Міністерство освіти і науки України
НАЦІОНАЛЬНИЙ УНІВЕРСИТЕТ
«ОДЕСЬКА ПОЛІТЕХНІКА»

Методичні вказівки
до практичних занять
з англійської мови за спеціальністю
092 Міжнародні економічні відносини
для здобувачів І курсу

Одеса НУОП – 2022

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Затверджено
на засіданні кафедри
іноземних мов
Протокол №1 від 08.09
2022 р.

Одеса НУОП – 2022

Методичні вказівки до практичних занять з англійської мови за спеціальністю 092 Міжнародні економічні відносини для студентів І курсу / Укл. Е.Б.Гродська, М.Г. Томенко Одеса, НУОП, 2022. – 48 с.

Укладачі: Е.Б. Гродська, канд. культ., доц

М.Г. Томенко, ст. викл.

ЗМІСТ

Передмова

Метою “Методичних вказівок” для самостійної роботи студентів є формування впродовж 15 годин самостійної роботи (вхідний рівень володіння мовою – В1) вмінь та навичок читання за тематикою спеціальності «092 Міжнародні економічні відносини» на І курсі навчання Інституту економіки та менеджменту (вихідний рівень володіння мовою – В2). За рахунок тренування і виконання читання текстів і комунікативних завдань студенти зможуть досягти практичного володіння англійською мовою за фахом.

Практичне володіння іноземною мовою в рамках даного курсу припускає наявність таких умінь, які дають можливість:

* вільно читати оригінальну літературу іноземною мовою у відповідній галузі знань;

* оформляти витягнуту з іноземних джерел інформацію у вигляді перекладу або резюме;

* робити повідомлення і доповіді іноземною мовою на теми, пов'язані з науковою роботою майбутнього фахівця;

* вести бесіду за фахом.

Кожний урок складається з тексту й комплексу мовних вправ, які розраховані на удосконалення навичок активізації словарного і граматичного мінімуму професійного спрямування.

“Методичні вказівки” забезпечують підготовку до міжнародного усного спілкування англійською мовою для спеціальних цілей, а саме - оволодіння лексичними, граматичними і стилістичними навичками, а також умінням читати, перекладати, згортати і розгортати усну англомовну інформацію наукового функціонального стилю, що передбачено вимогами Програми вивчення іноземних мов у нефілологічному ВНЗ.

Lesson 1

Read the text: **World Economics and Globalization**

Economic globalization is the increasing economic interdependence of national economies across the world through a rapid increase in cross-border movement of goods, service, technology and capital. Whereas the globalization of business is centered around the diminution of international trade regulations as well as tariffs, taxes, and other impediments that suppress global trade, economic globalization is the process of increasing economic integration between countries, leading to the emergence of a global marketplace or a single world market. Depending on the paradigm, economic globalization can be viewed as either a positive or a negative phenomenon. Economic globalization comprises the globalization of production, markets, competition, technology, and corporations and industries. Current globalization trends can be largely accounted for by developed economies integrating with less developed economies by means of foreign direct investment, the reduction of trade barriers as well as other economic reforms and, in many cases, immigration.

In 1944, 44 nations attended the Bretton Woods Conference with a purpose of stabilizing world currencies and establishing credit for international trade in the post World War II era. While the international economic order envisioned by the conference gave way to the neo-liberal economic order prevalent today, the conference established many of the organizations essential to advancement towards a close-knit global economy and global financial system, such as the World Bank, the International Monetary Fund, and the International Trade Organization.

As an example, Chinese economic reform began to open China to globalization in the 1980s. Scholars find that China has attained a degree of openness that is unprecedented among large and populous nations, with competition from foreign goods in almost every sector of the economy. Foreign investment helped to greatly increase product quality and knowledge and standards, especially in heavy industry. China's experience supports the assertion that globalization greatly increases wealth for poor countries. As of 2005–2007, the Port of Shanghai holds the title as the World's busiest port.

As another example, economic liberalization in India and ongoing economic reforms began in 1991. As of 2009, about 300 million people – equivalent to the entire population of the United States – have escaped extreme poverty. In India, business process outsourcing has been described as the "primary engine of the country's development over the next few decades, contributing broadly to GDP growth, employment growth, and poverty alleviation".

Exercise 1. Read and memorize using a dictionary:

Diminution, impediment, suppress, envision, essential, close-knit, attain, assertion, ongoing, outsourcing, alleviation

Exercise 2. Answer the questions:

1) What is economic globalization?
2) What is the globalization of business centered around?
3) What did the Bretton Woods Conference establish?
4) What does China's experience support?
5)How can economic globalization be viewed depending on the paradigm?
6) What can current globalization trends be largely accounted for?
7) What did the conference establish?
8) Chinese economic reform began to open China to globalization in the 1980s, didn't it?
9) When did economic liberalization in India and ongoing economic reforms begin?
10) How has business process outsourcing been described?

Exercise 3. Match the left part with the right:

1. Depending on the paradigm,	a) that suppress global trade, economic globalization is the process of increasing economic integration between countries, leading to the emergence of a global marketplace or a single world market.
2. Whereas the globalization of business is centered around the diminution of international trade regulations as well as tariffs, taxes, and other impediments	b) and knowledge and standards, especially in heavy industry.
3. Scholars find that China has attained a degree of openness that is unprecedented among large and populous nations,	c) economic globalization can be viewed as either a positive or a negative phenomenon.
4. Foreign investment helped to greatly increase product quality	d) with competition from foreign goods in almost every sector of the economy.

Exercise 4. Open the brackets choosing the right words:

1. Whereas the globalization of business is centered around the diminution of (home/ international) trade regulations as well as tariffs, taxes, and other impediments that suppress global trade, economic globalization is the (aspect/process) of increasing economic integration between countries,(showing/ leading) to the emergence of a global marketplace or a single world market.
2. (Home/Foreign) investment helped to (greatly/many) increase product quality and knowledge and standards, especially in heavy industry.

Exercise 5. Describe Economic globalization, Current globalization trends, Chinese economic, business process outsourcing
using the suggested words and expressions as in example

Economic globalization
Economic globalization, a rapid, movement of goods, across the world, service, the increasing economic, is, in cross-border, technology and capital, through

example:
Economic globalization is the increasing economic interdependence of national economies across the world through a rapid increase in cross-border movement of goods, service, technology and capital.

Current globalization trends

by developed economies, the reduction of trade, can be largely, can be largely, v

Chinese economic open, reform, 1980s, the, began, to globalization
China's experience Increases, wealth, countries, assertion, for poor, the

business process outsourcing primary, development, alleviation, the, GDP growth, and poverty, contributing, In India, next few decades

Exercise 6. Ask questions to the given answers:

1) Question: ____?
   Economic globalization can be viewed as either a positive or a negative phenomenon.
2) Question: ____?
   Chinese economic reform began to open China to globalization in the 1980s.
3) Question: ____?
   Foreign investment helped to greatly increase product quality and knowledge and standards.
4) Question: ____?
Economic liberalization in India and ongoing economic reforms began in 1991.
5) Question: ____?
As of 2005–2007, the Port of Shanghai holds the title as the World's busiest port.

Exercise 7. Compose a story on one of the topics (up to 100 words):

"Economic globalization."
"The aim and the results of the Bretton Woods Conference."
"China's experience in globalization.

Lesson 2

Read the text: **Global financial system**

By the early 21st century, a worldwide framework of legal agreements, institutions, and both formal and informal economic actors came together to facilitate international flows of financial capital for purposes of investment and trade financing. This global financial system emerged during the first modern wave of economic globalization, marked by the establishment of central banks, multilateral treaties, and intergovernmental organizations aimed at improving the transparency, regulation, and effectiveness of international markets. The world economy became increasingly financially integrated throughout the 20th century as nations liberalized capital accounts and deregulated financial sectors. With greater exposure to volatile capital flows, series of financial crises in Europe, Asia, and Latin America had contagious effects on other countries. By the early 21st century, financial institutions had become increasingly large with a more sophisticated and interconnected range of investment activities. Thus, when the United States experienced a financial crisis early in that century, it quickly propagated among other nations. It became known as the global financial crisis and is recognized as the catalyst for the worldwide Great Recession.

Governments sometimes impose austerity policies to reduce budget deficits during adverse economic conditions. These can include spending cuts, tax increases, or a mixture of the two. Austerity policies demonstrate governments' liquidity to their creditors and credit rating agencies by bringing fiscal income closer to expenditure.

The economic effects of austerity are unclear due to its wide and non-specific definition, the limited historic sample of natural experiments and potential for conflation with the effects of other events that tend to precede austerity, such as recessions and financial crises. In macroeconomics, reducing government spending generally increases unemployment. This increases safety net spending and reduces tax revenues, to some extent. Government spending contributes to gross domestic product (GDP), so the debt-to-GDP ratio which signifies liquidity may not immediately improve. Short-term deficit spending, particularly, contributes to GDP growth when consumers and businesses are unwilling or unable to spend. Under the theory of expansionary fiscal contraction (EFC), a major reduction in government spending can change future expectations about taxes and government spending, encouraging private consumption and resulting in overall economic expansion. Since 2011, the International Monetary Fund has issued cautionary guidance against austerity measures imposed without regard to underlying economic fundamentals and many commentators have suggested that austerity measures have indeed been misguided and harmful to the economies where they have been imposed.

Capital flight occurs when assets or money rapidly flow out of a country because of that country's recent increase in taxes, tariffs, labor costs, or other unfavorable financial conditions such as government debt defaulting, which disturbs investors. This sometimes leads to a very rapid disappearance of wealth and is usually accompanied by a sharp drop in the exchange rate of the affected country, leading in turn to depreciation in a variable currency exchange rate regime or a forced devaluation under fixed exchange rates. This can be particularly damaging when the capital belongs to the people of the affected country, because not only are the citizens now burdened by the loss of faith in the economy and devaluation of their currency, but probably also their assets have lost much of their nominal value. This leads to dramatic in the purchasing power of the country's assets and makes it increasingly expensive to import goods.

The Argentine economic crisis of 2001 caused a currency devaluation and capital flight which resulted in a sharp drop in imports.

A 2008 paper published by Global Financial Integrity estimated capital flight or illicit financial flows to be "out of developing countries" at a rate of "some US$850 billion to $1 trillion a year." But capital flight affects developing countries, too. A 2009 article in The Times reported that hundreds of wealthy financiers and entrepreneurs had recently fled the United Kingdom in response to recent tax increases, relocating in low tax destinations such as Jersey, Guernsey, the Isle of Man, and the British Virgin Islands. In May 2012 the scale of Greek capital flight in the wake of the first "undecided" legislative election was estimated at €4 billion a week and later that month the Spanish Central Bank revealed €97 billion in capital flight from the Spanish economy for the first quarter of 2012.

Capital flight can cause liquidity crises in the affected countries from which capital is flowing, the countries in which investors are trying to liquidate their assets, and other countries involved in international commerce such as shipping and finance. Market participants in need of cash find it hard to locate potential trading partners to sell their assets. This may result as a consequence of limited market participation or because of a decrease in cash held by financial market participants. Thus, asset holders may be forced to sell their assets at a price below the long term fundamental price. Borrowers typically face higher loan costs and collateral requirements, compared to periods of ample liquidity, and unsecured debt is nearly impossible to obtain. Typically, during a liquidity crisis, the interbank lending market does not function smoothly either.

Exercise 1. Read and memorize using a dictionary:

Framework, facilitate, volatile, contagious, austerity, conflation, cautionary, illicit, wake, collateral, ample.

Exercise 2. Answer the questions:

1) When did the global financial system emerge?
2) What do governments sometimes impose to reduce budget deficits during adverse economic conditions?
3) When does capital flight occur?
4) What can capital flight cause?
5) This global financial system emerged during the first modern wave of economic globalization, didn't it?
6) Did the world economy become increasingly financially integrated throughout the 20^{th} or 21st century?
7) When did the United States experience a financial crisis?
8) What do Governments sometimes impose to reduce budget deficits during adverse economic conditions?
9) The Argentine economic crisis of 2001 caused a currency devaluation and capital flight which resulted in a sharp drop in imports, didn't it?
10) What may it result?

Exercise 3. Read the following statements and decide if they are true or false:

1. This global financial system emerged during the first modern wave of economic globalization, marked by the establishment of central banks, multilateral treaties, and intergovernmental organizations aimed at improving the transparency, regulation, and effectiveness of international markets.
2. The world economy did not become increasingly financially integrated throughout the 20th century as nations liberalized capital accounts and deregulated financial sectors.
3. These cannot include spending cuts, tax increases, or a mixture of the two.
4. Capital flight occurs when assets or money rapidly flow out of a country because of that country's recent increase in taxes, tariffs, labor costs, or other unfavorable financial conditions such as government debt defaulting, which disturbs investors.
5. This may not result as a consequence of limited market participation or because of a decrease in cash held by financial market participants.

Exercise 4. Give the antonyms:
1. legal
2. agreement
3. informal
4. come together
5. reducing
6. decreases
7. rapidly
8. interconnected range
9. developing countries
10. long term

Exercise 5. Put the words in the correct order:

1.became, integrated, 20th century, The, increasingly, economy, throughout the, world, financially
2. had become, financial institutions, large, increasingly, interconnected, of investment activities, a more, sophisticated and, range, with
3. propagated, nations, it, among, quickly
4. the, crisis, became, as, It, global, known, financial
5. affects, countries, capital, developing, but, flight

Exercise 6. Ask questions to the given answers:

1) Question: ____ ?
Answer: The world economy became increasingly financially integrated throughout the 20th century as nations liberalized capital accounts and deregulated financial sectors.
2) Question: ____ ?
Answer : Austerity policies demonstrate governments' liquidity to their creditors and credit rating agencies by bringing fiscal income closer to expenditure.
3) Question: ____ ?
Answer: Market participants in need of cash find it hard to locate potential trading partners to sell their assets
4) Question: ____ ?
Capital flight can cause liquidity crises in the affected countries from which capital is flowing, the countries in which investors are trying to liquidate their assets, and other countries involved in international commerce such as shipping and finance.
5) Question: ____ ?
Market participants in need of cash find it hard to locate potential trading partners to sell their assets.

Exercise 7. Compose a story on one of the topics (up to 100 words):

1. “The global financial system. “
2.” Austerity.”
3.” Capital flight.”

Lesson 3

Read the text: **Financial markets**

One of the important requisite for the accelerated development of an economy is the existence of a dynamic financial market. A financial market is a market in which people and entities can trade financial securities, commodities and other fungible items of value at low transaction costs and at prices that reflect supply and demand. Securities include stocks and bonds, and commodities include precious metals or agricultural goods.

There are both general markets (where many commodities are traded) and specialized markets (where only one commodity is traded). Markets work by placing many interested buyers and sellers, including households, firms, and government agencies, in one "place", thus making it easier for them to find each other. An economy which relies primarily on interactions between buyers and sellers to allocate resources is known as a market economy in contrast either to a command economy or to a non-market economy such as a gift economy.

In finance, financial markets facilitate:

- The raising of capital (in the capital markets)
- The transfer of risk (in the derivatives markets)
- Price discovery
- Global transactions with integration of financial markets
- The transfer of liquidity (in the money markets)
- International trade (in the currency markets)

– and are used to match those who want capital to those who have it.

A financial market helps the economy in the following manner:

- Saving mobilization: Obtaining funds from the savers or surplus units such as household individuals, business firms, public sector units, central government, state governments etc. is an important role played by financial markets.
- Investment: Financial markets play a crucial role in arranging to invest funds thus collected in those units which are in need.
- National Growth: An important role played by financial market is that, they contributed to a nation's growth by ensuring unfettered flow of surplus funds to deficit units. Flow of funds for productive purposes is also made possible.
- Entrepreneurship growth: Financial market contributes to the development of the entrepreneurial claw by making available the necessary financial resources.
- Industrial development: The different components of financial markets help an accelerated growth of industrial and economic development of a country, thus contributing to raising the standard of living and the society of well-being.

Functions of Financial Markets

1. Intermediary Functions:

The intermediary functions of financial markets include the following:

- Transfer of Resources: Financial markets facilitate the transfer of real economic resources from lenders to ultimate borrowers.
- Enhancing income: Financial markets allow lenders to earn interest or dividend on their surplus invisible funds, thus contributing to the enhancement of the individual and the national income.
- Productive usage: Financial markets allow for the productive use of the funds borrowed. The enhancing the income and the gross national production.
- Capital Formation: Financial markets provide a channel through which new savings flow to aid capital formation of a country.
- Price determination: Financial markets allow for the determination of price of the traded financial assets through the interaction of buyers and sellers. They provide a sign for the allocation of funds in the economy based on the demand and supply through the mechanism called price discovery process.
- Sale Mechanism: Financial markets provide a mechanism for selling of a financial asset by an investor so as to offer the benefit of marketability and liquidity of such assets.
- Information: The activities of the participants in the financial market result in the generation and the consequent dissemination of information to the various segments of the market. So as to reduce the cost of transaction of financial assets.

2. Financial Functions

- Providing the borrower with funds so as to enable them to carry out their investment plans.
- Providing the lenders with earning assets so as to enable them to earn wealth by deploying the assets in production debentures.
- Providing liquidity in the market so as to facilitate trading of funds.
- it provides liquidity to commercial bank
- it facilitates credit creation
- it promotes savings

- it promotes investment
- it facilitates to balance economic growth
- it improves trading floors

Typically a borrower issues a receipt to the lender promising to pay back the capital. These receipts are securities which may be freely bought or sold. In return for lending money to the borrower, the lender will expect some compensation in the form of interest or dividends. This return of investment is a necessary part of markets to ensure that funds are supplied to them.
In economics, typically, the term market means the aggregate of possible buyers and sellers of a certain good or service and the transactions between them.

Exercise 1. Read and memorize using a dictionary:

Crucial, unfettered, claw, ultimate, enhancement, dissemination, deploy, debenture, security, fungible.

Exercise 2. Answer the questions:
1) What is a financial market?
2) What do financial markets facilitate?
3) How does a financial market help the economy?
4) What are the functions of Financial Markets?
5) What do securities include?
6) Do commodities include precious metals or agricultural goods?
7) What helps the economy in the following manner?
8) What do financial markets provide?
9) The activities of the participants in the financial market result in the generation and the consequent dissemination of information to the various segments of the market, don't they?
10) Who issues a receipt to the lender promising to pay back the capital?

Exercise 3. Match the left part with the right:

1 Markets work by placing many interested buyers and sellers, including households, firms, and government agencies	a) to invest funds thus collected in those units which are in need.
2 Financial markets play a crucial role in arranging	b) which may be freely bought or sold.
3. The activities of the participants in the financial market result in the generation	c) , in one "place", thus making it easier for them to find each other.
4. These receipts are securities	d) and the consequent dissemination of information to the various segments of the market.

Exercise 4. Open the brackets choosing the right words:
1. Financial market (demonstrates/contributes) to the development of the entrepreneurial claw by making(possible/ available) the necessary financial resources.

2. Industrial development: The different components of financial markets help an accelerated growth of industrial and economic (development/resource) of a country, thus contributing to raising the standard of living and the society of well-being.

Exercise 5. Ask questions to the given answers:

1) Question: ____?

One of the important requisite for the accelerated development of an economy is the existence of a dynamic financial market.

2) Question: ____?

Typically a borrower issues a receipt to the lender promising to pay back the capital.

3) Question: ____?

In economics, the term market means the aggregate of possible buyers and sellers of a certain good or service and the transactions between them.

4) Question: ____?

Financial markets allow lenders to earn interest or dividend on their surplus invisible funds, thus contributing to the enhancement of the individual and the national income.

5) Question: ____?

In economics, typically, the term market means the aggregate of possible buyers and sellers of a certain good or service and the transactions between them.

Exercise 6. Complete the sentences with the suggested words:

Transactions, lender, receipt, investment, aggregate

Typically a borrower issues a…………… to the lender promising to pay back the capital. These receipts are securities which may be freely bought or sold. In return for lending money to the borrower, the …………….. will expect some compensation in the form of interest or dividends. This return on …………………….. is a necessary part of markets to ensure that funds are supplied to them.

In economics, typically, the term market means the ……………… of possible buyers and sellers of a certain good or service and the……………………… between them.

Exercise 7. Compose a story on one of the topics (up to 100 words):

"Kinds of financial markets. "

"Functions of Financial Markets."

"How does a financial market help the economy?"

Lesson 4

Read the text: **Fixed capital**

Fixed capital is a concept in economics and accounting, first theoretically analyzed in some depth by the economist David Ricardo. It refers to any kind of real or physical capital (fixed asset) that is not used up in the production of a product and is contrasted with circulating capital such as raw materials, operating expenses and the like. Fixed capital is that portion of the total capital which is invested in fixed assets (such as land, buildings, vehicles and equipment) which stay in the business almost permanently.

Refining the distinction between fixed and circulating capital in Das Kapital, Karl Marx emphasizes that it is really purely relative, i.e. refers only to the comparative rotation speeds (turnover time) of different types of capital assets. Fixed capital also "circulates", except that the circulation time is much longer, because a fixed asset may be held for 5, 10 or 20 years before it has yielded its value and is discarded/sold off or depreciated.

In national accounts, fixed capital is conventionally defined as the stock of tangible, durable fixed assets owned or used by resident enterprises for more than one year. This includes plant, machinery, vehicles & equipment, the value of land improvements, and buildings. Land itself is not included in fixed capital even though it is a fixed asset, because it is not a product (a reproducible good). But the value of land improvements is included.

Attempts have been made to estimate the value of the stock of fixed capital for the whole economy using direct enterprise surveys of "book value", administrative business records, tax assessments, and data on gross fixed capital formation, price inflation and depreciation schedules.

Using the so-called "perpetual inventory method", one starts off from a benchmark asset figure, and adds on the net additions to fixed assets year by year, while deducting annual depreciation, all data being adjusted for price inflation using a capital expenditure price index. In this way, one obtains a time series of annual fixed capital stocks.

However, it is widely acknowledged that it is extremely difficult to obtain any accurate measurement of the value of fixed capital, especially because even the owner himself or herself may not know what assets are currently "worth". Some valuations for fixed assets may refer to historic cost (acquisition cost) or book value, others to current replacement cost, current sale value in the market, or scrap value. The depreciation write-off permitted for tax purposes may also diverge from so-called "economic depreciation" or "real" depreciation rates. Economic depreciation rates are calculated on the basis of the observed average market prices that depreciated assets at different ages actually sell for. Sometimes statisticians try to estimate the average "service lives" of fixed assets as a basis for calculating depreciation and scrap values.

A business executive who invests in or accumulates fixed capital is tying up money in a fixed asset, hoping to make a future profit. Thus, such an investment usually implies a risk. Sometimes depreciation write-offs are also viewed partly as a compensation for this risk.

An owner can obtain fixed capital from the aptly-named capital market, where loans are given on a long-term basis. It can also come from reserve funds, the selling of shares and the issuing of debentures.

Exercise 1. Read and memorize using a dictionary:

conventionally, loan, share, depreciation, write-off, diverge, benchmark, reproducible, tangible, debentures, acquisition, scrap, deduct, imply, stock

Exercise 2. Answer the questions:

1) Is fixed capital used up in the production of a product?
2) What was used to estimate the value of the stock of fixed capital for the whole economy?
3) Why is it extremely difficult to obtain any accurate measurement of the value of fixed capital?
4) How is fixed capital defined in national accounts?
5) Who was the first to analyze the concept “Fixed capital “?
6) Is land itself or the value of land improvements included in fixed capital?
7) Is it easy to obtain any accurate measurement of the value of fixed capital?
8) How are economic depreciation rates calculated?
9) What does an investment usually imply?
10) Who can obtain fixed capital from the aptly-named capital market?

Exercise 3. Match the left part with the right:

1. Land itself is not included in fixed capital even though	a) that depreciated assets at different ages actually sell for.

2. Sometimes statisticians try to estimate the average "service lives" of fixed assets	b) that is not used up in the production of a product and is contrasted with circulating capital.
3. It refers to any kind of real or physical capital (fixed asset)	c) as a basis for calculating depreciation and scrap values.
4. Economic depreciation rates are calculated on the basis of the observed average market prices	d) it is a fixed asset, because it is not a product (a reproducible good).

Exercise 4. Open the brackets choosing the right words:

1. Using the so-called "perpetual inventory method", one starts off from a benchmark asset figure, and (adds/deducts) on the net additions to fixed assets year by year, while deducting annual depreciation, all data being (demolished/adjusted) for price inflation using a capital expenditure price index.
2. Refining the distinction between (fixed/ working) and circulating capital in Das Kapital, Karl Marx emphasizes that it is really purely relative, i.e. refers only to the comparative rotation speeds of (different/same) types of capital assets.

Exercise 5. Describe **fixed capital, circulating capital, inflation, share** using the suggested words and expressions as in example:

fixed capital physical, kind, capital, fixed asset, is not, the production, used up, refers to, it, any, in, of a product **example:** It refers to any kind of real or physical capital (fixed asset) that is not used up in the production of a product

circulating capital refers to, it, is used, that, in, of a product, the production, raw, materials, such as, operating, expenses

inflation increase, continuing, in prices,

share into which, one of, the ownership, the equal parts, is divided, of a company

Exercise 6. Ask questions to the given answers:

1) Question: ____ ?
Answer: Land itself is not included in fixed capital even though it is a fixed asset, because it is not a product.
2) Question: ____ ?

Answer: The depreciation write-off permitted for tax purposes may also diverge from so-called "economic depreciation" or "real" depreciation rates.

3) Question: ____ ?

Answer: A business executive who invests in or accumulates fixed capital is tying up money in a fixed asset.

4) Question: ____ ?

Answer: “Fixed capital” refers to any kind of real or physical capital that is not used up in the production of a product and is contrasted with circulating capital such as raw materials, operating expenses and the like.

5) Question: ____ ?

Answer: Sometimes statisticians try to estimate the average "service lives" of fixed assets as a basis for calculating depreciation and scrap values.

Exercise 7. Compose a story on one of the topics (up to 100 words):

“Fixed capital and circulating capital”
“Fixed capital and depreciation”

Lesson 5

Read the text: **Intangible assets**

Intangible assets are defined as those non-monetary assets that cannot be seen, touched or physically measured and which are created through time and/or effort. There are two primary forms of intangibles: 1) ***legal intangibles*** - such as trade secrets (e.g., customer lists), copyright (the exclusive right to produce copies granted by law), patents (a special document that says that you have the right to make or sell a new invention or product and that no one else is allowed to do so) , trademarks (a special name, sign, or word that is marked on a product to show that it is made by a particular company), and goodwill (the success of a company, and its good relationship with its customers, calculated as part of its value when it is sold); 2) ***competitive intangibles*** - such as knowledge activities (know-how, knowledge), collaboration activities, leverage activities, and structural activities. Legal intangibles generate legal property rights defensible in a court of law. Competitive intangibles, whilst legally non-ownable, directly impact effectiveness, productivity, wastage, and opportunity costs within an organization - and therefore costs, revenues, customer service, satisfaction, market value, and share price. Human capital is the primary source of competitive intangibles for organizations today. Competitive intangibles are the source from which competitive advantage flows, or is destroyed.

Millions are spent each year by corporations to research and develop new intangible assets. To protect their research and development (R&D) efforts, corporations generally rely on intellectual property law.

The International Accounting Standards Board (IASB) offers some guidance (IAS 38) as to how intangible assets should be accounted for in financial statements. In general, legal intangibles that are developed internally are not recognized and legal intangibles that are purchased from third-parties are recognized.

Intangible assets are typically expensed according to their respective life expectancy. Intangible assets have either an identifiable or indefinite useful life. Intangible assets with identifiable useful lives are amortized on a straight-line basis over their economic or legal life, whichever is shorter. Examples of intangible assets with identifiable useful lives include copyrights and patents. Intangible assets with indefinite useful lives are reassessed each year for impairment. If an impairment has occurred, then a loss must be recognized. An impairment loss is determined by subtracting the asset's fair value from the asset's book/carrying value. This impairment loss may only be reversed under certain circumstances. Trademarks and goodwill are examples of intangible assets with indefinite useful lives.

For personal income tax (tax paid on the money you earn) purposes, some costs with respect to intangible assets must be capitalized rather than treated as deductible expenses. Treasury regulations generally require capitalization of costs associated with acquiring, creating, or enhancing intangible assets. For example, an amount paid to obtain a trademark must be capitalized. Certain amounts paid to facilitate these transactions must also be capitalized. Some types of intangible assets are categorized based on whether the asset is acquired from another party or created by the taxpayer. The regulations contain many provisions intended to make it easier to determine when capitalization is required.

Exercise 1. Read and memorize using a dictionary:

intangible, provision, collaboration, leverage, defensible, wastage, revenues, copyright, enhance, impairment, goodwill

Exercise 2. Answer the questions:

1) What are two primary forms of intangibles?
2) How much money is spent each year by corporations to research and develop new intangible assets?
3) How do corporations protect their research and development efforts?
4) What do treasury regulations generally require?
5) What are competitive intangibles?
6) What do legal intangibles generate?
7) What is the primary source of competitive intangibles for organizations today?
8) What do examples of intangible assets with identifiable useful lives include?
9) What is an impairment loss determined by?
10) How can you define personal income tax?

Exercise 3. Read the following statements and decide whether they are true or false:

1. Intangible assets are defined as those non-monetary assets that can be seen, touched or physically measured and which are created through time and/or effort.
2. Legal intangibles, whilst legally non-ownable, directly impact effectiveness, productivity, wastage, and opportunity costs within an organization - and therefore costs, revenues, customer service, satisfaction, market value, and share price.
3. Millions are spent each year by corporations to research and develop new intangible assets.
4. Certain amounts paid to facilitate these transactions must also be capitalized.
5. Competitive intangibles generate legal property rights defensible in a court of law.

Exercise 4. Fill in the blanks with the appropriate words:

a) legal, b) competitive, c) expensed, d) develop, e) source, f) rely , g) intangible

1. Trademarks and goodwill are examples of ________assets with indefinite useful lives.

2. In general, _______intangibles that are developed internally are not recognized and legal intangibles that are purchased from third-parties are recognized.
3. Intangible assets are typically _________according to their respective life expectancy.
4. Human capital is the primary source of _______ intangibles for organizations today.
5. Competitive intangibles are the _______from which competitive advantage flows, or is destroyed.
6. Millions are spent each year by corporations to research and ____new intangible assets.
7. To protect their research and development (R&D) efforts, corporations generally _____on intellectual property law.

Exercise 5. Ask questions to the given answers:

1) Question: ____ ?
Answer: Competitive intangibles are the source from which competitive advantage flows, or is destroyed.
2) Question: ____ ?
Answer: Legal intangibles that are developed internally are not recognized and legal intangibles that are purchased from third-parties are recognized.
3) Question: ____ ?
Answer: An impairment loss is determined by subtracting the asset's fair value from the asset's book/carrying value.
4) Question: ____ ?
Answer: Copyright is the exclusive right to produce copies granted by law.

5) Question: ____ ?
Answer: A patent is a special document that says that you have the right to make or sell a new invention or product and that no one else is allowed to do so/

Exercise 6. Find the derivatives of the following words:
1. physical
2. collaborate
3. compete
4. produce
5. typical
6. expect
7. treasure
8. enhance
9. easy
10. capital

Exercise 7. Compose a story on one of the topics (up to 100 words):

"Primary forms of intangibles"
"Intangible assets and their life expectancy"

Lesson 6

Read the text: **Capacity utilization**

Capacity utilization is a concept in economics which refers to the extent to which an enterprise or a nation actually uses its installed productive capacity. Thus, it refers to the relationship between actual output produced and potential output that could be produced with installed equipment, if capacity was fully used.
If market demand grows, capacity utilization will rise. If demand weakens, capacity utilization will slacken. Economists and bankers watch capacity utilization indicators for signs of inflation pressures.

It is believed when utilization rises above somewhere between 82% and 85%, price inflation will increase. Excess capacity means that insufficient demand exists to warrant expansion of output.

All else constant, the lower capacity utilization falls (relative to the trend capacity utilization rate), the better the bond market likes it. Strong capacity utilization (above the trend rate) reports lead to bonds being sold off, as investors expect higher interest rates (which decreases bond prices) to offset the higher expected rate of inflation.

Much statistical and anecdotal evidence shows many industries in the developed capitalist economies suffer from chronic excess capacity. Critics of market capitalism therefore argue the system is not as efficient as it may seem, since at least 1/5 more output could be produced and sold, if buying power was better distributed. However, a level of utilization somewhat below the maximum prevails, regardless of economic conditions.

In economic statistics, capacity utilization is normally surveyed for goods-producing industries at plant level. The results are presented as an average percentage rate by industry and economy-wide, where 100% denotes full capacity. This rate is also sometimes called the "operating rate". If the operating rate is high, this is called "overcapacity", while if the operating rate is low, a situation of "excess capacity" or "surplus capacity" exists. The observed rates are often turned into indexes.

There has been some debate among economists about the validity of statistical measures of capacity utilization, because much depends on the survey questions asked, and on the valuation principles used to measure output. Also, the efficiency of production may change over time, due to new technologies.

One of the most used definitions of the "capacity utilization rate" is the ratio of actual output to the potential output. But potential output can be defined in at least two different ways.

One is the "engineering" or "technical" definition, according to which potential output represents the maximum amount of output that can be produced in the short-run with the existent stock of capital. Thus, a standard definition of capacity utilization is the (weighted) average of the ratio between the actual output of firms to the maximum that could be produced per unit of time, with existing plant and equipment. Obviously, "output" could be measured in physical units or in market values, but normally it is measured in market values.

However, as output increases and well before the absolute physical limit of production is reached, most firms might well experience an increase in the average cost of production (even if there is no change in the level of plant & equipment used). For example, higher average costs can arise, because of the need to operate extra shifts, undertake additional plant maintenance, and so on.

An alternative approach, sometimes called the "economic" utilization rate, is therefore to measure the ratio of actual output to the level of output, beyond which the average cost of production begins to rise. In this case, surveyed firms are asked by how much it would be practicable for them to raise production from existing plant and equipment, without raising unit costs. Typically, this measure will yield a rate around 10 percentage points higher than the "engineering" measure, but time series show the same movement over time.

Exercise 1. Read and memorize using a dictionary:

utilization, yield, warrant, output, average, surplus, amount, interest rate, capacity, survey, denote, experience, validity

Exercise 2. Answer the questions:

1) What does “capacity utilization” refer to?
2) What is "operating rate"?
3) What does excess capacity mean?
4) What happens if the lower capacity utilization falls?
5) What do strong capacity utilization (above the trend rate) reports lead to?
6) What happens if the operating rate is low?
7) What do economists and bankers watch capacity utilization indicators for?
8) Why may the efficiency of production change over time?
9) Why can higher average costs arise?
10) What is the ratio of actual output to the potential output?

Exercise 3. Match the left part with the right:

1. However, a level of utilization somewhat below the maximum prevails,	a) but normally it is measured in market values.
2. Obviously, "output" could be measured in physical units or in market values,	b) while if the operating rate is low, a situation of "excess capacity" or "surplus capacity" exists.
3. If market demand grows,	c) regardless of economic conditions. .
4. If the operating rate is high, this is called "overcapacity",	d) capacity utilization will rise

Exercise 4. Open the brackets choosing the right words:

1. There has been some debate among economists about the validity of statistical measures of capacity utilization, because much (determines/depends) on the survey questions asked, and on the (valuation/definition) principles used to measure output.
2. Typically, this measure will yield a rate around 10 percentage points (higher/ lower) than the "engineering" measure, but time series show the same movement over time.

Exercise 5. Find the synonyms to the following words from the text:

1. device
2. fair
3. quantity
4. to rise
5. other
6. evidently
7. effect
8. price

9. company

10. force

Exercise 6. Ask questions to the given answers:

1) Question: ____ ?
Answer: Obviously, "output" could be measured in physical units or in market values, but normally it is measured in market values
2) Question: ____ ?
Answer: If demand weakens, capacity utilization will slacken.
3) Question: ____ ?
Answer: Many industries in the developed capitalist economies suffer from chronic excess capacity.
4) Question: ____ ?
Answer: The "engineering" or "technical" definition refers to the maximum amount of output that can be produced in the short-run with the existent stock of capital.
5) Question: ____ ?
Answer: The "economic" utilization rate measures the ratio of actual output to the level of output.

Exercise 7. Compose a story on one of the topics (up to 100 words):

“Capacity utilization in economic statistics”
“Definitions of potential output”

Lesson 7

Read the text: **Labour force**

Labour economics seeks to understand the functioning of the market and dynamics for labour. Labour markets function through the interaction of workers and employers. Labour economics looks at the suppliers of labour services (workers), the demanders of labour services (employers), and attempts to understand the resulting pattern of wages, employment, and income.

It is an important subject because unemployment is a problem that affects the public most directly and severely. Full employment (or reduced unemployment) is a goal of many modern governments.

There are two sides to labour economics. Labour economics can generally be seen as the application of microeconomic or macroeconomic techniques to the labour market. Microeconomic techniques study the role of individuals and individual firms in the labour market. Macroeconomic techniques look at the interrelations between the labour market, the goods market, the money market, and the foreign trade market. It looks at how these interactions influence macro variables such as employment levels, participation rates, aggregate income and Gross Domestic Product.

The labour force is defined as the number of individuals age 16 and over, excluding those in the military, who are either employed or actively looking for work. The participation rate is the number of people in the labour force divided by the size of the adult civilian noninstitutional population (or by the population of working age that is not institutionalised). The nonlabour force includes those who are not looking for work, those who are institutionalised such as in prisons or psychiatric wards, stay-at home spouses, children, and those serving in the military. The unemployment level is defined as the labour force minus the number of people currently employed. The unemployment rate is defined as the level of unemployment divided by the labour force. The employment rate is defined as the number of people currently employed divided by the adult population (or by the population of working age). In these statistics, self-employed people are counted as employed.

Variables like employment level, unemployment level, labour force, and unfilled vacancies are called stock variables because they measure a quantity at a point in time. They can be contrasted with flow variables which measure a quantity over a duration of time. Changes in the labour force are due to flow variables such as natural population growth, net immigration, new entrants, and retirements from the labour force. Changes in unemployment depend on: inflows made up of non-employed people starting to look for jobs and of employed people who lose their jobs and look for new ones; and outflows of people who find new employment and of people who stop looking for employment. When looking at the overall macroeconomy, several types of unemployment have been identified, including:

Frictional unemployment — This reflects the fact that it takes time for people to find and settle into new jobs. If 12 individuals each take one month before they start a new job, the aggregate unemployment statistics will record this as a single unemployed worker. Technological change often reduces frictional unemployment, for example: the internet made job searches cheaper and more comprehensive.

Structural unemployment — This reflects a mismatch between the skills and other attributes of the labour force and those demanded by employers. If 4 workers each take six months off to re-train before they start a new job, the aggregate unemployment statistics will record this as two unemployed workers. Technological change often increases structural unemployment, for example: technological change might require workers to re-train.

Natural rate of unemployment — This is the summation of frictional and structural unemployment. It is the lowest rate of unemployment that a stable economy can expect to achieve, seeing as some frictional and structural unemployment is inevitable.

Exercise 1. Read and memorize using a dictionary:

supplier, demander, aggregate, inevitable, unemployment, variable, participation, achieve, comprehensive, skill, require, due to

Exercise 2. Answer the questions:

1) What do labour markets function through?
2) What do changes in unemployment depend on?
3) What do microeconomic techniques study?
4) What are changes in the labour force due to?
5) What does labour economics seek to understand?
6) Who does labour economics deal with?
7) What does labour economics deal with?
8) How does unemployment affect the public?
9) What are two sides to labour economics?
10) Who does the nonlabour force include?

Exercise 3. Match the left part with the right:

1. The unemployment rate is defined as	a) currently employed divided by the adult population.
2. It is the lowest rate of unemployment,	b) the level of unemployment divided by the labour force.
3. This reflects the fact that it takes time for people	c) that a stable economy can expect to achieve.
4. The employment rate is defined as the number of people	d) to find and settle into new jobs.

Exercise 4. Put the words in the correct order:

1. The, force, unemployment, is, as, the, minus, the, number, defined, people, employed, level, labour, of, currently,
2. economics, understand, the, of, the, dynamics, labour, Labour, seeks, to, functioning, and, market, for,
3. employment, goal, modern, is, a, governments, of, Full ,many.
4. study, techniques, the, individuals, in, role, and, individual, of, firms ,market, the, Microeconomic, labour.
5. function, markets, and, workers, through, interaction, the, of, employers, Labour.

Exercise 5. Match the English words with the Ukrainian ones:

1. labour	a. динаміка
2. market	b. безробіття
3. dynamics	c. працівник
4. employer	d. працевлаштування
5. worker	e. навичка
6. unemployment	f. норма
7. employment	g. праця
8. skill	h. робота
9. rate	i. працедавець
10. job	j. ринок

Exercise 6. Ask questions to the given answers:

1) Question: ____ ?

Answer: Changes in the labour force are due to flow variables such as natural population growth, net immigration, new entrants, and retirements from the labour force.

2) Question: ____ ?

Answer: Structural unemployment reflects a mismatch between the skills and other attributes of the labour force and those demanded by employers

3) Question: ____ ?

Answer: Labour economics can generally be seen as the application of microeconomic or macroeconomic techniques to the labour market.

4) Question:

Answer: Self-employed people are counted as employed.

5) Question: ____ ?

Answer: Variables like employment level, unemployment level, labour force, and unfilled vacancies are called stock variables.

Exercise 7. Compose a story on one of the topics (up to 100 words):

"Two sides to labour economics"
"Types of unemployment"

Lesson 8

Read the text: **Planning of activity of the enterprise**

Entrepreneurs and business managers are often so preoccupied with immediate issues that they lose sight of their ultimate objectives. That's why a preparation of a strategic plan is a virtual necessity. This may not be a recipe for success, but without it a business is much more likely to fail.

A strategic plan is not the same thing as an operational plan. The former should be visionary, conceptual and directional in contrast to an operational plan which is likely to be shorter term, tactical, focused, implementable and measurable. As an example, compare the process of planning a vacation (where, when, duration, budget, who goes, how travel are all strategic issues) with the final preparations (tasks, deadlines, funding, weather, packing, transport and so on are all operational matters).

A strategic plan should not be confused with a business plan. The former is likely to be a (very) short document whereas a business plan is usually a much more substantial and detailed document. A strategic plan can provide the foundation and frame work for a business plan.

A satisfactory strategic plan must be realistic and attainable so as to allow managers and entrepreneurs to think strategically and act operationally

Decide on your Type of Business Plan at the Outset

Before you put "pen to paper", decide the type of business plan you need:

Basic plans are short (often under 10 pages plus appendices etc.); relatively quick to prepare (under one or two months); use limited external assistance; need few drafts; and require much more researching than writing. They are somewhat more difficult to prepare than anticipated - all parts equally difficult. They are frequently used to assess the viability of a business or for internal/personal use and they are rated as important/useful for the business.

Comprehensive plans are longer than basic plans; require some months to prepare; make slightly greater use of external help; and require somewhat more time researching than writing. They are more difficult to prepare than anticipated, especially the financial projections and market analysis parts. They are often used to help raise venture capital/equity or bank loans, and they are viewed as being critically important to the business.

Before Starting to Write a Business Plan

Before any detailed work commences on writing a comprehensive business plan, you should:

- Clearly define the target audience
- Determine its requirements in relation to the contents and levels of detail
- Map out the plan's structure (contents page)
- Decide on the likely length of the plan
- Identify all the main issues to be addressed.

Shortcomings in the concept and gaps in supporting evidence and proposals need to be clearly identified. This will facilitate an assessment of research to be undertaken before any drafting commences. Bear in mind that a business plan should be the end result of a careful and extensive research and development project which must be completed before any serious writing of a plan should be started. Under no circumstances should you start writing a plan before all the key issues have been crystallized and addressed.

Looking for New Business Ideas

When looking around for business ideas, bear in mind that these could be based on any of the following approaches:

- A **manufactured product** where you buy materials or parts and make up the product(s) yourself.
- A **distributed product** where you buy product from a wholesaler, retailer, or manufacturer.
- A **service** which you provide.

You should narrow your search to specific market or product areas as quickly as possible. For example, the "food business" is too broad a search area. Do you mean manufacturing, distribution or retailing, or do you mean fresh, frozen, pre-prepared etc. or do you mean beverages, sauces, confectionery etc.? It is better to pursue several specific ideas (hypotheses) rather than one diffuse concept which lacks specifics and proves impossible to research and evaluate. Generally, you should always aim for quality rather than cheapness. Be very cautious about pursuing ideas which involve any prospect of price wars or are very price sensitive; of getting sucked into short-lived fads; or of having to compete head-to-head with large, entrenched businesses.

Exercise 1. Read and memorize using a dictionary:

anticipate, deadline, shortcoming, retail, wholesale, facilitate, equity, venture, draft, diffuse, assessment, comprehensive, evaluate

Exercise 2. Answer the questions:

1) Is a strategic plan the same thing as an operational plan ?
2) Why must a satisfactory strategic plan be realistic and attainable?
3) What can facilitate an assessment of research to be undertaken before any drafting commences?
4) Why should you narrow your search to specific market or product areas as quickly as possible?
5) What should you do before you put "pen to paper"?
6) Why is a preparation of a strategic plan a virtual necessity?
7) What is the difference between a strategic plan and an operational plan?
8) What approaches could business ideas be based on?
9) Is it better to pursue several specific ideas (hypotheses) than one diffuse concept which lacks specifics and proves impossible to research and evaluate?
10) What should you always aim for?

Exercise 3. Find the derivatives of the following words:

1. occupy

2. object
3. strategy
4. operation
5. concept
6. direct
7. plan
8. prepare
9. satisfy
10. finance
11. assist

Exercise 4. Match the English words with their definitions:

1. Basic plans	a. are longer than basic plans; require some months to prepare; make slightly greater use of external help; and require somewhat more time researching than writing.
2. A manufactured product	b. where you buy product from a wholesaler, retailer, or manufacturer.
3. A strategic plan	c. can provide the foundation and frame work for a business plan.
4. Comprehensive plans	d. are short (often under 10 pages plus appendices etc.); relatively quick to prepare (under one or two months); use limited external assistance; need few drafts; and require much more researching than writing.
5. A distributed product	e. where you buy materials or parts and make up the product(s) yourself.

Exercise 5. Describe **basic plans, comprehensive plans, strategic plan, operational plan, target audience**
using the suggested words and expressions as in example**:**

basic plans
prepare, quick, to, relatively, short, drafts, few, use, assistance, limited, need, than, researching, writing, require
example:
Basic plans are short, relatively quick to prepare, use limited external assistance, need few drafts, require much more researching than writing.

comprehensive plans
longer, some months, require, researching, require, more time, writing, than, somewhat, slightly, make, use, help, external, greater, of

strategic plan
realistic, to allow, attainable, managers, operationally, act, entrepreneurs, think, and, must be

operational plan tactical, shorter, implementable, focused, measurable, term

target audience group, limited, a plan, idea, that, at, is aimed

Exercise 6. Ask questions to the given answers:

1) Question: ____ ?
Answer: Basic plans are frequently used to assess the viability of a business.
2) Question: ____ ?
Answer: A strategic plan can provide the foundation and frame work for a business plan.
3) Question: ____ ?
Answer: Entrepreneurs and business managers are often so preoccupied with immediate issues that they lose sight of their ultimate objectives.
4) Question: ____ ?
Answer: Shortcomings in the concept and gaps in supporting evidence and proposals need to be clearly identified.
5) Question: ____ ?
Answer: A careful and extensive research and development project which must be completed before any serious writing of a plan should be started.

Exercise 7. Compose a story on one of the topics (up to 100 words):

"Writing a comprehensive business plan"
"Types of Business Plans"
"Looking for New Business Ideas"

Lesson 9

Read the text**: Financial Planning and Organizational Goals and Objectives.**

Financial planning (like all planning) begins with the establishment of goals and objectives. Next, planners must assign costs to these goals and objectives. That is, they must determine how much money is needed to accomplish each one. Finally, financial planners must identify available sources of financing and decide which to use. In the process, they must make sure that financing needs are realistic and that sufficient funding is available to meet those needs.

The Financial Planning activity involves the following tasks:

- Assess the business environment
- Confirm the business vision and objectives
- Identify the types of resources needed to achieve these objectives
- Quantify the amount of resource (labor, equipment, materials)
- Calculate the total cost of each type of resource
- Summarize the costs to create a budget
- Identify any risks and issues with the budget set

Performing Financial Planning is critical to the success of any organization. It provides the Business Plan with rigor, by confirming that the objectives set are achievable from a financial point of view.

Establishing Organizational Goals and Objectives. Establishing goals and objectives is an important management task. A goal is an end state that the organization wants to achieve. Objectives are specific statements detailing what the organization intends to accomplish within a certain period of time. If goals and objectives are not specific and measurable, they cannot be translated into costs, and financial planning cannot proceed. They must also be realistic. Otherwise, it may be impossible to finance or achieve them.

Budgeting for Financial Needs. A budget is a financial statement that projects income and/or expenditures over a specified future period of time. Once planners know what the firm's goals and objectives are for a specific period of time - say, the next calendar year- they can estimate the various costs the firm will incur and the revenues it will receive. By combining these items into a companywide budget, financial planners can determine whether they must seek additional funding sources outside the firm.

Usually the budgeting process begins with the construction of individual budgets for sales and for each of the various types of expenses: production, human resources, promotion, administration, and so on. Budgeting accuracy is improved when budgets are first constructed for individual departments and for shorter periods of time. These budgets can easily be combined into a companywide ***cash budget***- an estimation of the cash inflows and outflows for a specific period of time. Cash budgets are often used to assess whether the entity has sufficient cash to fulfill regular operations and/or whether too much cash is being left in unproductive capacities. A cash budget is extremely important, especially for small businesses, because it allows a company to determine how much credit it can extend to customers before it begins to have liquidity problems. In addition, departmental budgets can help managers monitor and evaluate financial performance throughout the period covered by the overall cash budget.

Most firms today use one of two approaches to budgeting. In the traditional approach, each new budget is based on the dollar amounts contained in the budget for the preceding year. These amounts are modified to reflect any revised goals, and managers must justify only new expenditures. The problem with this approach is that it leaves room for the manipulation of budget items to protect the (sometimes selfish) interests of the budgeter or his or her department.

Exercise 1. Read and memorize using a dictionary:

accomplish, expenses, accuracy, expenditures, manipulation, measurable, promotion, available, sufficient, funding, preceding, revise, selfish, throughout, incur, revenues

Exercise 2. Answer the questions:

1) What does financial planning (like all planning) begin with?
2) What must planners assign to these goals and objectives?
3) What must planners make sure?
4) What must financial planners identify?
5) What tasks does the financial planning activity involve?
6) What is performing financial planning critical to?
7) What does the budgeting process begin with?

8) What is the traditional approach to budgeting based on?
9) What are organizational objectives?
10) What do we call a budget?

Exercise 3. Match the left part with the right:

1. In the process, they must make sure that financing needs	a) they cannot be translated into costs, and financial planning cannot proceed.
2. If goals and objectives are not specific and measurable,	b) into a companywide *cash budget.*
3. These amounts are modified to reflect any revised goals,	c) are realistic and that sufficient funding is available to meet those needs.
4. These budgets can easily be combined	d) and managers must justify only new expenditures.

Exercise 4. Open the brackets choosing the right words:

1. Once planners know what the firm's goals and objectives are for a specific period of time - say, the next calendar year- they can (estimate/reject) the various costs the firm will incur and the (losses/revenues) it will receive.
2. (Usually/always) the budgeting process (begins/starts) with the construction of individual budgets for sales and for each of the various types of expenses: production, human resources, promotion, administration, and so on.

Exercise 5. Group the antonyms:

1. objective	a. finish
2. small	b. long
3. begin	c. attack
4. short	d. possible
5. protect	e. subjective
6. easily	f. counteract
7. impossible	g. common
8. realistic	h. hardly
9. help	i. large
10. individual	j. fantastic

Exercise 6. Ask questions to the given answers:

1) Question: ____ ?
Answer: Budgeting accuracy is improved when budgets are first constructed for individual departments and for shorter periods of time.
2) Question: ____ ?
Answer: Financial planners must determine how much money is needed to accomplish goals and objectives.
3) Question: ____ ?
Answer: These budgets can easily be combined into a companywide cash budget.

4) Question: ____ ?
Answer: The budgeting process begins with the construction of individual budgets for sales and for each of the various types of expenses: production, human resources, promotion, administration, and so on.
5) Question: ____ ?
Answer: A cash budget is extremely important, especially for small businesses, because it allows a company to determine how much credit it can extend to customers before it begins to have liquidity problems.

Exercise 7. Compose a story on one of the topics (up to 100 words):

"Goals and objectives in financial planning"
"The budgeting process"
"A budget"

Lesson 10

Read the text: **Depreciation**

Depreciation is a term used in accounting, economics and finance with reference to the fact that assets with finite lives lose value over time.

In accounting, depreciation is a term used to describe any method of attributing the historical or purchase cost of an asset, across its useful life, roughly corresponding to normal wear and tear. It is of most use when dealing with assets of a short, fixed service life, and which is an example of applying the matching principle as per generally accepted accounting principles. Depreciation in accounting is often mistakenly seen as a basis for recognizing impairment of an asset, but unexpected changes in value, were seen as significant enough to account for, are handled through write-downs or similar techniques which adjust the book value of the asset to reflect its current value. Therefore, it is important to recognize that depreciation, when used as a technical accounting term, is the allocation of the historical cost of an asset across time periods when the asset is employed to generate revenues. This process of cost allocation has little or no direct relationship to the market value or current selling price of the asset, it is simply the recognition that a portion of the asset's cost--the portion that will never be recuperated through re-sale or disposal of the asset--was "used up" in the generation of revenues for that time period.

The use of depreciation affects the financial statements and in some countries the taxes of companies and individuals. The recording of depreciation will cause an expense to be recognized, thereby lowering stated profits on the income statement, while the net value of the asset (the portion of the historical cost of the asset that remains to provide future value to the company) will decline on the balance sheet (a statement of how much money a business has earned and how much money it has paid for goods and services). Depreciation reported for accounting and tax purposes may differ substantially.

Depreciation and its related concept, amortization (generally, the depreciation of intangible assets), are non-cash expenses. Neither depreciation nor amortization will directly affect the cash flow (the movement of money coming into a business as income and going out as wages, materials etc.) of a company, as both are accounting representations of expenses attributable to a given period. In accounting statements, depreciation may neither figure in the cash flow statement, or may be "added back" to netincome (along with other items) to derive the operating cash flow; there is generally no requirement that treatment of depreciation for tax and accounting purposes be identical. Where depreciation is shown on accounting statements, the figure usually does not relate to depreciation for tax purposes.

In economics depreciation is the decrease in the economic value of the capital stock of a firm, nation or other entity, either through physical depreciation, obsolescence or changes in the demand for the services of the capital in question. If capital stock is C_0 at the beginning of a period, investment is I and depreciation D, the capital stock at the end of the period, C_1, is $C_0 + I - D$.

Exercise 1. Read and memorize using a dictionary:

depreciation, decrease, obsolescence, cash flow, amortization, demand, allocation, stock, reduce, affect, attribute, roughly, statement, taxable, entity, substantially

Exercise 2. Answer the questions:

1) How is depreciation seen in accounting?
2) Does depreciation affect the cash flow of the company?
3) What will the recording of depreciation cause?
4) What is depreciation when used as a technical accounting term?
5) What does the use of depreciation affect?
6) What kind of expenses are depreciation and amortization?
7) Will depreciation or amortization directly affect the cash flow?
8) Does depreciation shown on accounting statements relate to depreciation for tax purposes?
9) What does the process of cost allocation mean?
10) Does the process of cost allocation have little or direct relationship to the market value or current selling price of the asset?

Exercise 3. Read the following statements and decide if they are true or false:

1. Depreciation and its related concept, amortization (generally, the depreciation of intangible assets), are cash expenses.
2. If capital stock is S_0 at the beginning of a period, investment is I and depreciation D, the capital stock at the end of the period, C_1, is $C_0 + I - D$.
3. Depreciation is a term used in accounting, economics and finance with reference to the fact that assets with finite lives lose value over time.
4. Neither depreciation nor amortization will directly affect the cash flow (the movement of money coming into a business as income and going out as wages, materials etc.) of a company, as both are accounting representations of expenses attributable to a given period.
5. In finance, depreciation is a term used to describe any method of attributing the historical or purchase cost of an asset, across its useful life, roughly corresponding to normal wear and tear.

Exercise 4. Open the brackets choosing the right words:

1. Depreciation recognized for tax purposes will, however, (affect/effect) the cash flow of the company, as tax depreciation will (increase/reduce) taxable profits; there is generally no requirement that treatment of depreciation for tax and accounting purposes be identical.
2. In (economics/ finance) depreciation is the (decrease/increase) in the economic value of the capital stock of a firm, nation or other entity, either through physical depreciation, obsolescence or changes in the demand for the services of the capital in question.

Exercise 5. Describe **depreciation in accounting, depreciation in economics, the net value of the asset, cash flow, the balance sheet**
using the suggested words and expressions as in example:

depreciation in accounting attributing, describes, any method, of, purchase, or historical, cost, across, of an asset, its useful life, corresponding, to normal, roughly, wear and tear **example:** In accounting, depreciation is a term used to describe any method of attributing the historical or purchase cost of an asset, across its useful life, roughly corresponding to normal wear and tear

depreciation in economics entity, the decrease, of the capital, in the economic value, stock of a farm, other, nation

the net value of the asset remains, future value, to provide, the portion, of the asset, of the historical, cost, to the company
cash flow coming into, of money, the movement, a business, going out, as income, materials, as, wages the balance sheet

the balance sheet a business, how much, has earned, money, how much, for goods, has paid, and services, a statement, of, it

Exercise 6. Fill in the blanks with the appropriate words:
a) statements, b) accounting, c) cash, d) figure, e) economics,

1. Depreciation is a term used in accounting, _________and finance with reference to the fact that assets with finite lives lose value over time.
2. The use of depreciation affects the financial__________ and in some countries the taxes of companies and individuals.
3. Depreciation reported for _________ and tax purposes may differ substantially.
4. In accounting statements, depreciation may neither figure in the cash flow statement, or may be "added back" to netincome (along with other items) to derive the operating ______ flow.
5. Where depreciation is shown on accounting statements, the _________ usually does not relate to depreciation for tax purposes.

Exercise 7. Compose a story on one of the topics (up to 100 words):

“Depreciation in accounting”
“Depreciation in economics”

Lesson 11

Read the text: **Econometrics**

Econometrics is the application of mathematics, statistical methods, and, more recently, computer science, to economic data and is described as the branch of economics that aims to give empirical content to economic relations. More precisely, it is "the quantitative analysis of actual economic phenomena based on the concurrent development of theory and observation, related by appropriate methods of inference." An introductory economics textbook describes econometrics as allowing economists "to sift through mountains of data to extract simple relationships." The first known use of the term "econometrics" (in cognate form) was by Paweł Ciompa in 1910. Ragnar Frisch is credited with coining the term in the sense that it is used today.
Econometrics is the intersection of economics, mathematics, and statistics. Econometrics adds empirical content to economic theory allowing theories to be tested and used for forecasting and policy evaluation.

The basic tool for econometrics is the linear regression model. In modern econometrics, other statistical tools are frequently used, but linear regression is still the most frequently used starting point for an analysis. Estimating a linear regression on two variables can be visualized as fitting a line through data points representing paired values of the independent and dependent variables.

Estimating a linear regression on two variables can be visualized .Econometricians try to find estimators that have desirable statistical properties including unbiasedness, efficiency, and consistency. An estimator is unbiased if its expected value is the true value of the parameter. It is consistent if it converges to the true value as sample size gets larger, and it is efficient if the estimator has lower standard error than other unbiased estimators for a given sample size. Ordinary least squares (OLS) is often used for estimation since it provides the BLUE or "best linear unbiased estimator" (where "best" means most efficient, unbiased estimator) given the Gauss-Markov assumptions. When these assumptions are violated or other statistical properties are desired, other estimation techniques such as maximum likelihood estimation, generalized method of moments, or generalized least squares are used. Estimators that incorporate prior beliefs are advocated by those who favor Bayesian statistics over traditional, classical or "frequentist" approaches.

Applied econometrics uses theoretical econometrics and real-world data for assessing economic theories, developing econometric models, analyzing economic history, and forecasting. Econometrics may use standard statistical models to study economic questions, but most often they are with observational data, rather than in controlled experiments. In this, the design of observational studies in econometrics is similar to the design of studies in other observational disciplines, such as astronomy, epidemiology, sociology and political science. Analysis of data from an observational study is guided by the study protocol, although exploratory data analysis may be useful for generating new hypotheses. Economics often analyzes systems of equations and inequalities, such as supply and demand hypothesized to be in equilibrium. Consequently, the field of econometrics has developed methods for identification and estimation of simultaneous-equation models. These methods are analogous to methods used in other areas of science, such as the field of system identification in systems analysis and control theory. Such methods may allow researchers to estimate models and investigate their empirical consequences, without directly manipulating the system.

One of the fundamental statistical methods used by econometricians is regression analysis. Regression methods are important in econometrics because economists typically cannot use controlled experiments. Econometricians often seek illuminating natural experiments in the absence of evidence from controlled experiments. Observational data may be subject to omitted-variable bias and a list of other problems that must be addressed using causal analysis of simultaneous-equation models.

In recent decades, econometricians have increasingly turned to use of experiments to evaluate the often-contradictory conclusions of observational studies. Here, controlled and randomized experiments provide statistical inferences that may yield better empirical performance than do purely observational studies.

Data sets to which econometric analyses are applied can be classified as time-series data, cross-sectional data, panel data, and multidimensional panel data. Time-series data sets contain observations over time; for example, inflation over the course of several years. Cross-sectional data sets contain observations at a single point in time; for example, many individuals' incomes in a given year. Panel data sets contain both time-series and cross-sectional observations. Multi-dimensional panel data sets contain observations across time, cross-sectionally, and across some third dimension. For example, the Survey of Professional Forecasters contains forecasts for many forecasters (cross-sectional observations), at many points in time (time series observations), and at multiple forecast horizons (a third dimension).

Exercise 1. Read and memorize using a dictionary:

Inference, sift, cognate, to be credited with, to coin, unbiasedness, consistency, assumption, assess, illuminate, causal.

Exercise 2. Answer the questions:

1) What does “econometrics” mean ?
2) What is the basic tool for econometrics?
3) What do econometricians try to do ?
4) What does applied econometrics use?
5) How is econometrics described?
6) How does an introductory economics textbook describe econometrics?
7) How can a linear regression on two variables be visualized?
8) What is the role of linear regression for an analysis?
9) What is analysis of data from an observational study guided by?
10) What methods may allow researchers to estimate models and investigate their empirical consequences, without directly manipulating the system?

Exercise 3. Match the left part with the right:

1. Econometrics is the application of mathematics, statistical methods, and, more recently, computer science, to economic data	a) developing econometric models, analyzing economic history, and forecasting.
2. Estimating a linear regression on two variables can be visualized	b) economists typically cannot use controlled experiments.
3. Applied econometrics uses theoretical econometrics and real-world data for assessing economic theories,	c) as fitting a line through data points representing paired values of the independent and dependent variables.
4. Regression methods are important in econometrics because	d) and is described as the branch of economics that aims to give empirical content to economic relations.

Exercise 4. Put the words in the correct order:

1. The, known, term, first, 1910, use, of, Paweł ,"econometrics", was,the ,Ciompa ,in ,by.
2. Frisch, credited, is ,with, term, today ,coining ,the, that ,the ,sense, it, Ragnar, is ,in, used.
3. Econometrics, intersection, the, of ,and ,economics, mathematics, is ,statistics.
4. The ,econometrics ,tool, for ,linear ,is, regression, the ,basic ,model.
5. One ,regression, fundamental ,of ,the ,econometricians, methods ,analysis, used ,by ,statistical, is.

Exercise 5. Ask questions to the given answers:

1) Question: ____ ?
Answer: Econometrics adds empirical content to economic theory.
2) Question: ____ ?
Answer: The design of observational studies in econometrics is similar to the design of studies in other observational disciplines.
3) Question: ____ ?
Answer: Time-series data sets contain observations over time.
4) Question: ____ ?
Answer: It is regression analysis.
5) Question: ____ ?
Answer: In recent decades .

Exercise 6. Complete the sentences with the suggested words:

a. *Panel,* ***b****. forecasts ,* ***c****. observations,* ***d.*** *contain,* ***e****. multidimensional*

Data sets to which econometric analyses are applied can be classified as time-series data, cross-sectional data, panel data, and 1)…………….. panel data. Time-series data sets 2) ………… observations over time; for example, inflation over the course of several years. Cross-sectional data sets contain 3)…………………… at a single point in time; for example, many individuals' incomes in a given year 4). ……………. data sets contain both time-series and cross-sectional observations. Multi-dimensional panel data sets contain observations across time, cross-sectionally, and across some third dimension. For example, the Survey of Professional Forecasters contains 5)…………………… for many forecasters (cross-sectional observations), at many points in time (time series observations), and at multiple forecast horizons (a third dimension).

Exercise 7. Compose a story on one of the topics (up to 100 words):

" Econometrics. "
"Applied econometrics. "
" Regression methods."

Lesson 12

Read the text: **Economic model**

In economics, a model is a theoretical construct representing economic processes by a set of variables and a set of logical and/or quantitative relationships between them. The economic model is a simplified framework designed to illustrate complex processes, often but not always using mathematical techniques. Frequently, economic models posit structural parameters. Structural parameters are underlying parameters in a model or class of models. A model may have various parameters and those parameters may change to create various properties. Methodological uses of models include investigation, theorizing, and fitting theories to the world.

In general terms, economic models have two functions: first as a simplification of and an abstraction from observed data, and second as a means of selection of data based on a paradigm of econometric study.

- Simplification is particularly important for economics given the enormous complexity of economic processes. This complexity can be attributed to the diversity of factors that determine economic activity; these factors include: individual and cooperative decision processes, resource limitations, environmental and geographical constraints, institutional and legal requirements and purely random fluctuations. Economists therefore must make a reasoned choice of which variables and which relationships between these variables are relevant and which ways of analyzing and presenting this information are useful.
- Selection is important because the nature of an economic model will often determine what facts will be looked at, and how they will be compiled. For example inflation is a general economic concept, but to measure inflation requires a model of behavior, so that an economist can differentiate between real changes in price, and changes in price which are to be attributed to inflation.

In addition to their professional academic interest, the use of models include:

- Forecasting economic activity in a way in which conclusions are logically related to assumptions;
- Proposing economic policy to modify future economic activity;
- Presenting reasoned arguments to politically justify economic policy at the national level, to explain and influence company strategy at the level of the firm, or to provide intelligent advice for household economic decisions at the level of households.
- Planning and allocation, in the case of centrally planned economies, and on a smaller scale in logistics and management of businesses.

In finance predictive models have been used since the 1980s for trading (investment, and speculation), for example emerging market bonds were often traded based on economic models predicting the growth of the developing nation issuing them. Since the 1990s many long-term risk management models have incorporated economic relationships between simulated variables in an attempt to detect high-exposure future scenarios.

A model establishes an argumentative framework for applying logic and mathematics that can be independently discussed and tested and that can be applied in various instances. Policies and arguments that rely on economic models have a clear basis for soundness, namely the validity of the supporting model.

Economic models in current use do not pretend to be theories of everything economic; any such pretensions would immediately be thwarted by computational infeasibility and the paucity of theories for most types of economic behavior. Therefore conclusions drawn from models will be approximate representations of economic facts. However, properly constructed models can remove extraneous information and isolate useful approximations of key relationships. In this way more can be understood about the relationships in question than by trying to understand the entire economic process.

The details of model construction vary with type of model and its application, but a generic process can be identified. Generally any modeling process has two steps: generating a model, then checking the model for accuracy (sometimes called diagnostics). The diagnostic step is important because a model is only useful to the extent that it accurately mirrors the relationships that it purports to describe. Creating and diagnosing a model is frequently an iterative process in which the model is modified (and hopefully improved) with each iteration of diagnosis and respecification. Once a satisfactory model is found, it should be double checked by applying it to a different data set.

I. Reading Exercises:

Exercise 1. Read and memorize using a dictionary:

Constraint, compile, to be attributed to, speculation, soundness, validity, thwart, infeasibility, paucity, extraneous, purport, iterative, respecification.

Exercise 2. Answer the questions:

1) What does "a model" mean in economics?
2) What functions do economic models have?
3) What does the use of models include?
4) What does a model establish?
5) What can the enormous complexity of economic processes be attributed to?
6) What is the diversity of factors that determine economic activity?
7) What will the nature of an economic model often determine?
8) Who can differentiate between real changes in price, and changes in price which are to be attributed to inflation?
9) How long have predictive models been used in finance for trading?
10) What has incorporated economic relationships between simulated variables in an attempt to detect high-exposure future scenarios?

Exercise 3. Match the left part with the right:

1. In economics, a model is a theoretical construct	a) that can be independently discussed and tested and that can be applied in various instances.
2. In finance predictive models have been used	b) can remove extraneous information and isolate useful approximations of key relationships.
3. A model establishes an argumentative framework for applying logic and mathematics	c) since the 1980s for trading (investment, and speculation).
4. However, properly constructed models	d) representing economic processes by a set of variables and a set of logical and/or quantitative relationships between them.

Exercise 4. Open brackets choosing the right words:

1. (Simplification/generalization) is particularly important for economics given the (enormous/huge) complexity of economic processes.
2. This complexity can be attributed to the diversity of factors that determine (economic/social) activity; these factors include: individual and cooperative

decision processes, resource limitations, environmental and geographical constraints, institutional and (illegal/legal) requirements and purely random fluctuations.

Exercise 5. Describe A model**,** The economic model, Structural parameters, Methodological uses of models, Simplification
using the suggested words and expressions as in example:

A model representing ,them , is, between, construct, by, a set, logical, theoretical, relationships, a, a set of, economic, variables, quantitative, processes, of, and, or, and **example:** A model is a theoretical construct representing economic processes by a set of variables and a set of logical and/or quantitative relationships between them.

The economic model framework, designed, is, processes, a, complex ,simplified, illustrate ,to

Structural parameters Parameters, model, are, in, underlying, a, of, or, models, class
Methodological uses of models To, include ,the ,investigation, world, theorizing, fitting ,and theories

Simplification Economics, is, economic, particularly, complexity, processes, important, of, for ,enormous, given, the

Exercise 6. Find the derivatives of the following words:

1. independent	1. independently
2. represent	2. representing
3. select	3. selection
4. forecast	4. forecasting
5. propose	5. proposing
6. present	6. presenting
7. predict	7. predictive
8. apply	8. applying
9. particular	9. particularly
10. model	10. modeling

Exercise 7. Compose a story on one of the topics (up to 100 words):

"Two functions of economic models."
"Steps of modeling process."

Lesson 13

Read the text: **Main processes of a company.**

A company can be divided into sub-processes in different ways; yet, the following five are identified as main processes, each with a logic, objectives, theory and key figures of its own. It is important to examine each of them individually.The main processes of a company are as follows:

- real process
- income distribution process
- production process
- monetary process
- market value process

Productivity is created in ***the real process,*** productivity gains are distributed in ***the income distribution process*** and these two processes constitute ***the production process.*** The production process and its sub-processes, the real process and income distribution process occur simultaneously, and only the production process is identifiable and measurable by the traditional accounting practices. The real process and income distribution process can be identified and measured by extra calculation, and this is why they need to be analyzed separately in order to understand the logic of production performance.

Real process generates the production output from input, and it can be described by means of the production function. It refers to a series of events in production in which production inputs of different quality and quantity are combined into products of different quality and quantity. Products can be physical goods, immaterial services and most often combinations of both. The characteristics created into the product by the manufacturer imply surplus value to the consumer, and on the basis of the price this value is shared by the consumer and the producer in the marketplace. This is the mechanism through which surplus value originates to the consumer and the producer likewise. Surplus value to the producer is a result of the real process, and measured proportionally it means productivity.

Income distribution process of the production refers to a series of events in which the unit prices of constant-quality products and inputs alter causing a change in income distribution among those participating in the exchange. The magnitude of the change in income distribution is directly proportionate to the change in prices of the output and inputs and to their quantities. Productivity gains are distributed, for example, to customers as lower product sales prices or to staff as higher income pay. Davis has deliberated the phenomenon of productivity, measurement of productivity, distribution of productivity gains, and how to measure such gains. According to Davis, the price system is a mechanism through which productivity gains are distributed, and besides the business enterprise, receiving parties may consist of its customers, staff and the suppliers of production inputs.

The production process consists of the real process and the income distribution process. A result and a criterion of success of the production process is profitability. The profitability of production is the share of the real process result the producer has been able to keep to himself in the income distribution process. Factors describing the production process are the components of profitability, i.e., returns and costs. They differ from the factors of the real process in that the components of profitability are given at nominal prices whereas in the real process the factors are at periodically fixed prices.

Monetary process refers to events related to financing the business.

Market value process refers to a series of events in which investors determine the market value of the company in the investment markets.

Exercise 1. Read and memorize using a dictionary:

profitability, quality, quantity, income, gain, occur, surplus, consumer, enterprise, customer, share, distribution

Exercise 2. Answer the questions:

1) What are the main processes of a company?
2) What two processes constitute the production process?
3) Why do the real process and income distribution process need to be analyzed separately?
4) What is the magnitude of the change in income distribution directly proportionate to?
5) What can we name products?
6) What is profitability?
7) What does monetary process refer to?
8) Is surplus value to the producer a result of the real process or the income distribution process?
9) How did Davis define the price system?
10) How do we name the components of profitability?

Exercise 3. Match the left part with the right:

1. Surplus value to the producer is a result of the real process,	a) the producer has been able to keep to himself in the income distribution process.
2. The magnitude of the change in income distribution is directly proportionate	b) and measured proportionally it means productivity.
3. The profitability of production is the share of the real process result	c) and it can be described by means of the production function.
4. Real process generates the production output from input,	d) to the change in prices of the output and inputs and to their quantities.

Exercise 4. Describe **real process, profitability, price system, production process**

using the suggested words and expressions as in the example:

real process quality, events, inputs, quantity, combined, refer to, different, production

example: It refers to a series of events in production in which production inputs of different quality and quantity are combined into products of different quality and quantity.

profitability share, income, producer, distribution, result, to keep, process, real

price system suppliers, enterprise, customers, production, gains, productivity, mechanism, distributed, business, parties, inputs, staff

production process distribution, result, profitability, criterion, process, success, income, real

Exercise 5. Ask questions to the given answers:

1) Question: ____ ?
Answer: The production process and its sub-processes, the real process and income distribution process occur simultaneously.
2) Question: ____ ?
Answer: Factors describing the production process are the components of profitability.
3) Question: ____ ?
Answer: Davis has deliberated the phenomenon of productivity, measurement of productivity, distribution of productivity gains, and how to measure such gains.
4) Question: ____ ?
Answer: The production process is identifiable and measurable by the traditional accounting practices.
5) Question: ____ ?
Answer: The factors describing the production process are given at nominal prices whereas in the real process the factors are at periodically fixed prices.

Exercise 6. Complete the sentences with the suggested words: **separately, distribution, calculation, need, logic**

The real process and income _____ process can be identified and measured by extra _____ and this is why they _____ to be analyzed _____ in order to understand the ____of production performance.

Exercise 7. Compose a story on one of the topics (up to 100 words):

“The production process”
“Income distribution process”
“Productivity “

Lesson 14

Read the text: Productivity

In the most immediate sense, productivity is determined by:

- the available technology or know-how for converting resources into outputs desired in an economy; and
- the way in which resources are organised in firms and industries to produce goods and services.

Average productivity can improve as firms move toward the best available technology; plants and firms with poor productivity performance cease operation; and as new technologies become available. Firms can change organisational structures (e.g. core functions and supplier relationships), management systems and work arrangements to take the best advantage of new technologies and changing market opportunities. A nation's average productivity level can also be affected by the movement of resources from low-productivity to high-productivity industries and activities.

National productivity growth stems from a complex interaction of factors. As just outlined, some of the most important immediate factors include technological change, organisational change, industry restructuring and resource reallocation, as well as economies of scale and scope. Over time, other factors such as research and development and innovative effort, the development of human capital through education, and incentives from stronger competition promote the search for productivity improvements and the ability to achieve them. Ultimately, many institutional and cultural factors determine a nation's success in improving productivity.

Productivity studies analyze technical processes and engineering relationships such as how much of an output can be produced in a specified period of time. It is related to the concept of efficiency. While productivity is the amount of output produced relative to the amount of resources (time and money) that go into the production, efficiency is the value of output relative to the cost of inputs used. Productivity improves when the quantity of output increases relative to the quantity of input. Efficiency improves, when the cost of inputs used is reduced relative the value of output. A change in the price of inputs might lead a firm to change the mix of inputs used, in order to reduce the cost of inputs used, and improve efficiency, without actually increasing the quantity of output relative the quantity of inputs. A change in technology, however, might allow a firm to increase output with a given quantity of inputs.

Companies can increase productivity in a variety of ways. The most obvious methods involve automation and computerization which minimize the tasks that must be performed by employees. Recently, less obvious techniques are being employed that involve ergonomic design and worker comfort. A comfortable employee, the theory maintains, can produce more than a counterpart who struggles through the day. In fact, some studies claim that measures such as raising workplace temperature can have a drastic effect on office productivity. Experiments done by the Japanese Shiseido Corporation also suggested that productivity could be increased by means of perfuming or deodorizing the air conditioning system of workplaces. Increases in productivity also can influence society more broadly, by improving living standards, and creating income. They are central to the process generating economic growth and capital accumulation. A new theory suggests that the increased contribution that productivity has on economic growth is largely due to the relatively high price of technology and its exportation via trade, as well as domestic use due to high demand, rather than attributing it to micro economic efficiency theories which tend to downsize economic growth and reduce labor productivity for the most part.

Exercise 1. Read and memorize using a dictionary:

convert, cease, affect, incentive, demand, via, counterpart, stem from, obvious, by means of, involve, broadly, trade

Exercise 2. Answer the questions:

1) What is productivity determined by?
2) How can average productivity be improved?
3) What can firms change?
4) What does national productivity growth stem from?
5) What do productivity studies analyze?
6) What do the most important immediate factors include?
7) How can companies increase productivity?
8) Do many institutional and cultural factors determine a nation's success in improving productivity?
9) What is related to the concept of efficiency?
10) When does efficiency improve?

Exercise 3. Read the following statements and decide whether they are true or false:

1. Average productivity can improve as firms move toward the best available technology; plants and firms with poor productivity performance cease operation; and as new technologies become available.
2. Ultimately, many institutional and cultural factors determine a nation's success in national productivity.
3. National productivity growth stems from a complex interaction of factors.
4. A new theory suggests that the increased contribution that productivity has on economic growth is largely due to the relatively low price of technology and its exportation via trade, as well as domestic use due to high demand, rather than attributing it to micro economic efficiency theories which tend to downsize economic growth and reduce labor productivity for the most part.
5. Companies can decrease productivity in a variety of ways.

Exercise 4. Group the antonyms:

1.high	a. disadvantage
2.new	b.remain
3. advantage	c.few
4.many	d wealthy
5. increase	e. output
6. poor	f.worst
7. change	g. low
8. input	h.stay
9. best	i. decrease
10. move	j.old

Exercise 5. Ask questions to the given answers:

1) Question: ____ ?

Answer: Many institutional and cultural factors determine a nation's success in improving productivity.

2) Question: ____ ?

Answer: A change in technology, however, might allow a firm to increase output with a given quantity of inputs.

3) Question: ____ ?

Answer: A comfortable employee can produce more than a counterpart who struggles through the day.

4) Question: ____ ?

Answer: Companies can increase productivity through automation and computerization.

5) Question: ____ ?

Answer: Experiments suggested that productivity could be increased by means of perfuming or deodorizing the air conditioning system of workplaces.

Exercise 6. Complete the sentences with the suggested words**: reflect, relative, increase, efficiency, price**

A change in the _____ of inputs might lead a firm to change the mix of inputs used, in order to reduce the cost of inputs used, and improve ______, without actually increasing the quantity of output _____ the quantity of inputs. A change in technology, however, might allow a firm to increase output with a given quantity of inputs; such an _____ in productivity would be more technically efficient, but might not _____ any change in allocative efficiency.

Exercise 7**.** Compose a story on one of the topics (up to 100 words):

"Productivity studies"
"National productivity growth"

Lesson 15

Read the text: **Factors of Production**

Economists have long recognized the three distinct factors that people use to create the things they want. ***Land, labor, and capital*** are referred to as "factors of production". Each factor plays a unique role in the production of goods, and each factor is clearly distinguishable from the other two.

Land is defined as everything in the universe that is not created by human beings. It includes more than the mere surface of the earth. Air, sunlight, forests, earth, water and minerals are all classified as land. Labor uses capital on land to produce wealth. Every tangible good is made up of the raw materials that come from nature -- and because all people (and other living things) have material needs for survival, everyone must have access to some land in order to live.

Land is the passive factor in production. As such, land simply exists. To make the gifts of nature satisfy our needs and desires, human beings must do something with the natural resources; they must exert themselves, and this human exertion in production is called ***labor.*** Everything that people do, to convert natural opportunities into human satisfactions - is labor, to the economist.

When the stuff of nature is worked up by labor into tangible goods, which satisfy human desires and have exchange value, we call those goods Wealth. (When labor satisfies desires directly, without providing a material good, we call that "Services"; thus, economists say that labor provides the economy with "goods and services".) When some of the wealth is used to produce more wealth, economists refer to it as Capital.

Capital has many meanings, including the financial capital raised to operate and expand a business. In much of economics, however, "capital" means goods that can help produce other goods in the future, the result of investment. It refers to machines, roads, factories, schools, infrastructure, and office buildings which humans have produced in order to produce goods and services.

Fixed capital includes machinery, factories, equipment, new technology, factories, buildings, computers, and other goods that are designed to increase the productive potential of the economy for future years. Nowadays, many consider computer software to be a form of fixed capital. This type of capital does not change due to the production of the good.

Working capital includes the stocks of finished and semi-finished goods that will be economically consumed in the near future or will be made into a finished consumer good in the near future. These are often called inventories. The phrase "working capital" has also been used to refer to liquid assets (money) needed for immediate expenses linked to the production process (to pay salaries, invoices, taxes, interests.)

Financial capital is simply the amount of money the initiator of the business has invested in it. "Financial capital" often refers to his or her net worth tied up in the business (assets minus liabilities) but the phrase often includes money borrowed from others.

Capital increases labor's ability to produce wealth (and services too). Therefore, there is always a demand for capital goods, and some labor will be devoted to supplying those goods, rather than supplying the consumer goods that directly satisfy desires.

How do we figure out how much of society's labor to devote to capital goods vs. consumer goods? The returns, or payments, to capital and labor move naturally toward an equilibrium, or balance, in which neither factor has an advantage over the other. If a shortage of capital goods develops, people will be willing to pay higher prices for those goods, and more workers will work on making them. In time, this will create a shortage of consumer goods, and workers will be drawn back toward making them.

Definition of the three distinct, interdependent factors of production is another important analytical tool that helps economists make sense of the processes of production and distribution in a complex society. Each is clearly different from the other. The mutually exclusive nature of these categories is what makes them so useful.

Exercise 1. Read and memorize using a dictionary:

exert, equilibrium, expand, invoice, shortage, software, distinguishable, devote, tangible, access, advantage, mutually, convert, satisfy

Exercise 2. Answer the questions:

1) What does labor use to produce wealth?
2) What does labor provide the economy with?
3) What increases labor's ability to produce wealth?
4) How do we figure out how much of society's labor to devote to capital goods vs. consumer goods?
5) What are factors of production?
6) What is classified as land?
7) What does capital mean?
8) What does working capital include?
9) What does capital increase?
10) What happens if a shortage of capital goods develops?

Exercise 3. Match the left part with the right:

1. To make the gifts of nature satisfy our needs and desires,	a) needed for immediate expenses linked to the production process (to pay salaries, invoices, taxes, interests.)
2. If a shortage of capital goods develops,	b) we call those goods wealth.
3. The phrase "working capital" has also been used to refer to liquid assets	c) human beings must do something with the natural resources.
4. When the stuff of nature is worked up by labor into tangible goods, which satisfy human desires and have exchange value,	d) people will be willing to pay higher prices for those goods, and more workers will work on making them.

Exercise 4. Open the brackets choosing the right words:

1. Every tangible good is (made up/made out) of the raw materials that come from nature -- and because all people and other living things have material needs for survival, everyone must have (outcome/access) to some land in order to live.
2. Capital (increases/decreases) labor's ability to produce wealth and services too

Exercise 5. Match the English words with their definitions:

1. Land	a. has many meanings, including the financial capital raised to operate and expand a business.
2. Fixed capital	b. includes the stocks of finished and semi-finished goods that will be economically consumed in the near future or will be made into a finished consumer good in the near future.
3. Working capital	c. includes machinery, factories, equipment, new technology, factories, buildings, computers, and other goods that are designed to increase the productive potential of the economy for future years.
4. Financial capital	d. is simply the amount of money the initiator of the business has invested in it.
5. Capital	e. is defined as everything in the universe that is not created by human beings.

Exercise 6. Match the English words with the Ukrainian ones:

1. to create	a. виробництво
2. universe	b. рівновага
3. goods	c. програмне забезпечення
4. production	d. товари
5. equilibrium	e. устаткування
6. distribution	f. інфраструктура
7. software	g. всесвіт
8. equipment	h. взаємозалежний
9. infrastructure	i. поширення
10. interdependent	j. створювати

Exercise 7**.** Compose a story on one of the topics (up to 100 words):

“Land as a factor of production.”
“Labor as a factor of production.”
“Capital as a factor of production.”

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