a copy of their annual accounts together with a computation of taxable profits.

The United Kingdom does not yet operate a system of self assessment for tax on income and capital gains, but it is be; introduced at the moment.

Under Russian law, all Russian legal entities, whether they have foreign investment or not, are subject to the profit tax law. Foreign entities that have a taxable permanent establishment in Russia are also taxed under this law.

Russian taxes provide revenue for three tiers of the budget: federal, regional and local. The major taxes paid to the budget are: Profit tax–Value–

added tax (VAT); Securities tax; Withholding tax.

The Russian government tries to create a climate in which business can thrive, to keep the tax burden as low as possible. It also attempts to eliminate tax allowances, which deprive the budget of tax revenues, and to improve tax collection.

Tax returns for Russian legal entities are audited by the authorities at the time they are submitted.

When a company resident in one country receives income or from a source in another, or when shareholders and company domiciled in different countries it is possible that incomes arising be taxable in each country, i.e. taxed twice. Many countries seek to mitigate the potentially harmful effects of double taxation by entering with other countries into double tax treaties, or arrangement preventing the same income being taxed twice.

A number of countries have problems«because of significant taxpayer non-compliance.

Along with cases of illegal evasion of tax obligations there entirely legal ways of avoidance by which a person may so arrange his affairs as to minimize, or even eliminate, tax liability on his property and income.

**С.Н.Любимцева, В.Н.Коренева**  
**Курс англ.яз.для финансистов.**

#### **Notes:**

**“Inland Revenue”** – Налоговая Служба; Солиқ хизмати  
**arrangements** – меры, мероприятия; чоралар, тадбирлар  
**value added tax – VAT** – налог на добавленную стоимость – НДС; қўшилган қиймат солиғи

**withholding tax** – налог с суммы дивидендов; дивидентга солиқ

#### **Ex 4. Answer the questions:**

1. What are taxes?
2. What are the purposes of direct and indirect taxation?
3. Are businesses taxed equally?
4. Explain a double tax burden.
5. How is taxation levied in the UK?
6. Under what law are entities in Russia taxed?
7. What are major taxed paid to the budget?
8. How do many countries try to reduce harmful effects of double taxation?

**Ex 5. a) Think of the nouns that are most often used with:**

to levy	to impose	to avoid
to collect	to pay	to evade
to tax	to reduce	to exempt

**b) Think of the verbs that are commonly used with:**

tax	revenue	effects
taxation	claim	burden of taxation
profits	tax rate	income

**Ex 6. Demonstrate the meaning of the following expressions in sentences of your own:**

1. to be subject to many forms of taxes
2. the most important source of tax revenue
3. to be paid out as dividends
4. to be taxed under the rules
5. to provide revenue
6. to eliminate tax allowances
7. to mitigate effects
8. to minimize tax burden

**Ex 7. Say in a few words what the main text is about. you can use the following opening phrases:**

The text looks at the problem of ...

The text deals with the issue of ...

It is clear from the text that ...

The problem of ... is of great importance

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

**Ex 8. Prepare reports on the following:**

- a. Taxation in major industrialized countries
- b. Taxation in countries in transition
- c. The tax climate in ... (Uzbekistan, Russia, USA, England ...)  
recent changes in tax legislation

## **Text 2.**

### **THE MAIN FUNCTIONS OF TAXATION IN A FREE MARKET ECONOMY**

**Ex 1. Comment on the meaning of the following words and word combinations:**

government budget  
to generate government revenue  
transfer of resources  
necessary reallocation  
government financing  
fiscal policy goals  
social policy purposes  
implementing the particular program  
purchasing power  
innovative development  
household  
ration  
foregone  
imply

**Ex 2. Read the text below and define its constituent parts.**

### **THE MAIN FUNCTIONS OF TAXATION IN A FREE MARKET ECONOMY**

Public sector purchasing agencies have to buy goods from companies and pay wages and salaries to public sector employees, and they need funds for this. In a free market economy, tax revenue is the normal way of financing the government budget. The traditional financing function of taxation is to generate government revenue.

Economically speaking, the provision of public goods for a given level of macroeconomic resources is only possible through foregone consumption of private goods. This further implies that the transfer of resources from the production of private goods to the production of public goods involves a corresponding restriction of household demand in the markets for consumer goods. Economically, the government can only dispose of resources in the form of commodities if the private sector has previously renounced its claims to commodities. As a free market economy permits neither government rationing of the supply of consumer goods,

government price fixing nor government financing through the printing presses, the necessary resources can only be made available through taxation. Taxation thus has the basic economic function of skimming-off private sector purchasing power. This levy on consumer purchasing power is ultimately the only way the state can enforce its claim on resources i.e. the necessary reallocation from the private to the public sector.

In terms of establishing an optimal macroeconomic mix of commodities, taxation acquires further economic functions in reallocating resources. The fact that production or consumption of specific goods or example, petrol consumption by cars – results in unacceptable environment pollution demonstrates the need for the government to act on environment issues. The actual cause of the environment problem is that companies of consumers do not factor the adverse impact of their economic activities in as a cost. This means that the market prices of commodities which result in environmental pollution are too low in comparison with those of other commodities. This market failure can be corrected by the state bringing about the necessary increase in the prices of goods which result in environment pollution through specific taxes. In Western European countries such tax-based environment policies are the subject of increasingly lively debate.

The fiscal policy goals in connection with maintaining or establishing the effectiveness of market processes refer to government promotion of technological and innovative development, competition, establishment or conversion to new forms of corporate organization and economical use of exhaustible resources. Basically, this involves phenomena in the domain of market failures. Taxation could also assume a directly economic function to eliminate or reduce such phenomena by rewarding desirable trends through tax concessions. However, goals of industrial promotion can be much better attained through investment grants than through tax concessions. An economy's attractions, in terms of resources, as a location for industry would, for example, be much more effectively enhanced through company taxation which was neutral towards investment and free of distortionary features than through unilateral tax concessions for foreign investors.

The fundamental functions of taxation naturally include the redistributive function which is generally acknowledged both in theory and practical policy-making. This involves the provision of assistance for social policy purposes. Taxation concerned with redistribution inevitably raises the question of compulsory contributions to a national social security system.

Finally, there is the general political function of taxes in a democracy. The basic question here is the fact that competition between political parties for votes takes the form of alternative programs for government spending and taxation. The general political function of taxation then involves providing every voter with as much information as possible about the personal burdens involved in implementing the particular government spending programs.

**Dr. Manfred Rose. Lecture Notes.**

**Ex 3. Critical Thinking. Define whether the statements below true or false and give your reasons.**

1. The system of taxation is unfair.
2. Direct taxes are considered fairer than indirect.
3. Property tax is easy to collect.
4. The financing function of taxation is to distribute dividends.
5. Political competitive parties have their programmes for government spending and taxation.
6. Taxes on commodities or service are know as indirect taxes.
7. Taxes are not a powerful instrument.
8. Tobacco and alcoholic drinks are taxed heavily in many countries.

**Ex 4. Read the text, pay special attention to the functions of taxation in diagram 1–1.**

Comment on each separately.

**Diagram 1–1**

**THE MAIN FUNCTIONS OF TAXATION**

**(1) Fiscal of administrative function**

Generating adequate financial resources to fund government spending.

**(2) Economic or allocative functions**

**(a)** Absorbing a part of the consumer purchasing power from the market to release resources for government use

**(b)** Changing market prices of commodities and factors to correct market failures, for example to reduce environment pollution from production and consumption

**(3) Redistributive or social policy function**

Absorbing a part of market income or market consumption to meet social policy goals (social security schemes).

#### **(4) General policy function**

Information on individual burdens (renounced consumption) to create a basis for decision – making through the political democratic process on the size and composition of government activities to be funded.

#### **Ex 5. Panel discussion.**

**Taxes are considered to have the following functions.**

- (a) fiscal or budgetary, to cover government expenditure, to provide the public authorities with the revenue required for meeting the cost of defence, social services, interest payments on the national debt, municipal services, etc.;
- (b) economic, to give effect to economic policy, to promote stable economic growth, to influence the rate of economic growth of the nation;
- (c) social, to increase the economic welfare of the community, to lessen inequalities in the distribution of income and wealth.

What is your opinion? Which function is the most important? Give your reasons.

**Ex 6. Role–play. Play with your group mate the role of a newspaper correspondent, who is interested in taxation in Uzbekistan.**

**Ex 7. People commonly complain about taxes they pay. the question is: What is a good tax? Perhaps the question should be: Is there a good tax?**

**Write a short essay.**

**Ex 8. Scan the available financial newspapers comment on the problems of taxation.**

#### **Text 3.**

#### **TAX SYSTEM OF THE REPUBLIC OF UZBEKISTAN**

**Ex 1. Give the English interpretation of the following expressions by using English terminological dictionary:**

stimulation	manufacturing	eliminate
re–distributive	accumulative	avoidance
pivotal	compile	adversely
channel	framework	surveillance
priority	hamper	facilitate

## **Ex 2. Read the text and pay attention to the functions of the tax system.**

### **TAX SYSTEM OF THE REPUBLIC OF UZBEKISTAN**

Main Tax Board of our republic was formed in 1991 under the Cabinet of Ministers. In 1994 it transformed into the Tax Committee of the Republic of Uzbekistan.

1991 marked the beginning of the creation in Uzbekistan of a new taxation system designed to ensure a steady inflow to the budget of revenues at a period when the foundations of market relationships were being laid down.

The tax system is designed to perform the following five underlying functions:

the fiscal function of tax record-keeping;

the re-distributive function;

the stimulation function;

the controlling function of tax record-keeping;

the function stipulation the provision of information required for the tax calculation process.

The major function taxes are designed to perform, i.e. the fiscal function, is to help form a centralized fund of money resources needed for the government to maintain the state machinery and armed forces as well as implement all the necessary social and economic tasks. The key moment of this function is the formation of revenues of the state budget by withdrawing, in the form of taxes, a portion of profits derived by enterprises and citizens, which are required to address a complex of pivotal national economic issues.

The re-distributive function of taxes means that the state redistributes revenues through the state fund of money resources (the state budget) made up of incoming taxes. Part of the revenues received is channeled to the development of production and social infrastructure, while another is invested in the priority industries.

The stimulation function of taxes, one of the most important functions of the tax system, actively affects the development of manufacturing, the efficient use of raw material, financial and labor resources, and accumulative property etc. In other words, by reducing the tax burden, it is possible to stimulate the growth of production, to improve the state of finance and encourage investment activity.

As for the controlling function of taxes, it represents a complicated process of verification of tax calculations presented by taxpayers. The

recordkeeping of taxes allows the tax authority to execute more – efficient control and surveillance over the implementation by taxpayers of their tax obligations.

The last but not least function of taxes – the function stipulating the provision of information required to facilitate the tax calculation process, enables the tax bodies to compile and the process the necessary tax-related information. The latter is needed to accurately calculate taxes by those taxpayers who are not obliged, under the current legislation, to keep accounting records.

The State Tax Committee is engaged in a number of activities aimed to improve tax policy and to develop the contractual and legal framework for regulation of foreign economic ties and International tax relationships.

International double taxation may adversely affect the development of the national economy, as it hampers the inflow of foreign investments, which are rightfully viewed worldwide as the fuel for rapid economic growth. Eliminating double taxation is thus one of the major challenges factoring the public's tax system. To create a favorable business environment, in which enterprises set up with a share of foreign capital can operate efficiently, work is under the State Tax Committee to reach as many international agreements on the avoidance of double taxation as possible.

### **Ex 3. “Cluster” Project making.**

#### **Discuss the following questions:**

1. What tax problems exist now days?
2. How can tax problems be regulated?
3. What tax problems are resolved in Uzbekistan?

### **Ex 4. Problem solving.**

1. What is the altitude towards taxed in Uzbekistan?
2. Are there any breaks in Uzbekistan?
3. What privileges exist for small business?
4. How are businesses taxed in Uzbekistan?

## UNIT 6

### FINANCIAL MARKETS

- Texts:** 1. Stocks and markets  
2. Methods of payment  
3. Investment Trusts

#### Text 1.

#### STOCKS AND MARKETS

**Ex 1. Give the Uzbek (Russian) equivalents of the following words and word – combinations.**

securities	retail client
stock exchange	price quotations
local enterprise	preferred stock
compete	corporate bond
advanced countries	reliable information
entity	broad indication

**Ex 2. Find proper definitions:**

<b>Answers:</b> 1f, 2g, 3a, 4c, 5h, 6d, 7i, 8e, 9b, 10j	1. stock markets	a) stock that gives its holders certain privileges, such as being paid dividends before holders of common stock
	2. corporate	b) the speed with which an investment can be redeemed for cash
	3. preferred stock	c) a bond having the owner's name placed on it
	4. registered bond	d) a unit of ownership in a company
	5. common stock	e) the pattern of investments held by a bank
	6. share/ stock	f) means through which securities are bought and sold
	7. flier	g) a bond issued by a corporation or group of people who have a charter to act as an individual
	8. portfolio	h) ordinary stock, with no fixed dividend rate
	9. liquidity	i) a speculative transaction
	10. aa-rating	j) a stock thought to be of highest quality

**Ex 3. Read the text and try to translate it without using a dictionary.**

### **STOCKS AND MARKETS**

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

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

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

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

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

The rapid development of communications allowed stock exchanges to attract orders more easily from all over the country and later the barriers that had preserved the independence and isolation of National exchanges were progressively removed, leading to the creation of a world market for securities. The 1980s saw the growing internationalization of the world securities markets, forcing stock exchanges to compete with each other. Cross-border trading of international equities expanded.

Although many securities were of interest to only a small and localized group, others came to attract investors throughout the world. Increasingly, arbitrage between different stock exchanges ensured that the same security commanded the same price on whatever market it was traded. London, Paris, New York became dominant stock exchanges.

Stock exchanges emerged as central elements in the financial systems of all advanced countries.

Potential investors, insurance companies, pension funds, governments and corporate enterprises see securities as a cheap and convenient means of finance.

An investor who purchases new securities is participating in a primary financial market. An investor who resells existing securities is participating in a secondary financial market.

There are two basic types of stock markets-(1) organized exchanges, like the New York Stock Exchange (NYSE) or the London Stock Exchange (LSE), and (2) the less formal over-the-counter markets.

The organized security exchanges are tangible physical entities, which have specifically designated members<sup>5</sup> and elected governing bodies - boards of governors.

In contrast to the organized security exchanges, the over-the-counter market is an intangible organization. It is a network of security dealers who buy and sell securities from each other, either for their own account or for their retail clients. The over-the-counter market is normally conducted by telephone and computer reporting of price quotations between brokerage firms that "make a market": that is, agree to buy and sell a particular security. Securities that are not listed on exchanges are traded "over-the-counter". In general these include stocks, preferred stocks, corporate bonds, and other securities.

Investors need complete and reliable information about stocks and markets. In addition to the listings, the financial pages of newspapers in all countries contain price quotations and share indexes which give a broad indication of how the stock market, or a segment of the stock, market performed during a particular day.

**С.Н.Любимцева, В.Н.Коренева**  
**Курс англ.яз.для финансистов.**

**Ex 4. Demonstrate the meaning of each of the following expressions in sentences of your own:**

1. transferable securities
2. to facilitate the business
3. to be integrated into national markets
4. creation of a world market
5. cross – border trading
6. international equity
7. cheap and convenient means of finance

8. organized exchanges
9. over – the counter markets
10. broad indication

**Ex 5. Answer the questions:**

1. What is the Stock Market  
Some historical facts
2. What contributed to the emergence and growth of stock exchanges?
3. Where were best organized stock markets established?
4. What general trend in the stock market development has been observed over the years of its existence?
5. What stock exchanges have become most dominant? What part do they play in the financial systems of advanced countries?
6. What are the basic types of Stock markets?  
How are they conducted?
7. What gives a broad indication of how the Stock market performed during a particular day?

**Ex 6. Match the verbs from (a) with the nouns from (b) below:**

- |              |                |
|--------------|----------------|
| a) to expand | b) barriers    |
| to develop   | securities     |
| to resell    | stocks         |
| to remove    | trading        |
| to issue     | shares         |
| to list      | infrastructure |
| to possess   | standards      |
| to meet      | capital        |
| to submit    | documents      |

**Ex 7. Read the abstract and describe the chief varieties of speculators on the stock exchange.**

The buying of something cheap at one time for the purpose of selling the same thing dearer at another time is speculation.

A speculator on the stock exchange is a person who backs the judgments he makes about likely developments by buying or selling shares. The chief varieties of speculators on the stock exchange are known as “bulls”, “bears” and “stags”.

A speculator may buy shares, for which he cannot or does not wish to pay at the time, in the hope that “during the account”, i.e. before the date of payment, the price will have risen and he can then sell them at a profit. A buyer who buys like this in the hope of a rise in prices is a “bull”.

Bears are pessimistic speculators who expect a fall in share prices. They therefore sell any shares they have now, and even shares they do not have, because, if prices fall as expected, the shares will be available in a few hours or a few days at lower prices than at present.

Stags are speculators who operate in the “new issues” market rather than on the Stock Exchange, although they must use the Stock Exchange before they can realize any profit. What a stag does is to apply for shares that are just being issued and are likely to be oversubscribed. He does not want to keep the shares, or invest in the company that is issuing them, but simply to make a profit out of the issue. The stag expects that the stock, upon issue, will quickly rise to a premium in the market, and he will then sell his stock at a profit.

### Notes:

“**bull**” – “бык”, попуател, игуаушый на повышение; “бука”, нарх – навони атайлаб оширувчи чайковчи.

“**bear**” – “медведь”, продавец, игуаушый на понижение; “айик”, нарх – навони атайлаб пасайтирувчи чайковчи.

“**stag**” – спекулянт, попуаушый новые ценные бумаги при обявлении подписки в надежде продать их с прибылью после начала торговли на вторичном рынке; обунани эълон қилиниши вақтида янги қимматли қоғозларни уларни фойдасига сотиш ниятида иккинчи даражали бозорда савдо бошлангандан сўнг сотиб олувчи спекулянт

### Ex 8. Write a short essay on the following:

- a) Existing types of stock market
- b) Stock market indices
- c) People engaged at the Stock exchange:  
Market makers, bulls, bears, stags, speculators, specialists.

## Text 2.

### METHODS OF PAYMENT

**Ex 1. As you read the text below try to match words and words combinations to their translation in your native language.**

<b>Answers:</b> 1h, 2f, 3d, 4g, 5j, 6i, 7a, 8e, 9b, 10c	1. payment in advance	a) пересылать;
	2. open account	b) консигнация, партия груза; консигнация (молни воситачига сотиш учун бериб юборадиган шартнома тури), моллар туркуми
	3. Bill of Exchange	c) счет фактура; моллар ва хизматлар тўловнома – фактураси
	4. Documentary Letter of Credit	d) переводном вексель, тратта; ўтказма вексель, тратта
	5. cash with order	e) целостность; бутунлик
	6. cash on delivery	f) открытый счет; очик ҳисоб рақами
	7. remit	g) товарный аккредитив, документарный аккредитив; хужжатли аккредитив
	8. integrity	h) авансовый платёж; муддатидан олдин тўлаш
	9. consignment	i) оплата наличными в момент поставки, наложенный платеж; мол етказиб берилган пайтда нақд пул билан ҳақ тўлаш
	10. invoice	j) платежное поручение, предъявительская тратта; тўлов топшириқномаси, кўрсатилган тратта

**Ex 2. Read the text carefully concentrating on its contents and terminology.**

**Name the main function of the text:**

informative, evaluative, persuasive

### METHODS OF PAYMENT

Compared to selling in the domestic market, selling abroad can create extra problems. Delivery generally takes longer and payment for goods correspondingly can take more time. So exporters need to take extra care in ensuring that prospective customers are reliable payers and that payment is received as quickly as possible.

In the first and in the last analysis, payment for exports depends on the conditions outlined in the commercial contract with a foreign buyer. As explained previously, there are internationally accepted terms designed to avoid confusion about cost and price.

The way exporters choose to be paid depends on a number of factors: the usual contract terms adopted in an overseas buyer's country, what competitors may be offering, how quickly funds are needed, the life of the product, market and exchange regulations, the availability of foreign currency to the buyers, and, of course, whether the cost of any credit can be afforded by the buyer or the exporter.

There are four basic methods of payment providing varying degrees of security for the exporter:

- 1) payment in advance,
- 2) open account,
- 3) Bills of Exchange,
- 4) Documentary Letter of Credit.

### **1. Payment in advance.**

Clearly the best possible method of payment for the exporter is payment in advance. Cash with order (CWO) avoids any risks on small orders with new buyers and may even be asked for before production begins. However, this form of payment is extremely rare in exporting since it means that an overseas buyer is extending credit to an exporter – when the opposite procedure is the normal method of trade.

Variations in this form of payment are cash on delivery (COD) where small value goods are sent by Post Office parcel post and are released only after payment of the invoice plus COD charges.

### **2. Open account.**

An exporter receives the greatest security of payment from cash with order or from cash on delivery. At the other extreme payment on open account offers the least security to an exporter. The goods and accompanying documents are sent directly to an overseas buyer who has agreed to pay within a certain period after the invoice date – usually not more than 180 days. The buyer undertakes to remit money to the exporter by an agreed method.

The open account method of payment is increasingly popular within the EEC because it is simple and straightforward. 70 per cent of UK exports are paid for under open account terms. It saves money and procedural difficulties but the risk to the exporter is obviously greater. It is only successful if an exporter trusts the business integrity and ability of an overseas buyer, something that has probably been established through a sustained period of trading.

A variation of open account where an exporter supplies an overseas buyer in order that stocks are built in quantities sufficient to cover continual demand. The exporter retains ownership of the goods until they are sold, or for an agreed period of time, after which the buyer remits the agreed price to the exporter.

However, a large proportion of export contracts cannot be settled by payment in advance or by open account, particularly with sales outside the EEC. So, parallel with the development of international trade throughout the world, the trading community has developed methods of payments which involve the transfer of documents for exported goods using the international banking system – with the aim of speedily setting export transactions at minimum risk to exporters and to overseas buyers.

**Un.One**  
**В.М.Самуэльян**

**Ex 3. Answer the following questions.**

1. Compare selling abroad and selling in the domestic market.
2. What helps to avoid misunderstanding in payment for exports?
3. What factors does the choice of a method of payment depend on?
4. Which method of payment provides the best security for the exporter?
5. Why is payment in advance of order not frequently used in exporting?
6. Which method of payment offers the least security to an exporter?
7. Why is the open account method becoming more and more popular?
8. What other methods of payment has the trading community worked out?

**Ex 4. Agree or disagree. Give your reasons.**

- |  |   |
|--|---|
| Answers: 1f, 2tr, 3f, 4f, 5tr, 6tr, 7tr, 8f, 9tr, 10tr | <ol style="list-style-type: none"><li>1. In the domestic market delivery and payment for goods can take more time.</li><li>2. The best method of payment for the exporter is payment in advance.</li><li>3. Payment in advance of order is frequently used in exporting.</li><li>4. Open account method offers the greatest security for the exporter.</li><li>5. The open account method of payment is popular because it is simple and straightforward.</li><li>6. A variation of open account payment is the consignment.</li><li>7. The trading community worked out developed methods using the international banking system.</li><li>8. The choice of a method of payment depend on only one factor: the life of the product.</li><li>9. Selling abroad create extra problems as compared to selling in the domestic market.</li><li>10. There are internationally accepted terms designed to avoid confusion about cost and price.</li></ol> |
|--|---|

**Ex 5. The way exporters choose to be paid depends on a number of factors. Name and explain them.**

**Ex 6. Give English interpretation of the following expressions and use them in the sentences of your own:**

1. prospective customers
2. internationally accepted terms
3. availability of foreign currency
4. accompanying documents
5. to remit money by agreed method
6. business integrity
7. sustained period of trading
8. speedily settling export transaction
9. trading community
10. procedural difficulties

**Ex 7. Prepare an outline of the text and basing on it retell the text.**

**Ex 8. Discuss some questions:**

1. Popular Methods of payment in Uzbekistan
2. Is the open account method popular in Uzbekistan?
3. How does the consignment account operate?

### **Text 3.**

#### **INVESTMENT TRUSTS**

**Ex 1. Before reading the text make up a list of words which can be joined under the headline “Investment Trusts”**

**Ex 2. Study these words, give English interpretation of them and compare with your own list of words.**

investor	portfolio
public issues	over-the-counter market
debenture	real estate equity
ordinary share	mortgage
preference share	financial assets
closed-end investment fund	to be diversified
open-end investment fund	convert property

**Ex 3. Read the text and 1) make up its outline.**

**INVESTMENT TRUSTS**

Small shareholders who do not have enough money to invest in wide-range portfolio buy shares in investment trusts.

Investment trust is a public corporate body which invests funds in a wide range of stocks and shares, thus "spreading the risk" more effectively than could be achieved by an individual investor with much smaller funds. The capital of the investment trust is derived mainly from public issues of debentures, preference shares and ordinary shares, which are quoted on the stock exchanges.

Investment trusts can be of two types. Open-end investment fund is an investment fund that is open in the sense that it issues new shares every time that it receives new money from investors – unlike a closed-end investment fund, which issues a limited number of shares that are then traded only in a secondary market. Closed-end investment companies do not stand ready to purchase their own shares whenever one of their owners decides to sell them. Instead their shares are traded either on an organized exchange or in the over-the-counter market.

Most closed-end funds have unlimited lives. Dividends and interest received by a closed-end fund from the securities in its portfolio are paid out to its shareholders.

However, most funds allow the reinvestment of such payments.

Besides, there are so called Real Estate Investment Funds. REIFs have existed for over 30 years. They are essentially (although not legally) closed-end investment companies that invest in real estate instead of financial assets. Similar to true investment companies, as long as 95% of their income is distributed to shareholders, it is free from taxation. Further, at least 75% of their assets and income must be derived from real estate equity or mortgages. REIFs must also have at least 100 shareholders. Their portfolios must be diversified, and no more than 30% of their income may come from selling properties held for less than four years. (This last requirement is designed to prevent REIFs from becoming vehicles for real estate speculation.)

REIFs engage in a common financial intermediation process known as securitization. A REIF manager converts (securitizes) properties into financial assets by purchasing properties for the REIF. In order to finance the purchases the REIF manager issues freely tradable ownership shares.

**The Pocket Economist**

**2) characterize:**

- a) open-end investment fund
- b) closed end investment fund
- c) Real Estate Investment Fund

**Ex 4. Individuals or households that own securities are known as individual investors.**

Institutional investors are a group of investors who have funds to invest as a consequence of the conduct of their business. The group includes insurance companies, banks, investment trusts, industrial and financial companies.

What can you say about investment climate in Uzbekistan? What can increase the inflow of foreign investment to Uzbekistan?

## UNIT 7

### FINANCIAL MANAGEMENT

- Texts:** 1. Financial Function  
2. Management Function  
3. Newspaper article

**Ex 1. As you read the text below try to match words combinations to their translation in your native language.**

Answers: 1c, 2i, 3b, 4e, 5g, 6h, 7d, 8j, 9f, 10a

- |                                      |   |
|--------------------------------------|---|
| 1. finance function                  | a) счета дебиторов; дебиторлар ҳисоб рақами   |
| 2. acquisition                       | b) управление основными средствами; асосий фондларни бошқариш                         |
| 3. management of fixed assets        | c) организация финансовой деятельности; молиявий фаолиятни ташкил этиш                |
| 4. working capital management        | d) управление денежными операциями; нақд пулни бошқариш                               |
| 5. management of current assets      | e) управление текущими активами; жорий активларни бошқариш                            |
| 6. management of current liabilities | f) управление запасами, материально-техническим снабжением; захираларни бошқариш      |
| 7. cash management                   | g) управление оборотными средствами; айланма (жорий) маблағларни бошқариш             |
| 8. receivables management            | h) управление кратко срочными обязательствами; қисқа муддатли мажбуриятларни бошқариш |
| 9. inventory management              | i) поглощение; қўшиб олиш   |
| 10. accounts receivable              | j) управление дебиторской задолженностью; дебитор қарздорликни бошқариш               |

### Text 1.

#### FINANCE FUNCTION

Any business – whether large or small, profit – seeking or not-for-profit has important financial concerns:

How to get the funds needed to run the business on favourable terms and how to make sure that the funds are used effectively?

In this connection modern businesses have financial managers to look after these problems, whose major objective is to maximize the shareholders' wealth, which is represented by the market price of a firm's common stock.

Managers daily face questions like the following:

- What assets to acquire?
- Will a particular investment be profitable?
- Where will the funds come from to finance the investment
- How much to maintain as equity capital?
- Does the firm have adequate cash or access to cash — through bank borrowing agreements, for example, to meet its daily operating needs?
  - Which customers should be offered credit and how much should they be offered?
  - How much inventory should be held?
  - Is the merger or acquisition advisable?
  - How should profits be used or distributed? What is the optimal dividend policy?
  - How should the firm behave in the situation of exchange rate variations and interest rate changes?
  - How should risk to which the firm is exposed and return be balanced?

Financial managers are primarily concerned with the management of fixed assets, working capital management, including management of current assets and current liabilities, cash management, receivables management and inventory management; they are responsible for designing capital structure, choosing long- and short-term financing techniques.

The financial manager has to take these decisions with reference to the objectives of the firm.

To have a better understanding of how managers go about all these concerns one should know what resources managers typically have at their disposal. The position of an enterprise, its assets and capital are best illustrated by its financial statements – the balance sheet and the income statement.

The finance function in a firm is usually headed by a chief financial officer (CFO), who reports to the firm's president.

The chief financial officer distributes the financial management responsibilities between the controller and the treasurer.

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**Курс англ.яз. для финансистов**

**Ex 2. Fill each gap with a suitable word from the box.**

a) owner's equity	d) liabilities	g) current
b) retained earnings	e) resources	h) fixed
c) enterprise	f) investments	

1. The first major component of the balance sheet of an \_\_\_\_\_ is assets.  
 2. Assets are the \_\_\_\_\_ owned by the enterprise. 3. \_\_\_\_\_ assets are assets purchased for use in the business on a permanent basis, e.g land and buildings, plant and machinery, furniture etc. 4. \_\_\_\_\_ assets are short-term in nature. They are also known as liquid assets and include cash, marketable securities, accounts receivable (debtors), inventory. 5. \_\_\_\_\_ represent investment of funds in the securities of another company. 6. The second major component of the balance sheet is \_\_\_\_\_ of the enterprise, which represent the amount that the enterprise owes to other enterprise, or the outside sources which the enterprise uses to finance its assets. 7. The third major component of a balance sheet is the \_\_\_\_\_ part of the resources of a firm which are supplied by its owners \_\_\_\_\_ shareholders. 8. \_\_\_\_\_ is a part of the profits of the shareholders which is not paid to them as dividends.

Answers: 1c, 2e, 3h, 4g, 5f, 6d, 7a, 8b

**Ex 3. Match the words in Column A to their definitions in Column B.**

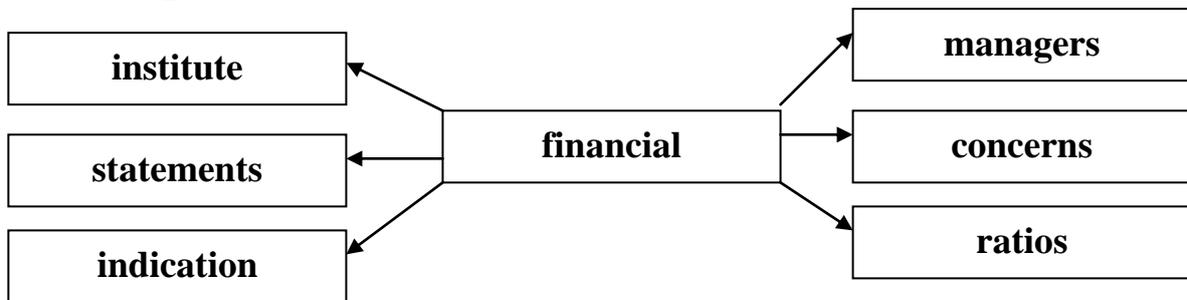
<b>Answers:</b> 1f, 2a, 3e, 4c, 5b, 6d, 7h, 8g	1. assets	a) land and buildings, plant and machinery, furniture – assets purchased for use in the business on a permanent basis
	2. fixed assets	b) Tangible property that is held for sale in the normal course of business or will be used in producing goods or services for sale
	3. current assets	c) Obligation to be paid with current assets normally within one year
	4. current liabilities	d) The dollar difference between total current assets and total current liabilities
	5. inventory	e) assets that will be turned into cash or expire (be used up) within the longer of one year of the operating year
	6. working capital	f) resources owned by the enterprise
	7. owner's equity	g) cumulative earning of a company that are not distributed to the owners and reinvested in the business
	8. retained earnings	h) The financing provided by the owners and the operations of the business

**Ex 4. Demonstrate the meaning of each of the following expressions in sentences of your own:**

1. to run the business on favorable terms
2. to maintain as equity capital
3. to meet daily operating needs
4. to offer credit
5. to acquire assets
6. to maximize the value of the firm
7. to use funds effectively
8. profitable investment
9. to have resources at the disposal
10. optimal dividend policy

**Ex 5. Form word association**

**Example:**



Use words: management, capital, funds, assets

**Ex 6. Translate this text into English.**

**БАЛАНС**

Баланс фирмы представляет собой документ, отражающей в стоимостном выражения ее активы и источники их формирования на определенную дату, обычно на конец квартала или года. Он составляется на основе данных бухгалтерского учета и разделяется на две равновеликие группировки показателей – актив и пассив. А активе показатели группируются по составу и размещению средств, в пассиве – по источникам их формирования. В годовых отчетах баланс приводится на начало и конец финансового года.

Баланс отражает взаимосвязь активов фирмы и источников их формирования. Он позволяет проводить анализ зависимости фирмы от внешних источников финансирования, структуры собственного и привлеченного капитала, а также его использования в хозяйственном обороте.

В практике фирм встречаются различные формы составления баланса. Наиболее распространенной из них является форма двусторонней таблице, в левой части которой, называемой активом, указываются состав и размещение средств, которым располагает фирма, в правой, называемой пассивом, – источники финансирования ее деятельности.

## БАЛАНС

Фирма баланси ўзида баҳо кўринишидаги уларни активлари ва маълум вақтга, одатда квартал ёки йил охирига уларни ташкил этилиш манбалари шаклида кўринадиган хужжатдир. У бухгалтерия ҳисоби асосида тузилади ва икки тенг кучли кўрсаткичлар гуруҳига ажратилади – актив ва пассив. Активда кўрсаткичлар воситалар таркиби ва кўйилиши бўйича гуруҳланадилар, пассивда эса уларни ташкил топиш манбалари бўйича.

Йиллик ҳисоботларда баланс молия йили боши ва охирига келтирилади.

Баланс фирма активлари ва уларни ташкил этилиши ўртасидаги боғлиқликни намоён этади.

У фирманинг ташқи молиялаштириш манбаларига, ўз ва жалб қилинган маблағларга ҳамда унинг хўжалик айланишида ишлатилишига қанчалик боғлиқлигини таҳлил қилиш имконини беради.

Фирманинг амалиётида баланс тузишнинг турли шакллари учраб туради. Улардан кенг тарқалгани бўлиб, актив деб аталадиган чап тарафида фирма эгалик қиладиган воситалар таркиби ва кўйилиши кўрсатиладиган, пассив деб аталадиган ўнг тарафида унинг фаолиятини молиялаштириш манбалари кўрсатиладиган икки тарафли жадвал шакли ҳисобланади.

### **Ex 7. Give extensive answers to these discussion questions:**

1. How is financial management organized in a typical firm?
2. What sources of financial resources are used by business? How do business firms use their funds? How can they increase their capital?
3. Explain why all firms need both fixed and working capital?
4. How are different assets (current or fixed) managed?

**Ex 8. Prepare a short talk on the following:**

1. The main sources and uses of funds for a business firm
2. Current and fixed assets and their management
3. Why do you think some companies choose to obtain working capital through a sale of stock instead of going to some other sources of funds? Do they try to achieve a better balance between debt and equity?

**Text 2.**

**MANAGEMENT FUNCTIONS**

**Ex 1. Read the text.**

**Give Russian Uzbek equivalents to the underlined words, word combinations.**

**MANAGEMENT FUNCTIONS**

Management plays a vital role in any business or organized activity. Management is composed of a team of managers who have charge of the organization at all levels. Their duties include making sure company objectives are met and seeing that the business operates efficiently. Regardless of the specific job, most managers perform four basic functions. These management functions are **planning, organizing, directing** and **controlling**.

**Planning** involves determining overall company objectives and deciding how these goals can best be achieved. Managers evaluate alternative plans before choosing a specific course of action and then check to see that the chosen plan fits into the objectives established at higher organizational levels. Planning is listed as the first management function because the others depend on it. However, even as managers move on to perform other managerial functions, planning continues as goals and alternatives are further evaluated and revised.

**Organizing**, the second management function, is the process of putting the plan into action. This involves allocating resources, especially human resources, so that the overall objectives can be attained. In this phase managers decide on the positions to be created and determine the associated duties and responsibilities. Staffing, choosing the right person for the right job, may also be included as part of the organizing function.

Third is the day-to-day **direction** and supervision of employees. In directing, managers guide, teach, and motivate workers so that they reach

their potential abilities and at the same time achieve the company goals that were established in the planning process.

Effective direction, or supervision, by managers requires ongoing communication with employees.

In the last management function, controlling, managers evaluate how well company objectives are being met. In order to complete this evaluation, managers must look at the objectives established in the planning phase and at how well the tasks assigned in the directing phase are being completed. If major problems exist and goals are not being achieved, then changes need to be made in the company's organizational or managerial structure. In making changes, managers might have to go back and replan, reorganize, and redirect.

In order to adequately and efficiently perform these management functions, managers need interpersonal, organizational, and technical skills. Although all four functions are managerial duties, the importance of each may vary depending on the situation. Effective managers meet the objectives of the company through a successful combination of planning, organizing, directing, and controlling.

**О.Л.Федетова**

**Ex 2. As you read the text give the main ideas paying attention to the underlined words and word combinations.**

**Ex 3. Refer to the text to help you to complete the outline.**

***Management functions.***

**A. Planning** (=determining company objective and how to achieve them)

1. Managers:

a. evaluate alternative plans before \_\_\_\_\_

b. check \_\_\_\_\_

2. Planning is first because \_\_\_\_\_

3. It continues \_\_\_\_\_

**B. Organizing** (= \_\_\_\_\_) \_\_\_\_\_

1. Involves \_\_\_\_\_

2. Managers:

a. decide on \_\_\_\_\_

b. choose the right person for the right job (= \_\_\_\_\_)

C. \_\_\_\_\_ (= \_\_\_\_\_)

1. Managers \_\_\_\_\_

- a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
- } workers

2. Effective direction requires \_\_\_\_\_

D. \_\_\_\_\_ (=)

1. Managers look at:

- a. \_\_\_\_\_
- b. \_\_\_\_\_

**Ex 4. Use the expressions in sentences of your own:**

1. to choose specific course of action
2. at higher organizational levels
3. to perform managerial functions
4. overall objectives
5. to achieve goals
6. potential abilities
7. ongoing communication
8. to adequately and efficiently perform

**Ex 5. Read and act out the dialogue. Discuss the problems raised in the dialogue. Make a story on the basis of the dialogue.**

### WHAT MAKES A GOOD MANAGER?

**R.:** One hears over and over again that what a modern enterprise needs is a good manager. What do you think of the problem?

**Am.:** The importance of a good manager can't be overestimated.

**R.:** What do you think makes a good manager?

**Am.:** First of all high standards of professional knowledge and personal conduct.

**R.:** What personal traits must a good manager have?

**Am.:** A good manager must be flexible, must have confidence in himself and others, and keep a sense of proportion. Besides, he must have leading ability.

**R.:** I see, and what professional skills should managers have?

**Am.:** Managers must know how to set goals and how to achieve them, how to divide work and how to coordinate the activities of individuals. They must know how to take corrective action if the organization is not progressing towards its goals.

**R.:** Management is often called the art of getting things done through people. What's your point of view on the essence of management?

**Am.:** The essence of management is to create an environment where individuals, working together, can perform effectively and efficiently. Nowadays managers must be more skilled in handling people.

**R.:** Yes, managers must understand that human resources are a very important part of any business. The manager's job is very interesting, isn't it?

**Am.:** Yes, and given the opportunity I would choose the same career again.

**Ex 6. Answer these questions:**

1. The role of a good manager.
2. What is more important: high standards of professional knowledge or personal conduct?
3. What is important in handling people?
4. What problems do finance managers face daily?
5. What are financial managers concerned with?
6. What do financial managers take into account when they try to strike (подводить, келтирмоқ) the right balance between different sources of funds, e.g. between long and short – term debt or between debt and equity?
7. What skills are likely to be in demand in the next five years – computer literacy, knowledge of foreign languages, anything else?

**Ex 7. Critical Thinking. Define whether the statements below are true or false.**

1. Contemporary financial managers should be familiar with two areas of economics – macroeconomics and microeconomics
2. Financial management explains how financial brokers can help maximize the value of their firms by making better decisions in capital budgeting, choice of capital structure and working capital management.
3. Financial managers, controller in particular are not responsible for financial accounting, cost accounting.
4. The financial manager must help decide on the specific assets to acquire and the best way to finance these investments.
5. The financial manager's job is to arrange for the firm to get the funds needed on unfavorable terms and make sure they are not used effectively.

6. The concept of cash flow is one of the central elements of financial analysis.
7. Macroeconomics is concerned with the institutional and capital markets, monetary, credit and fiscal operations.
8. Financial managers major objective is to minimize the value of the firm for its owners.

**Answers:** 1tr, 2f, 3f, 4tr, 5f, 6tr, 7tr, 8f

**Ex 8. Write a summary of the text.**

**Text 3.**

**DEUTSCHE DISPOSAL BETTER LATE THAN NEVER**

**Ex 1. Comment on the meaning of the following words and combinations:**

disposal	boost
fund management	fixed income
asset management split	capital investment
cost cutting program	fund mandate

**DEUTSCHE DISPOSAL BETTER LATE THAN NEVER**

Deutsche Bank's disposal of its UK asset management business (DeAM UK) and Philadelphia-based active fixed-income business to Aberdeen Asset Management will be a great relief to the bank's senior board members. The UK unit has been in dire straits in the past two years, haemorrhaging staff and losing a series of pension fund mandates. In 2004 alone, the businesses sold made losses of £77 million (\$135 million).

Last September, DeAM UK CEO Paul Berriman vehemently denied rumours of a withdrawal, stating: "The UK institutional investment market is the largest in Europe -no fund management firm could afford not to have an operation in the UK." For Deutsche Bank, it has been a case of quite the opposite. It simply could not afford to continue operating in the UK asset management space.

While other fund managers had responded to investors demand for specialist managers, Deutsche had dragged its feet, implementing a shift to a boutique structure only in the middle of last year. Some analysts claim that the move to sell was late in coming. Rumours of a potential sale had started

in 2002 when Paul Manduca was appointed as European CEO. He joined from Rothschild Asset Management where he had orchestrated the sale of the business to HBOS.

The uncertainty that was hanging over the unit only aggravated the business's woes leading to further staff defections and loss of mandates. But analysts agree it is a case of "better late than never".

Matthew Clark, analyst at Keefe, Bruyette & Woods, views the deal as a small positive for Deutsche Bank, but points out that the delay might have slightly dented the bank's reputation.

"Towards the end of last year, Deutsche's management seems to have been concentrating on the cost-cutting programme, more centred on the corporate and investment bank. Arguably, the larger scale of the cost-cutting plan to some extent outweighs the delay in addressing DeAM, but the company's image may have taken a bit of a knock in the process," says Clark.

The deal is certainly positive for buyer Aberdeen's reputation. The £265 million deal boosts its assets under management from £25.9 billion to £72.2 billion, and should go some way to making investors forget that just two years ago the firm looked close to collapsing following the split-capital investment trust scandal.

**Euromoney**  
**August 2005**

#### **Notes:**

**dire** – horrible

**straits** – difficult situation

**vehemently** – quickly, rapidly

**rumours** – unpleasant chat, gossip, scandal

**haemorrhage** – stream of blood or bleeding

**to drag smb's feet** – to go hardly

**woe** – sad trouble

**Ex 2. As you read the article point out the main idea and define its issues.**

**Ex 3. Comment on the problems of the article by using key words.**

**Ex 4. Give its brief summary.**

## UNIT 8

### ACCOUNTING

- Texts:** 1. Accounting Principles and Concepts  
2. The Balance Sheet  
3. Newspaper article

#### Text 1.

#### ACCOUNTING PRINCIPLES AND CONCEPTS

**Ex 1. Find the Uzbek – Russian equivalents of the following world and worlds combinations.**

accounting – accountancy	cash basis
book – keeping	accrual basis
capture	owner’s equity
communication	to fall due
to meet one’s commitments	managerial accounting
accounting equation	financial accounting
financial statements	assets
balance sheet	liabilities
entry	

**Ex 2. Read and translate the text, pay attention to the key words, learn them by heart.**

#### ACCOUNTING PRINCIPLES AND CONCEPTS

The accounting system in any given country is one of the key elements of the economic system. It is determined to & significant extent by the level and direction of the economic system's development.

The most important theoretical concept of the Anglo-American accounting may be summed up as follows: the subject of accounting is the calculation of the financial results of an economic entity's business activity.

Accounting is used to describe the transactions entered into by all kinds of organizations.

Accounting can be divided into three phases: capture, processing and communication of financial information.

The first phase, the process of capturing financial information and recording it, is railed *book-keeping*. Accounting, in the true sense of the word, extends far beyond the actual making of records. It includes their

analysis and interpretation; it shows the relationship between the financial results and events which have created them

Accounting can show the managers or owner of a business whether or not the business is operating at a profit, whether or not they will be able to meet its commitments as they fall due.

Accounting is based on the accounting equation, which states that a firm's assets must equal its liabilities plus its owners' equity.

Assets and liabilities, profits or losses are listed in financial statements. The two main types of financial statements are the balance sheet and the income statement (profit and loss account).

The balance sheet lists a firm's assets, liabilities and owner's equity at a point of time.

Changes in the balance sheet are made according to the principle of double-entry bookkeeping. This principle made its appearance in the 13<sup>th</sup> century in Northern Italy. It was improved and disseminated at the end of the 14<sup>th</sup> century by the work of Luca Pacioli, a monk and a university teacher. This principle states that each transaction must be recorded on the balance sheet as two separate entries so that the accounting equation will hold at all times, the totals of true no matter how many transactions are entered into.

Balance sheets are drawn up periodically: monthly, quarterly, half-yearly, annually.

There is an account for every asset, every liability and capital. Accounts can be prepared either on a cash or accrual basis. Each account should be shown on a separate page.

The double entry system divides each page into two halves. The left-hand side is called *the debit side*, while the right-hand side is called *the credit side*.

The balance sheet shows a lot of useful financial information, but it does not show everything. A firm's sales, costs, and profits for a given period are shown in an income statement.

**С.Н.Любимцева, В.Н.Коренова**  
**Курс англ.яз.для финансистов**

## **Ex 2. Answer these questions:**

1. What role does an accounting system play in an economy?
2. In what phases is accounting broken down?
3. What is an accounting equation?
4. What is the most widely practiced principle of book – keeping?

5. What does the balance sheet list?
6. What is shown in the income statement?
7. In what way does cash basis accounting differ from accounting on accrual basis?

**Ex 3. Give derivatives of:**

account	manager	equity
performance	debit	provide
transaction	credit	available
record	practice	calculation

**Ex 4. Define whether the statements below true or false. Give your reasons.**

1. Balance sheet shown a not drawn up periodically.
2. The balance sheet showed a lot of useful financial information.
3. The accounting system is insignificant element of the economic system.
4. Assets and liabilities, profits or losses are listed in financial statement.
5. Accounting can be divided into two phases: processing and communication of financial information.
6. Accounts can be prepared either on a cash or accrual basis.
7. The double entry system divides each page into three halves.
8. A firm's sales, costs, and profits for a given period are shown in a balance sheet.

**Ex 5. Comment on every requirement to the chief accountant of a company who will:**

- maintain accounts payable ledger
- supervise banking and cash activities, supply contracts, reconciliation of bank statements
- deal with local tax authorities
- supervise the accounting department
- cooperate with internal and external auditors

**The requirements include:**

- excellent English
- degree in accounting
- knowledge of the local accounting system
- proper computer skills
- ability to work independently

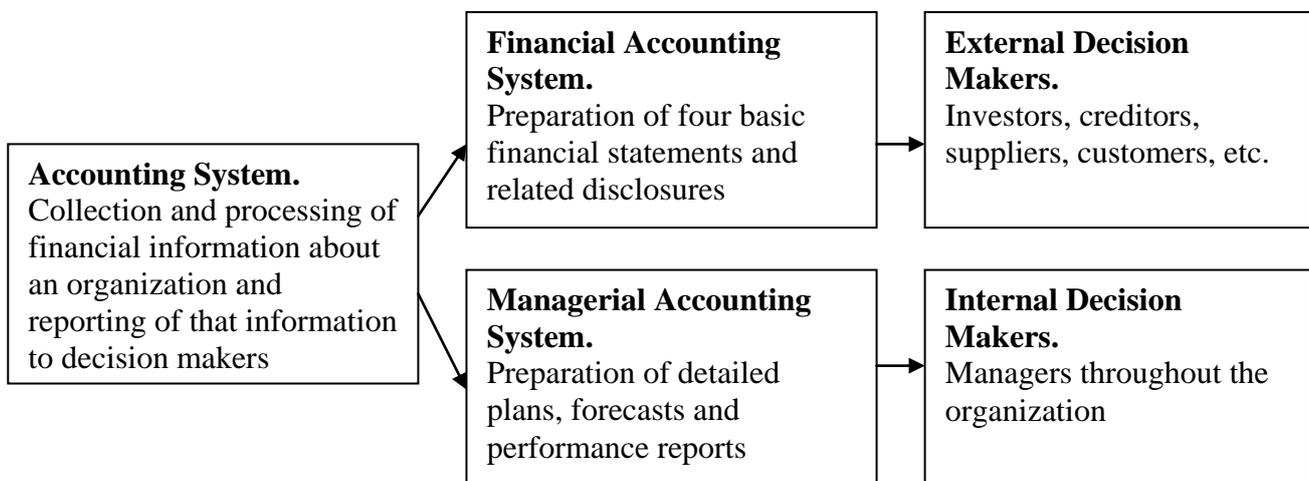
### Ex 6. Problem Solving.

The two parts of accounting system are outlined in Exhibit 1-1.

Answer the questions after studying Exhibit 1-1.

1. Briefly distinguish financial accounting from managerial accounting
2. Define accounting
3. The accounting process generates financial reports for both internal and external users. Identify some of the groups of users.
4. Briefly distinguish investors from creditors.

### Exhibit 1-1. The Accounting System and Decision Makers.



### Ex 7. Read the passage and pay special attention to the meanings of the italicized words and comment on each separately.

Business people need financial information to make rational economic decisions. Investors and creditors need financial information before they provide cash to a business a primary source of financial information is the organization's financial statements. Accounting is a system that collects and processes financial information to decision makers.

The four basic financial statements are the balance sheet, the income statement, the statement of cash flows, and the statement of retained earnings.

The *balance sheet* is a statement of financial position that reports dollar amounts for the assets, liabilities, and stockholders' equity at a specific point in time.

The *income statement* is a statement of operations that reports revenues, expenses, and net income for a stated period of time.

The *statement of cash flows* reports inflows and outflows of cash for a specific period of time.

The *statement of retained earnings* explains changes to the retained earnings balance that occurred during the reporting period.

The financial statements and the parties to the accounting communication process were illustrated in the context of the purchase of a disk drive company

**Ex 8. Sum up the main text and present your summary in class.**

## Text 2.

### THE BALANCE SHEET

**Ex 1. Read the text and give equivalents in your native language to the underlined words and word combinations.**

### THE BALANCE SHEET

Financial statements are the final product of the accounting process. They provide information on the financial condition of a company. The balance sheet, one type of financial statement, provides a summary of what a company owns and what it owes on one particular day.

Assets represent everything of value that is owned by a business, such as property, equipment and accounts receivable. On the other hand, liabilities are the debts owed by a company – for example, to suppliers and banks. If liabilities are subtracted from assets (assets — liabilities), the amount remaining is the owners' share of a business. This is known as owners' or stockholders' equity.

One key to understanding the accounting transactions of a business is to understand the relationship of its assets, liabilities, and owners' equity. This is often represented by the fundamental accounting equation: assets equal liabilities plus owners' equity.

$$\text{Assets} = \text{Liabilities} + \text{Owners' Equity}$$

These three factors are expressed in monetary terms and therefore are limited to items that can be given a monetary value. The accounting equation always remains in balance; in other words, one side must equal the other.

The balance sheet expands the accounting equation by providing more information about the assets, liabilities, and owners' equity of a company at a specific time (for example, on December 31, 1999). It is made up of two parts. The first part lists the company assets, and the second part details liabilities and owners' equity. Assets are divided into current and fixed assets. Cash, accounts receivable, and inventories are all current assets. Property, buildings, and equipment make up the fixed assets of a company. The liabilities section of the balance sheet is often divided into current liabilities (such as accounts payable and m-come taxes payable) and long-term liabilities (such as bonds and long-term notes).

The balance sheet provides a financial picture of a company on a particular date, and for this reason it is useful in two important areas. Internally, the balance sheet provides managers with financial information for company decision-making. Externally, it gives potential investors data for evaluation of the company's financial position.

**О.Л.Федотова**

**Ex 2. Match each definition with its related term.**

<b>Answers:</b> 1c, 2h, 3g, 4d, 5b, 6f, 7a, 8e, 9i	1. accounting	<b>a)</b> a statement that reports the revenues less the expenses of the accounting period
	2. accounting Entity	<b>b)</b> a statement that reports the financial position of an accounting entity at a point in time
	3. accounting period	<b>c)</b> a system that collect and processes financial information about an organization and reports that information to decision makers
	4. audit	<b>d)</b> An examination of the financial reports to assure that they represent what they claim and conform with generally accepted accounting principles
	5. balance sheet	<b>e)</b> a statement that reports in flows and out flows of cash during the accounting period in the categories of operations, investing and financing.
	6. basic accounting equation	<b>f)</b> assets = liabilities + Stockholders Equity
	7. income statement	<b>g)</b> the time period covered by the financial statements
	8. statement of cash Flows	<b>h)</b> the organization for which financial data are to be collected
	9. Statement of retained earnings	<b>j)</b> a statement that reports how net income and the distribution of dividends affected the financial position of the company during the accounting period

**Ex 3. Substitute appropriate terms from the box for the underlined words or phrases in the sentences below:**

status agencies monitored maintain independently procedure fee hire rigorous solely

1. Many accounting departments have strict entrance requirements; only the most qualified applicants are allowed to enter these programs. \_\_\_\_\_
2. The particular method used to process employee insurance claims may vary from company to company. \_\_\_\_\_
3. The stock market is closely watched every day. \_\_\_\_\_
4. Rather than expand into foreign lines, the dress shop manager chose to deal only with domestic fashion designers. \_\_\_\_\_
5. Although the consultant's charge for services was high, his guidance and advice were well worth the money. \_\_\_\_\_
6. The financial condition of a company is reflected in its financial statements. \_\_\_\_\_
7. When the business began to expand, a second bookkeeper was brought in to help keeping the books. \_\_\_\_\_
8. In the United States there are numerous organizations that provide services at the local, state, and national levels. \_\_\_\_\_

**Ex 4. Give definitions to the following terms:**

- 1) Assets are...
- 2) Liabilities are...
- 3) Owner's equity is ...
- 4) A balance sheet is ...
- 5) An accounting equation is ...

**Ex 5. Look through the Statement of Financial position of “General Electric” and evaluate it. Make up a list of clue words to it.**

**Statement of Financial position**

**Баланс**

At December 31 (in millions)	1985	1984	По состоянию на 31 декабря (в млн.долл)
Assets	1606	1859	Активы
Cash	951	514	Наличность
Marketable securities	6040	5509	Быстрореализуемые ц/б
Current receivables	3949	3670	Краткосрочная дебиторская задолженность

Inventories	12546	11552	Материально–производственные запасы
<b>Current assets.</b> Property, plant and equipment	<b>8328</b>	<b>7690</b>	<b>Оборотные активы.</b> Реальный капитал. Амортизация
Funds held for business development	726	814	Фонд развития
Other investments	3150	2903	Долгосборные вложения в ценные бумаги
Other assets	1632	1771	Прочие необоротные активы
<b>Total assets</b>	<b>26432</b>	<b>24730</b>	<b>Итог актива</b>
Liabilities and equity. Short–term borrowings	1297	1047	Пассив. Краткосрочные займы и кредиты
Accounts payable	2204	1931	Счета к платежу
Progress collections and price adjustments accrued	2257	2403	Постепенные денежные сборы и перерасчеты цен
Dividends payable	264	673	Задолженность по дивидендам
Taxes accrued	751	2303	Задолженность по налогам
Other costs and expenses accrued	2146	8607	Другие виды кратко-срочной задолженности
Current liabilities	8919	3421	Краткосрочные задолженность
Long–term borrowings	3481	1202	Долгосрочные займы, кредиты
<b>Total liabilities</b>	<b>21319</b>	<b>21587</b>	<b>Итого:</b> краткосрочная, долгосрочная задолженность
Minority interest in equity of consolidated affiliates	128	129	Доля сторонних акционеров в консолидированных дочерних компаниях
Common stock	579	579	Акционерный капитал
Other capital	641	642	Дополнительный капитал
Less common stock held in treasury	-310	-313	Минус собственные акции в портфеле
Total share owner’s equity	3455	1480	Собственный капитал
<b>Total liabilities and share owner’s equity</b>	<b>26432</b>	<b>24730</b>	<b>Итог пассива</b>

**Ex 6. Complete the following table by entering either the word debit or credit in each Column.**

a)

	Item	Increase	Decrease
1.	Assets		
2.	Liabilities		
3.	Stock holder’s Equity		

Complete the following table by entering either the word increase or decrease in each Column.

b)

	Item	Debit	Credit
1.	Assets		
2.	Liabilities		
3.	Stock holder's Equity		

- |    |             |    |                |                  |
|----|-------------|----|----------------|------------------|
| a) | 1. deb; cr. | b) | 1. incr; decr. | } <i>Answers</i> |
|    | 2. cr; deb  |    | 2. decr; incr. |                  |
|    | 3. cr; deb. |    | 3. decr; incr. |                  |

**Ex 7. Give extensive answers to these discussion questions:**

1. What accounting is and what role it plays in a free market economy?
2. What sort of statement the balance sheet is?
3. What sort of statement the income statement is?
4. Who needs the information provided in financial statements?
5. Why do all firms need both fixed and working capital
6. What are your own sources of funds? Earnings from employment?  
Contribution from parents or others?

**Ex 8. Prepare short talk on the following:**

1. The work of public accountants, private accountants, and accountants who work for units of the government and non-for-profit firms.
2. Accounting principles
3. How is Uzbek accounting developing?

### Text 3.

#### NEWSPAPER ARTICLES

**Ex 1. As you read the following newspaper article point out the main idea. Make up questions to the text.**

#### **SAUDI ARABIA: INVESTMENT INCENTIVES**

The Saudi Arabian General Investment Authority and the Supreme Economic Council agreed on July 2 to introduce new measures to attract foreign direct investment. The changes aim to speed up the process of gaining investment permission and trade registration, and cut the kingdom's dependence on expatriate labour. They include: exemptions on customs tariffs; more efficient judicial procedures for the resolution

of trade disputes; stronger guarantees for investors; and special incentives for locals and foreigners to invest in less-developed regions. Foreign investors will now also be able to gain entry visas through Saudi embassies without having a letter of invitation.

**Euromoney. 2005  
IMF/World Bank Edition.**

**Ex 2. Comment on the meaning of the following words and expressions and make up your own sentences.**

investment incentives  
new measures  
investment permission  
trade registration  
expatriate  
trade disputes  
less developed region  
entry visas

**Ex 3. Read the newspaper article and comment on the presented events by using key words from it.**

### **UNDER PRESSURE**

The allure of providing prime brokerage services to hedge funds is putting pressure on the three dominant brokers in the industry, says Standard & Poor's.

The ratings agency predicts two trends that could erode the profits from prime brokerage at the three largest US prime brokers, Morgan Stanley, Goldman Sachs and Bear Stearns.

The first is competition from investment and commercial banking groups attracted to prime brokerage for hedge funds because of the earnings potential. "Wide margins and growth in volumes in prime brokerage have attracted new entrants who compete on price and in the conditions of services, including collateral requirements," says Standard & Poor's report, *Hedge funds and their counterparties - catching the big one*, UBS and Citigroup, for example, are reported to have been pouring money into prime brokerage services such as securities lending and trade execution.

A second trend that might erode the profits to which the large three prime brokers have become accustomed is the internalization of services by

some of the largest hedge funds, says the report. A few large hedge funds are bypassing brokers and trading directly with other investors, while others have International Swaps and Derivatives Association agreements with dozens of counterparties. Hedge funds are also increasingly running their own repo desks and securities-lending operations, conducting their own research, and relying less on sell-side analysts. The report says: “In some ways, large hedge funds are competing with the brokerage industry”.

**Ex 4. Find in the text English equivalents to the following:**

1. hedge fund, 2. brokerage,  
3. collateral, 4. counterpart,  
5. execution, 6. hedge.

1. хежирлаш усулидан фойдаланувчи фонд; фонд пользующийся хедж.
2. брокерлик операциялари; брокерские операции.
3. кўшимча, таъминланган, кафолатли; дополнительный, обеспеченный.
4. шерик, муқобил томон; партнёр.
5. бажариш; выполнение
6. хежирлаш - нарх навонинг ноқулай ўзгаришлардан суғурталанишга имкон берувчи биржа операциялар;

## UNIT 9

### AUDITING

- Texts:** 1. Performing an audit  
 2. Report of independent accountants  
 3. Newspaper article

#### Text 1.

#### PERFORMING AN AUDIT

**Ex 1. As you read the text below try to match the words and combinations in Column A to their Uzbek-Russian equivalents in Column B.**

<b>Answers:</b> 1e, 2c, 3f, 4i, 5d, 6g, 7a, 8h, 9b, 10n, 11m, 12j, 13k, 14 i	1. financial statements	a) проверяемая компания; текширилган компания
	2. auditing	b) аудит счетов, ревизия счетов; ҳисоб рақамларни тафтиш қилиш
	3. auditor	c) аудит; тафтиш ўтказиш
	4. audit	d) процесс проведения аудиторской проверки; аудит текширувини ўтказиши жараёни
	5. audit process	e) финансовая отчетность; молиявий ҳисобот, баланс
	6. audit procedures	f) аудитор; аудитор, тафтишчи бухгалтер, бош бухгалтер
	7. audited company	g) методика проведения ревизии / аудиторской проверки; тафтиш ўтказиш методи (усули)
	8. to audit	h) проводить аудиторскую проверку; текширмоқ, тафтиш қилмоқ, тафтиш ўтказмоқ
	9. account (s) audit	i) точные данные; аниқ маълумотлар
	10. auditor's opinion	j) детальный аудиторский отчет; батафсил аудит ҳисобот
	11. credibility	k) полные данные; тўлиқ маълумотлар
	12. in depth audit report	l) аудит, аудиторская проверка, ревизия; аудит, аудиторлик текшируви, тафтиш, текширув
	13. complete figures	m) вероятность, правдоподобие, достоверность; хақиқийлик эҳтимоли, тўғрилиги
	14. accurate figures	n) заключение аудитора; аудитор хулосаси

**Ex 2. Before reading the text try to understand the meaning of the following terms:**

1. misstatement – wrong information
2. judgement – decisions, conclusions

3. in depth – in detail
4. audit procedure – device, way of checking
5. preliminary analytical review – analysing of financial, economical activity in advance
6. assumption – supposition
7. audit risk – danger of unsatisfied control
8. to seek evidence – to look for factors
9. intentional – special, planned
10. omission – gap, lack
11. detection – smth. which is found
12. deviation – turn
13. to qualify the opinion – to make the audit conclusion with some notes
14. integrity – professional honesty
15. certify – to approve, to give license
16. comply with regulations – to meet requirements of smb
17. in agreement with – in accordance
18. in compliance with – in agreement with
19. relevant – suitable

**Ex 3. Read the text and translate it, pay attention to the terms.**

### **PERFORMING AN AUDIT**

Auditing is a process in which an independent accountant-auditor examines a firm's accounting records and financial statements and offers an opinion on their accuracy and reliability.

There are different types of audits, for example, financial statements audits, income tax audits, "value for money" audits, environmental audits, administrative audits, financial management audits, etc.

The accountancy profession has built up a significant amount of expertise in performing financial statements audits.

Accounts audits were established as an instrument to protect third parties, the users of accounts, since the auditor's opinion helps establish credibility of financial statements.

Special bodies of users, such as supervisory boards, employee representatives, government agencies may sometimes need an in depth audit report, which is usually confidential.

It should be stressed that auditors do not monitor, they offer an opinion, and the audit process and audit procedures are complicated and manifold. The auditor's opinion is gradually being built up from a mass of detailed

work to the final judgement through the planning and testing stages. The auditor normally starts with a study of the business environment the audited company is working in and performs a preliminary analytical review.

Then he should direct his attention to the financial statements. Interestingly enough, however, the auditor's attention is not directed towards the financial statements' elements as such, but towards the correctness of various assumptions made by the management for their preparation. For instance, the auditor needs to know if figures are complete and accurate and reflect what they should reflect, if income and expenses are recorded in the proper periods and if the legal position is reflected adequately.

The auditor should focus on any misstatement whether it is intentional or unintentional. The management is responsible for the reliability of financial information. If the management is not prepared to take the responsibility it may be hard to complete the audit. In such situations the auditor should seek his own evidence by means of independent audit procedures.

Although the financial statements are the ultimate objectives of an audit, normally such audits cannot be completed without a proper study and evaluation of the accounting system and assessment of the internal accounting controls.

Defining the audit strategy the auditor has to decide whether to rely on internal controls or to resort to substantive testing applying analytical review procedures, such as tests in totals, comparison with budgets or even statistical analysis of figures.

In the planning stage as well as during the performance of audit procedures and, finally, in forming conclusions, "materiality" and "audit risk" are critical elements in the auditor's judgement. "Materiality" refers to the magnitude or nature of a misstatement (including an omission) of financial information.

"Audit risk" (including three different components – inherent risk, control risk, detection risk) is the risk that an auditor may give an inappropriate opinion on financial information that is materially misstated.

The natural finalization of the audit process is the auditor's report, reflecting the auditor's opinion on the financial statement. Unfortunately, audits do not always end up in an approval of the financial statements. Any deviation from the unqualified opinion should be explained in the auditor's report, including the uncertainty or the disagreement that caused the auditor to qualify his opinion.

**Любимцева С.Н., Коренева В.Н.  
Курс англ.яз.для финансистов**

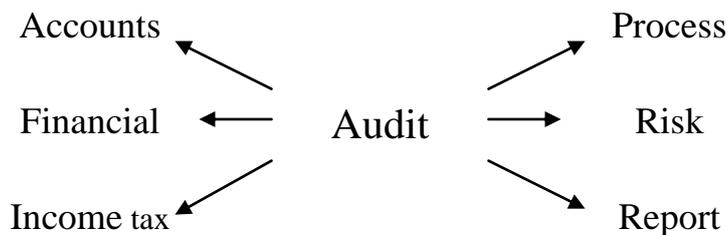
#### Ex 4. Find synonyms

Answers: 1f, 2h, 3j, 4a, 5b, 6c, 7e, 8d, 9m,  
10g, 11k, 12i, 13l

- |                                |                       |
|--------------------------------|-----------------------|
| 1. examine                     | a) credibility        |
| 2. financial statements        | b) various            |
| 3. to offer an opinion         | c) tested company     |
| 4. reliability                 | d) exact figures      |
| 5. manifold                    | e) absolute figures   |
| 6. audited company             | f) check              |
| 7. complete figures            | g) to be responsible  |
| 8. accurate figures            | h) balance            |
| 9. record                      | i) size               |
| 10. to take the responsibility | j) to make conclusion |
| 11. evaluation                 | k) estimation         |
| 12. magnitude                  | l) independent        |
| 13. substantive                | m) register           |

#### Ex 5. Form word associations:

##### Model:



**Words:** figures, opinion, risk, objective

#### Ex 6. Give derivatives:

accountant	complete	record
performance	conclusion	material
misstatement	evaluation	credibility
reliability	certify	insolvency

#### Ex 7. Answer the questions:

1. What is audit?
2. What are different types of audits now days?
3. What does the auditor's opinion help establish?
4. How is an audit planned?
5. What do auditors normally start with?
6. What do auditors direct their attention when they analyses financial statements?
7. Do auditors study and evaluate the accounting system and the internal accounting control during the audit?
8. Do all audits end up in the approval of the financial statements?

### Ex 8. Prepare short talks and discuss them.

1. International professional organizations of auditors
2. What bodies in Uzbekistan perform governmental auditing?
3. Career in auditing.

### Text 2.

#### REPORT OF INDEPENDENT ACCOUNTANTS

### Ex 1. As you read the text below try to match the words and combinations in Column A to their Uzbek – Russian equivalents in Column B

#### Column A

#### Column B

Answers: 1h, 2g, 3d, 4k, 5i, 6a, 7l, 8b, 9m, 10c, 11d, 12f, 13n, 14j

- |                            |   |
|----------------------------|---|
| 1. appreciate              | a) уверять обеспечивать, страховать; ишонтирмақ, таъминламақ, кафолатламақ                                    |
| 2. ascertain               | b) согласовываться; мувофиқ қилмоқ  |
| 3. estimate                | c) управление организацией; муассасани бошқариш   |
| 4. cash flow               | d) правовая ответственность, ответственность перед законом; қонун олидида жавобгарлик                         |
| 5. disclosure              | e) смета, оценка; баҳолаш   |
| 6. assure                  | f) честность, справедливость; аниқлик   |
| 7. implication             | g) устанавливать; аниқламақ, белгиламақ   |
| 8. conform                 | h) оценивать; баҳоламақ   |
| 9. claim                   | i) открытие, раскрытие информации; ахборотни ошкор қилмоқ   |
| 10. management of entity   | j) бухгалтер, имеющий право проводить ревизию; балансларни тафтиш қилиш хуқуқига эга бўлган эксперт бухгалтер |
| 11. legal liability        | k) движение наличности; нақд пул харакати   |
| 12. fairness               | l) вывод; шарт шароит, хулоса   |
| 13. evidence               | m) требовать, предъявлять претензию; талаб қилмоқ, даъво қилмоқ   |
| 14. independent accountant | n) достоверность, очевидность, основание; асос, далиллар  |

### Ex 2. Match the words:

- |                |                           |
|----------------|---------------------------|
| 1. auditor     | a) basic                  |
| 2. independent | b) carry out              |
| 3. underlying  | c) planned                |
| 4. misleading  | d) substantive            |
| 5. perform     | e) honesty                |
| 6. ascertain   | f) independent accountant |
| 7. intentional | g) determine              |
| 8. fairness    | h) mistaken               |

1c, 2d, 3a, 4h, 5b, 6g, 7c, 8e

### **Ex 3. Read and translate the text, pay attention to the sample of a report of Independent accountants**

The report of independent accountants or audit report, which describes their opinion of the fairness of the financial statement presentations and the evidence gathered to support that opinion. An accountant may be *licensed as a Certified Public Accountant, or CPA*. This designation is granted only on completion of requirements specified by each state. While other accountants can offer various accounting services to the public, only a licensed CPA can issue an audit report. In this role, accountants are known as *independent CPAs* (or independent accountants) because they have certain responsibilities that extend to the general public in addition to those to the specific business that pays for the services. Independent CPAs, although paid by their clients, are not employees of their clients. Independence has important implications for the legal liability of CPA firms.

An audit involves an examination of the financial reports (prepared by the management of the entity) to assure that they represent what they claim and conform with generally accepted accounting principles (GAAP). In performing an audit, the independent CPA examines the underlying transactions, including the collection, classification, and assembly of the financial data incorporated in the financial reports. To appreciate the magnitude of these responsibilities, consider the enormous number of transactions involving a major enterprise such as General Motors—billions of dollars each year. However, the CPA does not examine each of these transactions; rather, professional approaches are used to ascertain beyond reasonable doubt that transactions were measured and reported properly. There are many unintentional and intentional opportunities to prepare misleading financial reports. The audit function performed by an independent CPA is the best protection available to the public. However, when that protection fails, the independent CPA is often found liable for losses, incurred by those who rely on the statements.

#### **Sample:**

#### **Report of Independent Accountants**

To the Stockholders and Board of Directors of Maxidrive Corp.

We have audited the accompanying balance sheet of Maxidrive Corp. as of December 31, 19A, and the related statements of income, shareholders' equity and cash flows for the period ended December 31, 19A. These financial statements are the responsibility of the Company's management.

Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maxidrive Corp. at December 31, 19A, and the results of its operations and its cash flows for the period ended December 31 19A, in conformity with generally accepted accounting principles.

**Smith and Walker, CPAs  
Libby. Financial Accounting.**

**Ex 4. Define whether the statements below are true or false.**

**Answers:** 1tr, 2f, 3tr, 4f, 5tr, 6tr, 7f, 8tr

1. The report of independent accountants (audit report) describes the auditors' opinion of the fairness of the financial statement presentations and the evidence gathered to support that opinion.
2. An audit is an examination of the newspaper reports to assure that they represent what they claim and conform with generally accepted accounting principles.
3. A primary function of the accountants in organizations is to provide data that are useful for internal managerial decision making.
4. Under market conditions the controlling function of the state will lose its importance.
5. In some cases managers start business operations without licenses, avoid paying excise duties.
6. Results of audits reveal lots of breaches of the tax law and misuses of public money.
7. Auditing has two functions: to reveal undesirable practices and not to prevent their recurring in the future.
8. The most familiar type of auditing is the administrative audit, or pre-audit.

**Ex 5. Answer the following questions:**

1. What does audit report describe?
2. Who can issue an audit report?
3. Explain the meaning of Independent CPAs
4. In performing an audit what does Independent CPA examine?
5. Do you know unintentional and intentional opportunities to prepare misleading reports?
6. What do generally accepted auditing standards require?
7. What opinion was expressed?

**Ex 6. Give situations when auditors**

- a) disclaim an opinion (отказаться от дачи ауд.заключения)
- b) express / offer unqualified opinion  
(сделать безусловное заключение)
- c) qualify the opinion  
(дать заключ. с оговорками)

**Ex 7. Demonstrate the meaning of the following word-combinations on your own sentences:**

1. audit objective (цель аудита)
2. audit planning (планирование аудита)
3. audit points
4. audit risk
5. audit extent / field (масштабы ревизии)
6. operational audit (аудит хозяйственной деятельности)
7. tax audit (проверка правильности начисления наличности)
8. accounts audit (аудит счетов)
9. legality audit (проверка законности)
10. financial audit

**Ex 8. Prepare a short talk on the following:**

- a) If you have a job with an auditing firm (or want to be an), what sort of personal characteristics do you think are most important for auditors? Compare them with the personal features necessary for other financial professions.
- b) If you have a job with an auditing firm, say how you are provided with information about possibilities to upgrade professional skills (courses being offered by different organizations). Is the information accurate, timely, complete and relevant?
- c) How is the work of auditors monitored?
- d) Consider different aspects of professional auditors' activities.

### **Text 3.**

#### **GOOD NEWS OUTWEIGHS BAD FOR BANKS**

**Ex 1. Read the following newspaper article and point out the main idea.**

#### **GOOD NEWS OUTWEIGHS BAD FOR BANKS**

Turkey's credit card industry, one of the fastest-growing products for the country's financial institutions, will remain an extremely lucrative business for the foreseeable future.

The not so good news is that bank's non-performing loans ratios on outstanding card loans will get worse by the end of the year although systemic risk is not on the horizon. These are the key findings of a report by Merrill Lynch on Turkish banking that was released in July.

The report adds that generally "there has been an improvement in underlying credit card usage as a result of banks' awareness". One of the most important changes is that banks have become less aggressive in promoting card use. Banks have reduced their approval rates to 25% from levels as high as 70% late last year, according to Merrill Lynch.

The big worry is that the levels of bad debt will rise over the next few months. The US bank calculates that the gross NPL ratio on outstanding loans will rise to 8% by the end of the year from 6.9%.

One of the reasons for this deterioration in repayments is that the interest charged on credit cards is relatively high at between 4.5% and 6.5%. Another issue is that last year many banks sold credit cards to low-income earners in an attempt to boost their market share. "The lower income segment of the credit card portfolio may well be in a debt trap," says Zekeriya Ozturk, author of the report.

But underlying all of this is the fact the card business is very profitable even after provisions. "More persistent interest rates on card lending seems to offset the rise in NPL ratios," says Ozturk.

The analyst adds that growth in credit card lending will slow dramatically this year. "We expect 23% annual growth in total outstanding credit card lending in lira terms. This presents a massive slowdown compared with 110% in 2004 and 58% in 2003."

**Sudip Roy**

**Ex 2. Study words or word expressions and demonstrate the meaning in sentences of your own:**

1. lucrative – profitable
2. awareness – to be informed
3. deterioration – change for-the worse
4. offset – compensate
5. findings – received information
6. outstanding – unpaid
7. bad debt – debt will be hardly returned; or maturity of loan is exceeded
8. boost – increase

**Ex 3. Write down 4-5 questions about the article.**

**Ex 4. Scan the available financial newspapers and comment on a situation with credit card in Uzbekistan.**

## UNIT 10

### MARKETING

- Texts:** 1. Marketing  
2. The Four Ps  
3. Writing of Sales Letter

#### Text 1.

### MARKETING

**Ex 1. Find equivalent in your national language to the following words and word-combinations**

needs	statistical analyses
preference	draw conclusions
promotion	purchasing decision
distribution	alternative search
evaluation	need recognition
demise	postpurchase feelings
impact	qualitative skills
pervasive	

**Ex 2. Read the text and define its constituent parts**

### MARKETING

Marketing is “the process of planning and executing the conception, pricing, promotion and distribution of ideas and services to create changes that satisfy individual and organizational objectives.” More simply put, marketing is an approach to doing business that focuses on identifying the customer’s needs and preferences. Using this information, a company can shape the goods and services it provides, as well as the strategy it uses to bring these goods and services to the public, based on satisfying the customer.

Virtually all companies use some form of marketing techniques. Having a market orientation, however, means that marketing must exist as more than just a functional area within a company; it must be a pervasive concern throughout the company. Customer needs and preferences are central to marketing, and people perceive customer needs and preferences as ever changing and potentially capricious, marketing winds up with a reputation for being unscientific. This, however, is not the case.

The practice of marketing requires a quantitative orientation. Marketers rely on statistical analyses as a source of information in many phases of the marketing process. Specifically, marketers use regression analyses to glean information about the strength of customer preferences and the power of marketing efforts in relation to the impact on sales. Lastly, it is common for marketing managers to use statistical sampling techniques to draw conclusions about an entire population of customers based on information obtained from a small sample of those customers.

Marketing, as a practice, requires using both quantitative as well as qualitative skills. A customer market has four key characteristics. In a consumer market there are a large number of buyers and sellers, a wide geographic distribution, small individual purchases, and a wide variety of products to choose from.

Within a consumer market, many theories exist about how a given customer makes a purchasing decision. One commonly accepted theory is that the buying process consists of a series of five stages that a customer goes through: need recognition, alternative search, alternative evaluation, purchase decision, and post purchase feelings.

Marketing efforts can be focused on showing how a given product can address these needs, making the product more attractive to the target consumer.

One key criteria for determining the success and longevity of a product is how well it sells. Secondly only to the actual features and benefits of the product it self, the price of the product has the greatest influence on how it will sell in the marketplace. What is always true is that, aside from the features and quality of the product itself, price is the single most powerful variable in determining the success or demise of a product.

**Paul A.Argenti.**

**The Fast Forward MBA Pocket Reference**

**Ex 3. According the text answer the questions**

1. Define marketing
2. What must marketing be thought the company
3. What are central to this discipline?
4. What is source of information in marketing?
5. What are key characteristics of a consumer market?
6. Explain all stages of busing process
7. Define the importance of price

**Ex 4. Write the term that best matches each numbered definition:**

- a) direct marketing
- b) marketing mix
- c) trademark
- d) brand
- e) advertising
- f) commodity
- g) product
- h) mass marketing

Answers: 1c, 2b, 3h, 4a, 5e, 6d, 7f, 8g

1. Legally recognized right of a seller to the exclusive use of an identifying symbol or brand.
2. This comprises the marketing tools and techniques a company uses to achieve its goals relative to a specific target market audience.
3. This includes the mass production, distribution, and promotion of one product for all buyers.
4. This is a marketing tool designed to elicit immediate action from the consumer through direct customer contact.
5. Printed or broadcast message sent and paid for by an identified organization to a target market via television, radio, newspaper, magazines, etc.
6. A name, term, symbol, or design that is intended to identify clearly and differentiate a seller's product from the products of his or her competitors
7. A highly standardized product or service like gold or corn.
8. A good or service a company makes in quantity to sell on the open market.

**Ex 5. Critical Thinking. Define whether the statements below are true or false.**

Answers: 1tr, 2f, 3tr, 4tr, 5f, 6f, 7tr

1. Many leading firms see marketing as one of the most effective weapons for competing in today's business world.
2. Market segmentation cannot be done based on age, sex, race, religion, geographic location, income, sexual preference, profession . . . .
3. When most people think of marketing – product, price, packaging, promotion, and positioning – come to mind.
4. Consumer refers to any “individual or household that purchases or acquires goods or services for personal use”.
5. A true test of a marketing professional is disability to understand the consumer base and manage to satisfy consumer needs.
6. Price is not single most powerful variable in determining the success of demise of a product
7. Profit margins calculate the percentage return a company is earning over cost of production of the items sold.

**Ex 6. “Cluster” Project making. Read the text again and express its main ideas by clusters.**

(Compare your cluster with the same ones of your groupmates)

**Ex 7. Talk to professional marketers to find out different aspects of their activities.**

**Ex 8. Note examples from economic publications, newspapers, TV programmes to illustrate problems of marketing some firms, corporations are facing.**

**How do they resolve them?**

## Text 2.

### THE FOUR PS

**Ex 1. As you read the text below try to give English interpretation of the following:**

market research  
complex area  
failure or success  
marketing  
pricing options  
average price

potential market  
achieve objectives  
marketing mix  
target market  
introduction to the market  
testing of the product

**Ex 2. Point out the main idea of the text and define its issues.**

### **THE FOUR PS**

Buying, selling, market research, transportation, storage, advertising – these are all a part of the complex area of business known as marketing. In simple terms, marketing means the movement of goods and services from manufacturer to customer in order to satisfy the customer and to achieve the company's objectives. Marketing can be divided into four main elements that are popularly known as the four Ps: product, price, placement, and promotion. Each one plays a vital role in the success or failure of the marketing operation.

The product element of marketing refers to the good or service that a company wants to sell. This often involves research and development (R&D) of a new product, research of the potential market, testing of the product to insure quality, and then introduction to the market.

A company next considers the price to charge for its product. There are three pricing options the company may take: above, with, or below the

prices that its competitors are charging. Companies price with the market and sell their goods or services for average prices established by major producers in the industry. The producers who establish these prices are known as price leaders.

The third element of the marketing process – placement – involves getting the product to the customer. This takes place through the channels of distribution. A common channel of distribution is: manufacturer → wholesaler → retailer → customer.

Wholesalers generally sell large quantities of a product to retailers, and retailers usually sell smaller quantities to customers.

Finally, communication about the product takes place between a buyer and a seller.

This communication between a buyer and a seller is known as promotion. There are two major ways promotion occurs: through personal selling, as in a department store; and through advertising, as in a newspaper or a magazine.

The four elements of marketing – product, price placement, and promotion – work together to develop a successful marketing operation that satisfies customers and achieves the company's objectives.

The marketing strategies of determining product, price, placement, and promotion are not planned in isolation. Marketing analysts often look at a combination of these four factors. This combination of the four Ps is known as the marketing mix. The elements of the marketing mix focus on the consumer. In order to develop a successful marketing mix, researchers first ask two important questions: Who is going to buy the product? What is the potential to sell this product?

The group of customers or consumers who will probably buy the product is known as the target market. The company directs its marketing efforts toward this group of potential customers who form the target market. Once market researchers have determined the target market they wish to appeal to, the company can develop an appropriate mix of product, price, placement, and promotion.

A successful marketing mix depends on the knowledge about consumers and their buying habits gained through market research as well as correct identification of the target market. Strategies of product, price, placement, and promotion are blended in order to reach a chosen group of consumers.

**О.Л.Федетова**

**Ex 3. Various problems that might occur in the marketing process are listed below. Determine to which of the four Ps each problem is most closely related. Mark the appropriate category of product, price, placement, or promotion with an X.**

Product Price Placement Promotion

1. The advertising gives false information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The product is dangerous.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The product is not available in enough stores	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The product is too expensive.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. A salesclerk is rude to customers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The product is sold during the wrong season.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. The product is of poor quality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. The advertising is offensive.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. The price of a product increases faster than the rate of inflation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. The product is not available in your favourite stores.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Additional problems: ...	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Ex 4. Look at the terms in the left-hand column and find the correct synonyms or definitions in the right-hand column. Copy the corresponding letters in the blanks.**

- |                                   |  |
|-----------------------------------|--|
| 1) _____ insure                   | a) choice  |
| 2) _____ retailer                 | b) set as a price  |
| 3) _____ price with the market    | c) one who sells in small amounts to customer                    |
| 4) _____ option                   | d) please  |
| 5) _____ competitor               | e) guarantee   |
| 6) _____ personal                 | f) the path goods take when moving from manufacturer to customer |
| 7) _____ objective                | g) private, relating to an individual                            |
| 8) _____ satisfy                  | h) accomplish  |
| 9) _____ take place               | i) to charge an average price                                    |
| 10) _____ channel of distribution | j) occur   |
| 11) _____ charge                  | k) rival, opponent   |
| 12) _____ achieve                 | i) goal  |

**Ex 5. The company attempts to match consumer needs or mold consumer desires to the product being offered. For example, if the target market is “middle – class teenagers” the marketing mix might consist of the following:**

**Product:** blue jeans

**Price:** with the market

**Placement:** department store  
on a “pop music” radio station.

**Promotion:** advertisements

What market mix will you use for the following goods: snickers; teflon – pans, “akfa” framls and doors.

**Ex 6. Fill in the blanks with the most appropriate terms from the box:**

vital insure packaging retailer prices placement charge  
wholesaler price leader take place channel of distribution.

The most common \_\_\_\_\_ is manufacturer → wholesaler → \_\_\_\_\_ → consumer. Distributions can, however, \_\_\_\_\_ through slightly modified channels. For example, products are sometimes sold directly by the \_\_\_\_\_ or the manufacturer, rather than by the retailer. Generally, wholesalers \_\_\_\_\_ lower \_\_\_\_\_ than retailers and sell in larger quantities. Together, these channels of distribution play a \_\_\_\_\_ role in the \_\_\_\_\_ element of marketing. \_\_\_\_\_ influences the desire of a customer to buy.

**Ex 7. Give extensive answers to these discussion questions:**

1. Who is usually the price leader in business?
2. How can a company become a price leader? What should they do for this?
3. How should one start a promotional campaign?
4. Why is it dangerous to produce price sensitive goods?
5. Why is it important to have competitors in business?
6. What should a company do to leave the competitors behind?
7. What knowledge must one have to be good at marketing?

**Ex 8. Scan the available newspapers. Comment on the marketing problems in Uzbekistan? Russia.**

**Test 3.**

**WRITING OF SALES LETTERS**

**Ex 1. Read the text and point out its key information. Make up a list of economic terms to it.**

Even in your daily life you will find good use for selling techniques. From time to time, all of us are called on to sell something. If we are employed in selling goods and services, our sales efforts will, of course, be frequent. In other areas of business, our sales efforts may consist only of selling such intangibles as an idea, our own competence, or the goodwill of the firm. In all such cases, we use selling techniques. Those sales writing and selling techniques are more valuable to you than you might think.

Before you can begin writing, you must know about the product or service you are selling. You simply cannot sell most goods and services unless you know them and then tell the prospects what they need to know. Before prospects buy a product, they may want to know how it is made, how it works, what it will do, and what it will not do. Clearly, a first step in sales writing is careful study of your product or service.

In addition, you should know your readers. In particular, you should know about their needs for the product or service. Anything else you know about them can help—then economic status, age, nationality, education, and culture. The more you know about your readers, the better you will be able to adapt your sales message.

In large businesses, a marketing research department or agency typically gathers information about prospective customers. If you do not have such help, you will need to gather this information on your own. If time does not permit you to do the necessary research, you may have to follow your best

logic. For example, the nature of a product can tell you something about its likely buyers. Industrial equipment would probably be bought by people with technical backgrounds. Expensive French perfumes and cosmetics would probably be bought by people in high-income brackets. Burial insurance would appeal to older members of the lower economic strata. If you purchasing a mailing list, you usually receive basic demographics such as age, sex, Race education, income, and marital status of those on the list. Sometimes you know more—interests, spending range, consumption patterns, and such.

## **Financial Accounting Libby**

**Ex 2. Demonstrate the meaning of the following words and expressions in sentences of your own:**

- |                                  |                          |
|----------------------------------|--------------------------|
| 1. selling techniques            | 7. spending range        |
| 2. intangibles                   | 8. consumption pattern   |
| 3. careful study                 | 9. prospective customers |
| 4. marketing research department | 10. sales message        |
| 5. technical background          | 11. economic status      |
| 6. marital status                | 12. activity             |

**Ex 3. Translate this passage and express your opinion on this situation.**

The neophyte sales writer's first sales letter had failed miserably. In discussing the matter with the advertising manager, the neophyte offered this explanation: "I think I have demonstrated that you can lead a horse to water, but you cannot make it drink". "That's not an appropriate explanation", the advertising manager replied.

"Your primary goal is not to make your readers drink. It is to make them thirsty".

**Ex 4. Most direct mail efforts consist of more than just a letter. Such efforts include a coordinated group of pieces – brochures, leaflets, booklets and so on.**

Discuss the relationship between the sales letter and its accompanying printed brochures, leaflets, and the like.

If you can, bring such sales letters and brochures and compare them.

**D.A.Abidova, R.Karimova**

# **ENGLISH FOR ECONOMISTS**

**Part II**

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