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ENGLISH FOR ECONOMICS

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Editor: Sigit Apriyanto, M.Pd.

Desain Cover: Abdullah Rasyid Ridha
Tata letak isi: Zaini Adroi

Cetakan I, 2021
14,8 x 21 cm., viii + 188 hlm
ISBN : 978-623-6791-87-5

Sulur Pustaka
Jl. Jogja-Solo Km.14, Tirtomartani
Kalasan, Sleman Yogyakarta
www.sulur.co.id

CV. Tripe Konsultan - JOURNAL CORNER AND PUBLISHING
Jl. R. Fatah, No.50, Bakung, Sidamulya, RT.3/4, Sidamulya,
Wanareja, Cilacap
Phone: 0812-1526-3928
https://jcopublishing.com/

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Foreword

Praise and gratitude the author prays to Allah SWT, who has given strength, perseverance and patience so that this book that has been prepared for a long time can finally be completed.

English competence becomes very crucial to face global competition which includes competition of human resources, education, and economy, Quality improvement human resources became the key to successfully facing the free market in the era of ASEAN economic Community (AEC). English as a general course that must be followed by students should be able to meet the demands of competence; this is of course needs appropriate material especially for economic students so that students can understand material and economic terms. Such material is known as ESP or English for Specific Purpose.

This book began to be written in early 2021 in the form of a simple chapter as a teaching and learning sources. Then, improvements and refinements were made many times so that this book was formed. We Thanks are also conveyed to the editorial team of the Journal Corner and Publishing and CV. Tripe Consultants who have assisted in t he preparation of this book. We realize that this book is far from impeccable in fulfilling the expectations and desires of the readers. Therefore, we expect criticism and suggestions from experts, friends, and readers so that the authors can improve this book in the next edition. Hopefully, this book is useful for all of us.

November 2021

Writers

Quote of Power

“Countries with Better English Have Better Economies”

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Chapter

1

Better English Better Economies

Learning objectives:

1. Through this text, students are expected to understand why English is important to learn
2. The students realized how to increase economic growth through cooperation with other countries
3. The students are motivated to learn English in order to improve their standard of living in the future
4. The students can write their opinion based on the questions given.

English is the language that unites the nation. As we know, there is nothing that does not use English in modern times like today. English is also a world language where everyone uses it to communicate with each other. English is a communication bridge because English is one of the languages that is quite easy to learn.

There are several reasons why English has become an international language. This is because English is one of the oldest languages in the world and originated from the plains of Britain, which is around the 8th century. In addition to English being the oldest language in the world, English has a very rapid development of vocabulary. According to the joint research team of Harvard University and Google researchers, the addition of the vocabulary of the oldest language in the world reaches 8,500 words per year. Now the total number has reached 1,022,000 words or maybe more.

In addition, Britain is a developed country. This can be seen from the innovation and dissemination of knowledge from many western countries. Scientists, essays, invention, and innovation in western countries are developing very fast. The facts also say that the United Kingdom is the most colonized country in the world. Therefore, English is very familiar and is more widely used in various countries, especially British colonies. That's why English is spreading faster to various parts of the world.

In order to facilitate communication in the field of economy and development, a well-known language is needed, namely English. Therefore, people are competing to be able to master this language. English makes it easier for foreign companies to communicate with companies in a non-English speaking country such as Indonesia. English Even makes it easier for us to find information from abroad, directly or indirectly.

Through English, many business communications are established with foreign countries that can improve the economy of a country, including Indonesia. English provides a way for a country to start doing business with ease, such as cross-border trade, contract enforcement and many more. It will be difficult for a country, like Indonesia, if it does not speak English. English has spread its influence as the language of international trade. English is a basic skill needed by all workers. We can feel it now, if we want to apply for a job, English is often the main requirement that must be mastered.

In Indonesia, the number of companies that use English as an international language is large and growing. English is a component in creating a friendly environment for business, it has a very important role in creating opportunities and broadening the knowledge. Therefore, it can be concluded that English is the main key for the economic development of a country, if the people of a country can master English then their economic growth will progress so rapidly.

Exercise.

Answer the questions below according to your opinion.

1. What effect does English have on our lives in the future?
2. Are you interested in working for a company that makes English the main requirement that you must master? Why? Why not?
3. Based on your opinion, do you think that working with companies from foreign countries can have a really good effect on economic growth in our country?

4. If Indonesia does not cooperate with other countries in business, will we be able to survive and be able to increase our economic growth?
5. Based on the text, state some of the reasons why English has become an international language.

How to state your opinion..?

Many phrases are suitable in everyday speech and some types of writing, in stating your opinion you can say by using these phrases:

- *I think…*
- *I believe…*
- *I feel…*
- *In my opinion…* and
- *I would say…*

If you wanted to make the statement stronger. You can do it by adding an adverb or adjective. For example:

- *I <u>really</u> think…*
- *I <u>strongly</u> believe…*
- *I <u>truly</u> feel…* or
- *In my <u>honest</u> opinion…*

There are more common in formal situations. You might, for example, hear one of these at a business meeting or a conference, or in a formal paper:

- From my point of view…
- From my perspective…
- In my view… or
- It seems to me that…

Chapter

2

Economics

Learning objectives:

1. Students can read and understand the meaning contained in the text
2. Students can capture the information from the text presented
3. Students can find the opposite of the vocabulary related to the text.

Read the text carefully.

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

Most resources are scarce, but some are not, for example, the air we breathe. Its price is zero. It is called a free resource or good. Economics, however, is mainly concerned with scarce resources and goods, as scarcity motivated the study of how society allocates resources and goods. The term market refers to any arrangement that allow people to trade with each other. The term market system refers to the collection of all markets, also to the relationships among these markets. The study of the market system, which is subject of economics, is divided into two main theories; they are macroeconomics and microeconomics.

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

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

Microeconomics is the study of the market system on a small scale. It considers the individual markets that make up the market system. It is concerned with the choices made by small economic units such as individual consumers, individual firms and individual government agencies.

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

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

Answer the Questions

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

Match the antonyms of the words in the left.

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

"Economics is not about things and tangible material objects; it is about men, their meanings and actions"

Ludwig Von Mises

Chapter

3

Business

Learning objectives:

1. Students are able to understand the contents of the reading text.
2. Students are able to speak English with their partners in a group.
3. Students are able to state their opinion by using English.
4. Students are able to write a summary of the results of the discussion.

Read the text carefully.

Business is the organized effort of individuals to produce and sell, for a profit, the goods and services that satisfy society's needs. No person or group of persons actually organized American business as we know it today. Rather, over the years individuals have organized their own particular businesses for their own particular reasons. All these individual businesses, and all the interactions between these businesses and their customers, have given rise to what we call American business.

A person who risks his or her time, effort, and money to start and operate a business is called an **entrepreneur.** To organize a business, an entrepreneur must combine four kinds of resources: material, human, financial, and informational. *Material* resources include the raw materials used in manufacturing processes, as well as buildings and machinery. *Human* resources are the people who furnish their labour to the business in return for wages. The *financial* resource is the money required to pay employees, purchase materials, and generally keep the business operating. And *information* is the resource that tells the managers of the business how effectively the other resources are being combined and utilized.

Businesses are generally of three types. **Manufacturing businesses** (or *manufacturers)* are organized to process various materials into tangible goods, such as delivery trucks or towels. **Service businesses** produce services, such as haircuts or legal advice. And some firms—called **middlemen**—are organized to buy the goods produced by manufacturers and then resell them. For example, the General Electric Company is a manufacturer that produces clock radios. These products may be sold to a retailing middleman, which then resells them to consumers in its retail stores. **Consumers** are individuals who purchase goods or services for their own personal use rather than to resell them. All three types of businesses may sell either to other firms or to consumers.

In both cases, the ultimate objective of every firm must be to satisfy the needs of its customers. People generally don't buy goods and services simply to own them; they buy products to satisfy particular needs. People rarely buy an automobile solely to store it in a garage; they do, however, buy automobiles to satisfy their need for transportation. Some of us may feel that this need is best satisfied by an air-conditioned BMW with stereo cassette player, automatic transmission, power seats and windows, and remote-control side mirrors. Others may believe that a Ford Taurus with a stick shift and an AM radio will do just fine. Both products are available to those who want them, along with a wide variety of other products that satisfy the need for transportation. When firms lose sight of their customers' needs, they are likely to find the going rough. But when the businesses that produce and sell goods and services understand their customers' needs and work to satisfy those needs, they are usually successful. In the course of normal operations, a business receives money (sales revenue) from its customers in exchange for goods or services. It must also pay out money to cover the various expenses involved in doing business. If the firm's sales revenue is greater than its expenses, it has earned a profit. So **profit** is what remains after all business expenses have been deducted from sales revenue. A negative profit, which results when a firm's expenses are greater than its sales revenue, is called a **loss**.

The profit earned by a business becomes the property of its owners. So in one sense profit is the return, or reward, that business owners receive for producing goods and services that consumers want. Profit is also the payment that business owners receive for assuming the considerable risks of ownership. One of these is the risk of not being paid. Everyone else—employees, suppliers, and lenders—must be paid before the owners. And if there is nothing left over (if there is no profit), there can be *no* payments to owners. A second risk that owners run is the risk of losing whatever they have put into the business. A business that cannot earn a profit is very likely to fail, in which case the owners lose whatever money, effort, and time they have invested. For business owners, the challenge of business is to earn a profit in spite of these risks.

WORD STUDY

The word *BUSINESS* has several meanings. Depending on the meaning this word can be countable or uncountable. It is uncountable when it refers to:

- the activity of making, buying, selling or supplying goods or services for money.

  Syn.: trade, commerce.

  E.g. big business, small business, to do business, to go into business

- the work that is part of your job.

  E.g. to be away on business.

- something that concerns a particular person or organization, their responsibility.

  E.g. It is my business to organize the exhibition.

- a matter, an event, a situation

  E.g. the business of the day.

It is countable when it refers to:

- a commercial organization such as a company, shop or factory.

  E.g. to have several businesses.

VOCABULARY PRACTICE

Find the words in the text that are synonyms of:

1. To buy =
2. To persuade =
3. To employ =
4. To go bankrupt =
5. To produce =
6. Intermediary =
7. Fundamental goal =
8. Businessman =
9. To provide sb with sth =
10. Merchandise =

Reading comprehension.

Choose the true (T) or false (F) for the statements below.

1. The profit earned by a business becomes the property of its owners. ( )
2. An entrepreneur is someone who risks their money to sell something in a market. ( )
3. Middlemen is a consumer. ( )
4. The profit earned by a business becomes the property of its owners. ( )
5. When a business fail, the owner lose only the money. ( )
6. The successful business is when the business understands their customers' need. ( )
7. Human resources work only for fun. ( )
8. Tangible goods is the form of service businesses. ( )

DISCUSSION

Make a group consist of 3 persons. Then discuss about the things below.

1. Is it easy or difficult to start and operate a business in our Republic?
2. What does one need in order to start his/her own business and to be a successful Entrepreneur?

Choose out of these 3 most important things and give your reasons:

- business knowledge
- courage
- leadership
- financial support
- tremendous drive (= a very strong desire to do sth)
- impertinence
- true entrepreneurial spirit
- brilliant ideas
- communication skills
- patience

3. If you had a chance to start a business, in what sphere would you like to work?

   After your discussion have finished, make a summary then collect to your teacher.

Chapter
4

Public Speaking Skills

Learning objectives:

1. Students are able to deliver speeches in English in front of the audience.
2. Students are able to know the meaning of unknown English vocabulary.
3. Students can absorb information and knowledge from the contents of the reading text.

Read the text carefully.

Public speaking is important in both business, education, and the public arena. There are many benefits to public speaking whether you're an individual or a business. Based on Nikitina (2011:10), "Public speaking is a process, an act and an art of making a speech before an audience". Public speeches can cover a wide variety of different topics. The goal of the speech may be to educate, entertain, or influence the listeners. Often, visual aids in the form of an electronic slideshow are used to supplement the speech and make it more interesting to the listeners.

A public speaking presentation is different from an online presentation because the online presentation may be viewed and/or listened to at the viewer's convenience, while a public speech is typically limited to a specific time or place. Online presentations are often comprised of slideshows or pre-recorded videos of a speaker (including recordings of a live public speaking presentation). Not many people know that public speaking has a power to solve many problems as well as the function of public speaking itself. There are three functions of public speaking as described by Mufanti, Nimasari and Gestanti (2017:4-6):

1. **to Blow-Out Information**

   Information can be gotten from mass media, brochure, and internet. Nevertheless, some people still cannot understand or catch the point of the information so that information is blown out by credible people is more effective and personalized. If you have capability in public speaking, you can use your ability to blow out information so other people can understand the point of easily. Often, government shares the information about the danger of drugs through unspoken way. However, still many people consume drugs. Here, the role of public speaking is needed because public speaking has a power to blow-out information. As what said Gareis (2006) that spoken information is more personalized.

2. **To Share Our Thought**

   It is believed that every person has a brilliant thoughts that they can share their thought through writing and oral. Sharing the thought in written ways can be done through journal, magazine, book and newspaper. In other side, the only way to share the thought by using oral way is through public speaking. However, through oral communication, we can emphasize the important messages of our thoughts. We can imagine, if we have ability in public speaking, we can easily share our idea to other people. We can change something or bring a new think through public speaking.

3. **To Debate Argument Verbally**

   As ordinary people, sometimes we have problem with other people in working place, campus, school, house, public area. People with low capability in public speaking cannot encounter the problems with verbal argumentation. They tend to use their emotion and physical combat to encounter other people. As it is stated by Gareis (2006) that civilization advanced, however, verbal argument emerged as an alternative to physical combat, and the art of public debate was born. In other side, if we have a good ability in public speaking, having difference perception with other people is easy to communicate verbally.

   Whether you're a small business owner, a student, or just someone who's passionate about something—you'll benefit if you improve your public speaking skills, both personally and professionally. Some benefits to public speaking include:

- Improves confidence
- Better research skills
- Stronger deductive skills
- Ability to advocate for causes
- And more

Public speaking is especially important for businesses since they've got a need to get their message before potential customers and market their business. Sales people and executives alike are often expected to have good public speaking skills. When you understand the benefits of public speaking, you might be a little more interested. Still, you might think it's not for you. Maybe you gave a speech once and it didn't go well. Maybe you're afraid of public speaking. Or maybe you think you don't have a natural ability for giving speeches.

The truth is that public speaking is a skill. It can be learned. While some people may have more natural speaking ability than others, or a more pleasing voice, or are more charismatic—anyone who can speak can learn to be a better public speaker than they are right now. It just takes some know-how and some effort.

To help you become better at public speaking, we'll take a look at these four areas:

1. Writing the speech
2. Overcoming a fear of speaking

3. Practicing the speech
4. Giving the speech

These four methods are appropriate procedures to make it easier for us when trying to become a public speaker. Of course, practice daily is one way to get used to public speaking.

TASK 1

Please prepare a short speech, the speech should be interesting, educated, touching and wonderful. The theme is up to you. We'll perform one by one in front of the class with the duration 8 minutes chance for one person.

TASK 2

Find the list of vocabulary that you do not know the meaning, then find it in the dictionary. Compare with your friends' list.

Chapter

5

Supply, Demand, Price and Competition

Learning objectives:

1. Comprehend through the text how supply and demand determine the price.
2. Characterize the four forms of competition.
3. Analyze the possible advantages and disadvantages of competition both for the customers and for the sellers.
4. State opinion about business competition and kinds of monopoly.

Read the following text and do the exercises given after it

The **supply** of a particular product is the quantity of the product that producers are willing to sell at each of various prices. Supply is thus a relationship between prices and the quantities offered by producers, who are usually rational people, so we would expect them to offer more of a product for sale at higher prices and to offer less of the product at lower prices.

The **demand** for a particular product is the quantity that buyers are willing to purchase at each of various prices. Demand is thus a relationship between prices and the quantities purchased by buyers, who are rational people too, so we would expect them to buy more of a product when its price is low and to buy less of the product when its price is high. This is exactly what happens when the price of fresh strawberries rises dramatically. People buy other fruit or do without and reduce their purchases of strawberries. They begin to buy more strawberries only when prices drop.

Forms of Competition

A free-market system implies competition among sellers of products and resources. Economists recognize four different degrees of competition, ranging from ideal competition to no competition at all. These are pure competition, monopolistic competition, oligopoly, and monopoly. ***Pure (or perfect) competition*** is the complete form of competition. It is the market situation in which there are many buyers and sellers of a product, and no single buyer or seller is powerful enough to affect the price of that product. The above definition includes several important ideas:

- there is a demand for a single product;
- all sellers offer the same product for sale;
- all buyers and sellers know everything there is to know about the market;
- the market is not affected by the actions of any one buyer or seller.

In pure competition the sellers and buyers must accept the going price. But who or what determines the price? Actually, everyone does. The price of each product is determined by the actions of all buyers and all sellers together, through the forces of supply and demand. It is this interaction of buyers and sellers, working for their best interest that Adam Smith referred to as the "invisible hand" of competition. Neither sellers nor buyers exist in a vacuum. What they do is interact within a market. And there is always one certain price at which the quantity of a product that is demanded is exactly equal to the quantity of that product that is produced. Suppose producers are willing to *supply 2* million bushels of wheat at a price of $5 per bushel and that buyers are willing to *purchase 2* million bushels at a price of $5 per bushel. In other words, supply and demand are in balance, or *in equilibrium,* at the price of $5. This is the "going price" at which producers should sell their 2 million bushels of wheat. Economists call this price the *equilibrium price* or *market price.* Under pure competition, the **market price** of any product is the price at which the quantity demanded is exactly equal to the quantity supplied.

In theory and in the real world, market prices are affected by anything that affects supply and demand. The *demand* for wheat, for example, might change if researchers suddenly discovered that it had very beneficial effects on users' health. Then more wheat would be demanded at every price. The *supply* of wheat might change if new technology permitted the production of greater quantities of wheat from the same amount of acreage. In that case, producers would be willing to supply more wheat at each price. Either of these changes would result in a new market price. Other changes that can affect competitive prices are shifts in buyer tastes, the development of new products that satisfy old needs, and fluctuations in income due to inflation or recession. For example, generic or “no-name” products are now available in supermarkets. Consumers can satisfy their needs for products ranging from food to drugs to paper products at a lower cost, with quality comparable to brand name items.

Bayer was recently forced to lower the price of its very popular aspirin because of competition from generic products. Pure competition is only a theoretical concept. Some specific markets may come close, but no real market totally exhibits perfect competition. Many real markets, however, are examples of monopolistic competition. ***Monopolistic competition*** is a market situation in which there are many buyers along with relatively many sellers ***who differentiate their products from the products of competitors and it is very easy to enter into this market.*** The various products available in a monopolistically competitive market are very similar in nature, and they are all intended to satisfy the same need. However, each seller attempts to make its product somewhat different from the others by providing unique product features — an attention-getting brand name, unique packaging, or services such as free delivery or a

"lifetime" warranty. Product differentiation is a fact of life for the producers of many consumer goods, from soaps to clothing to personal computers. Actually, monopolistic competition is characterized by fewer sellers than pure competition, but there are enough sellers to ensure a highly competitive market. By differentiating its product from all similar products, the producer obtains some limited control over the market price of its product.

An ***oligopoly*** is a market situation (or industry) in which there are few sellers (2-8). Generally these sellers are quite large, and sizable investments are required to enter into their market. For this reason, oligopolistic industries tend to remain oligopolistic. Examples of oligopolies are the ***American automobile, industrial chemicals, and oil refining industries.*** Because there are few sellers in an oligopoly, each seller has considerable control over price. At the same time, the market actions of each seller can have a strong effect on competitors' sales. If one firm reduces its price, the other firms in the industry usually do the same to retain their market shares. If one firm raises its price, the others may wait and watch the market for a while, to see whether their lower price tag gives them a competitive advantage, and then eventually follow suit. All this wariness usually results in similar prices for similar products. In the absence of much price competition, product differentiation becomes the major competitive weapon.

A ***monopoly*** is a market (or industry) with only one seller. Because only one firm is the supplier of a product, it has complete control over price. However, no firm can set its price at some astronomical figure just because there is no competition; the firm would soon find that it had no sales revenue, either. Instead, the firm in a monopoly position must consider the demand for its product and set the price at the most profitable level.

The few monopolies in American business don't have even that much leeway in setting prices because they are all carefully regulated by government. Most monopolies in America are ***public utilities,*** such as we find in electric power distribution. They are permitted to exist because the public interest is best served by their existence, but they operate under the scrutiny and control of various state and federal agencies.

COMPREHENSION

Mark the statements with TRUE or FALSE and correct the false ones

1. Monopoly is a form of competition.
2. There is no product differentiation in pure competition.
3. All sellers offer the same product for sale in monopolistic competition.
4. American automobile industry is an example of pure competition.
5. Product differentiation is a fact of life for the consumers of many goods.
6. A monopolist can set any price he/she wants.
7. In oligopoly there can be 6 sellers.
8. There are more sellers in monopolistic competition than in pure competition.
9. Because of competition from generic products many famous companies are forced to lower the prices of their brand-name products.
10. Oligopolists usually offer similar prices for similar products.

DISCUSSION

Discuss with your peer.

1. Comment on the statement: “Business competition encourages efficiency of production and leads to improved product quality”.
2. List the possible advantages and disadvantages of competition for both consumers and producers.
3. What kind of competition is there in the market of mobile communication in our country?
4. Give examples of monopolies in our country. Why are monopolies prohibited in some countries?

Chapter

6

How to Market your Product?

Learning objectives:

1. Students know how to promote their products online or offline.
2. Students are able to make ads (pamphlet, brochure or online ads)
3. Students get the information about promoting.
4. Students can present their own business in front of the audience.

Read the text carefully.

Maybe you're starting a hot young startup with a new product that will revolutionize your industry. Or, maybe you're a newcomer to your company's marketing department looking to make a name for yourself with a killer promotion plan for a product in your catalog. Whatever your role in the business world, if you're responsible for selling products, you'll want to increase sales and build brand recognition with smart and balanced promotional efforts. There are many ways to promote your products, here are the ways that we can apply:

1. Spreading the word.
   a) Promote your product on social media.

      Promoting products through social media is a must in today's digital era. This method is also very easy to do, and sometimes it can also be done for free. Use your business social accounts to share information with customers regarding products. Create interesting content so that netizens pay attention to our business account.

b) Ask influencers to try and review your product.

Influencers are well known members of an industry who people trust, such as hairstylists who have a strong social media presence and review hair products. Identify influencers who might be able to spread the word about your product and make an impact on its reception. Contact 2-3 influencers via email to try out your product and review it. For example, if you're developing a boutique, you might ask a popular fitness influencer such as Awkarin or Rachel Venya to try your product and review it for you. Keep in mind that you may have to pay an influencer to review a product. This is part of how they make their money.

2. Advertising your product

a) Develop advertising materials and graphics to promote your product

Modern consumers are constantly bombarded with advertisements and information relating to business's promotional efforts. Because of this, their attention spans are short and they're usually somewhat cynical about advertisements. Make all of your promotional efforts clear, quick, and informative. Prioritize the most important information about your product, like whatever makes it a better product than its competitors. Remember, a short, memorable ad is much more cost-effective than a longer one that's equally memorable. Make sure to consider the timing of your ad as well since this may affect how customers respond to it.

b) Buy advertising space (or time) in traditional outlets.

The internet has revolutionized the process of promoting a product, but "traditional" means of advertising aren't dead. If the business is established and profitable, we may want to use these non-digital mediums for advertisement. Doing so costs money, so carefully consider *who* is likely to view or hear the advertisement before paying for advertising space or time. Some places we may want to advertise include newspapers or magazines, billboards, television and radio.

c) Look for free opportunities for advertisements.

Not all avenues of advertising cost money, so any business, *especially* young, cash-poor ones, should consider their options when it comes to free or cheap advertisement. Some ways to advertise for free (or relatively little) include; Social media. Since it's free to sign up for an account on Facebook and most other social media sites, it's free for your company to maintain a presence on these networks. Then, Flyers or handouts. Besides the costs associated with printing your materials, distributing flyers or brochures can be a very cheap way to get the word out about a new product. Email advertising also is one of the opportunities that can encourage people to visit your website or business to provide an email address and send them emails regularly to alert them of new products, sales, and other promotions.

d) Create an effective advertisement to grab the customer's attention.

   Design your ads to be as attention-grabbing as possible. There's no one right way to do this – a stylish aesthetic, hilarious content, and striking imagery are all possibilities, but they are far from the only ones. One modern example of this is the ad campaign for Apple's iPod. It's now difficult to look at a person's black silhouette against a solid-color background without seeing the iconic earbuds.

e) Associate your product with a memorable jingle or slogan.

   One great way to increase your advertising campaign's chances of success is to create a catchy, memorable tagline or jingle for it and use it in every advertisement. Taglines and jingles act like mnemonic devices, making it easier for customers to remember a given product when they need it. Applied intelligently, this means increased sales and brand loyalty for you! Another modern example is McDonald's "I'm lovin' it" campaign. This jingle is just a few seconds long, but it's instantly recognizable to anyone who's heard it before.

3. Providing Incentives for Customers.
   a) Give coupons or special discounts to attract the customers

      Most people dislike the idea of "missing out" on a good deal, so they're more likely to buy a product if there's some sort of special "bonus" that's not normally available.

   b) Host a giveaway and offer extra entries for sharing on social media

      Giveaways are great for spreading the word about the product. Select a prize that will motivate customers to share information about the product with their friends and family on social media.

   c) Cross-promote your products.

      Why sell one product when you can sell two? While single-product ads and promotions can be highly effective, you should also be open to the possibility of featuring two or more of your company's products in the same ad or promotion. When doing so, emphasize the usefulness and/or convenience of using the multiple products in conjunction with each other. If done successfully, cross-promotion can allow you to build the concept of a "product family" for your company, increasing your number of repeat customers. For example, you could promote a wireless mouse along with a wireless keyboard and emphasize the convenience of the two items when paired.

d) Offer a free sample to customers to get them to try the product.

   Nothing shows confidence in your product like letting your customer sample it for free before buying. Additionally, a customer is more likely to buy something if they have just experienced its benefits. If it's not overly-expensive to do so, seriously consider letting your customers try your product before buying.

e) Reward loyal customers to keep them coming back.

   Offering discounts, deals, and special privileges to loyal customers is a great way to encourage repeat customers for your business and to *keep* the repeat customers you've already got. Just as you'll want to demonstrate your product's value to your customer, you'll also want to demonstrate your customer's value to your company. For instance, if your business is a restaurant or cafe, you may want to consider offering "reward" cards to give repeat customers special opportunities – e.g., every ten coffees, the customer gets a free one, and so on.

By knowing the right tips above, it is hoped that we can find out our target market and can create the right promotional advertisements for the products we want to sell. All of this aims so that the business we run or the products we sell can be accepted by the market and used continuously by consumers.

TASK 1

You are a business man, and you want to promote your product or your service. *(The product or the service is up to you)*

1. you have to introduce your business by using pamphlet or brochure
2. Make an online advertisement or account for your business
3. Make a jingle or slogan for your product / service
4. Present it in front of your class.

Chapter
7

Microeconomics

Learning objectives:

1. The students can understand about microeconomics.
2. The students get information through the text.
3. The students comprehend the ideas in text and can answer the questions given.

Read the text carefully then do the exercise given.

Microeconomics deals with supply and demand, and with the way they interact in various markets. Microeconomic analysis lies at the center of most of the recognized sub-fields of economics. Labor economics, for example, is based largely on the analysis of the supply and demand for labor of different types. The field of industrial organization deals with the different mechanisms (monopoly, cartels and different types of competitive behavior) by which goods and services are sold.

International economics worries about the demand and supply of individual traded commodities, as well as of a country's exports and imports taken as a whole. It also deals with the demand for and supply of foreign exchange. Agricultural economics deals with the demand and supply of agricultural products, and of farmland, farm labor, and the other factors of production involved in agriculture.

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

In this market process people try to get the most from what they have to sell, and to satisfy their desires as much as possible. In other words, people are maximizing their personal "utility," or welfare. This process helps them to decide what they will supply and what they will demand. The competitive supply price represents value as seen by suppliers, and competitive demand price represents value as seen by demanders.

Answer the Questions:

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

Fill the blank with the suitable answer.

1. Microeconomics deals with the way supply and demand __________ in various markets.
2. This type of analysis lies at the center of most of the recognized _________ of economics.
3. Labor economics is based largely on the ___________ of the supply and demand for labor of different types.
4. The field of industrial organization deals with the different ___________ by which goods and services are sold.

5. International economics worries about the demand and supply of individual traded ________.

6. International economics ________ a country's exports and imports taken as a whole.

7. Who deals with the demand for and supply of _____________ exchange?

8. Agricultural economics worries about the demand and supply of ________ products.

9. What factors of production are ___________ in agriculture?

10. Public finance looks at how the government ________ the scene.

Chapter 8

Marketing

Learning objectives:

1. The students absorb the information from the text.
2. The students can extend the vocabulary in English.
3. The students comprehend the text and able to answer the questions.

Read the text carefully.

In modern terms, *marketing* is defined as the movement of goods and services from manufacturer to consumer in order to satisfy the customer and to achieve the company's objectives. It can be considered as dynamic field that involves a wide variety of activities. The ABC of marketing is the so-called *marketing mix*. It includes four P's: *product, price, placement, and promotion. Product* (service) is often connected with development of a new product or service, searching the potential markets, and, finally, introduction it to the market. *Target market* selection is the most important task for any firm. A target market is a group of individuals who will probably buy the product. That involves the development of a *marketing strategy*. A successful marketing mix depends on the knowledge about consumers and their buying habits, gained through *market research* as well as correct identification of the target market. *Price* is the most changeable element of all the four P's. Its definition is exchange of something of value for something else.

There are three pricing options the company may take: *above, with or below* the prices its competitor are charging. For example, if the average price for blue jeans is $ 50, a company that charges $ 50, has priced with the market, a company that charges $ 47 has priced below the market, and a company that charged $ 53 has priced above the market. Most companies price with the market, selling their goods and services for average prices established by major producers in the industry known as *price leaders*. *Placement* involves getting the product or service to the customer. This takes place through the *channels of distribution*. A common channel of distribution is:

Manufacturer → wholesaler → retailer → customer.

Promotion includes all kinds of communication with individuals, groups, or organizations to directly or indirectly facilitate exchange by informing and persuading them to accept an organization product or service. There are two major ways promotion occurs: through personal selling, as in a store; and through advertising, as in a newspaper. One should distinguish *advertising campaign* which can be developed by personnel within the firm or in conjunctions with advertising agencies, and *publicity*. That is the means of communication transmitted through a mass media at no charge. All marketing activities must be oriented toward creating and sustaining satisfying exchanges. Both the buyer and the seller must be satisfied. The first should be satisfied with goods, services or ideas obtained in the exchange. The seller should receive something of value, usually financial reward. All marketing variables are highly interrelated. Marketing helps companies generate profit, the lifeblood of economy. About half of each consumer dollar is spent on marketing activities.

TASK 1

Answer the Questions.

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

Remember the explanations of the words in English

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

TASK 2

Choose the correct words

1. **Identification / identify**

    A. Market analysts' _______the target market for a particular product.

    B. When travelling, one must not forget taking his or her _______.

2. **Promotion /promoted**

    A. Advertising agencies are concerned with the ______ of a product.

    B. Last week the boss _______ me because of my efficient work.

3. **Competitor/compete**

    A. In the marketplace, business ________with each other.

    B. Sony is a major _______of General Electric.

4. **Determination/determines**

    A. The combination of the four P's _______the marketing mix.

    B. An analyst makes an accurate ______of the company's target markets.

Chapter

9

Enterprise

Learning Objectives:

1. Define the word *enterprise*
2. Recognize different types of enterprises

Read the following text and do the exercises given after it.

The general terms for the organizations that produce and sell goods and services are **business, enterprise, company, firm (US Corporation).** The word **concern** is used mainly to refer to a large organization. **An enterprise** is a property complex used for performing entrepreneurial activity. It comprises all types of property used for this activity including:

1. Plots of land
2. Buildings and constructions, highway transportation facilities and rail facilities
3. Equipment
4. Inventory
5. Raw materials
6. Products
7. Debts
8. Incorporeal rights (company name, trademark, and service mark).

The enterprise is an independent economic entity based on professionally organized workforce, capable of manufacturing products demanded by consumers using capital goods available. So, it uses economic resources for producing goods and rendering services for the purpose of satisfying social needs. The enterprise is an institution which creates the wealth of a country and from which this wealth is distributed among all people in a society. Regardless of its size, an enterprise, after it is registered by the state authorities, opens an account with a bank and becomes legally autonomous. Like people, enterprises bear certain names. Usually enterprises are named after their owners ("Ford", "Christian Dior", "Nina Ricci") or their names reflect the type of their economic activity ("Moldcell", "Gazprom", "General Motors").

An immense amount of enterprises in each country implies their classification according to the following criteria:

1. By type of primary profit-generating activity enterprises are classified into: industrial, Agricultural, commercial, service, investment, insurance enterprises and others.
2. By the source of origin of the registered capital enterprises are classified into:
   a) Public enterprises – they are owned by the government. They don't have the title to the property available, but only exercise the control right;

b) Private enterprises – they belong to private individuals;

c) Mixed enterprises – they contain both public and private capital. Here the government assigns the patrimony to the enterprise which has the title to the property. The government cannot freely dispose of the enterprise's property, it has the right to dispose of the shares that belong to it in the enterprise;

d) Enterprises with foreign investments – they can either belong entirely to a foreign investor or have a mixed capital invested both by a foreigner and a national.

3. By number of employees enterprises are classified into:

a) Small enterprises – they have less than 100 employees;

b) medium-sized enterprises – between 100 and 500 employees;

c) Large-scale enterprises – their staff exceeds 500 employees.

This classification differs from country to country: in our Republic, for example, there are microenterprises (they employ less than 20 people), small enterprises (they have 20 – 75 employees) and large-scale enterprises (the number of their employees exceeds 75 people).

4. By form of business ownership enterprises may be:
   a) sole proprietorships;
   b) partnerships;
   c) corporations.

5. By the objective of the company's activity there are:
   a) commercial enterprises – these are for-profit organizations which exist to earn and redistribute taxable wealth to employees and shareholders. They are run for the benefit of their owners.
   b) non-commercial enterprises – these are non-profit organizations (abbreviated as NPOs, also known as a not-for-profit organizations). They do not distribute their surplus funds to owners or shareholders, but instead use them to help pursue their goals. Examples of NPOs include charities, trade unions, and educational and public arts organizations. They are in most countries exempt from income and property taxation and exist solely to provide programs and services that are of self-benefit.

Medium-sized and large-scale enterprises usually have headquarters, branch offices and subsidiary enterprises. Headquarters or head office is the location of the central administrative office of the company or enterprise. It is an office where top management of the enterprise, board of directors, secretariat and other important management departments are located. The head office of a company deals with coordinating the regional offices and developing the global strategy for running the business. Branch office (from Latin filialis) is an economically autonomous subdivision of a legal entity which is situated somewhere other than the firm's main office location and exercises all or any part of the main office's functions including the functions of the regional offices. Branch offices are not legal entities. They are vested by the legal entities that have founded them and operate on the basis of the adopted regulations. Branch managers are appointed by the legal entity and act on the power of attorney basis.

Subsidiary enterprise is an enterprise set up as a legal entity by another enterprise called holding (the parent company or promoter) by means of transferring part of its property under the operating control of the former. The promoter of the subsidiary enterprise adopts the organization charter, appoints its manager and exercises another kind of proprietary rights in relation to this subsidiary. So, the holding is a "parent company" and subsidiaries are "sister companies" to each other. Together, the holding and its subsidiaries form a group (e.g. a newspaper group). A large group is called a giant. Generally, a firm starts by producing one good or service, called core business. As the company gets bigger, it also produces other different products. A group containing a lot of different companies in different businesses is a conglomerate (e.g. a media conglomerate).

As companies grow, they may also expand geographically. At present, many companies are multinational with manufacturing plants and trading locations in several countries worldwide.

VOCABULARY PRACTICE

Find synonyms (1-5), antonyms (6-10) in the text to the following words and

Phrases:

1. staff =
2. constitution =
3. to be released from sth =
4. founder =
5. factory =
6. public enterprise =
7. small enterprise =
8. Shortage =
9. tax-exempt =
10. Headquarters =

Match the types of businesses with their definitions

Type of business Definition

1. Financial businesses	a) deliver goods and individuals from location to location, generating a profit on the carriage costs
2. Information businesses	b) generate profit from the selling, renting, and development of properties, homes, and buildings
3. Industrial companies	c) generate profit through investment and management of capital
4. Real estate businesses	d) offer intangible goods or services and typically generate a profit by charging for labor or other services provided to government, other businesses, or consumers

5. Retailers	e) produce public services, such as heat, electricity, or sewage treatment, and are usually government chartered
6. Service businesses	f) generate profits primarily from the resale of intellectual property and include movie studios, publishers and packaged software companies
7. Transportation businesses	g) produce products from raw materials or component parts, which they then sell at a profit

Complete the text below with the following words:

Board, buys, enhance, friendly, launch, persuade, poison pill, sell, white knight, hostile

A firm that wants to take over another company can (1)__ a raid, that is, it simply (2)__ a large quantity of shares of the target company in the stock market. A "dawn raid" consists of buying shares early in the morning, before the market has time to notice the increasing price. This will immediately (3)___ the share price, and may (4)___ a sufficient number of shareholders to (5)___ , for the raider to take control of the target company. If a raid is not successful, a predator can make a takeover bid: a public offer to the company's shareholders to buy their shares at a particular price during a particular period. A (6)____ takeover has the consent of the directors of the target company; a (7)__ takeover bid is one undertaken against the wishes of the (8)___ of directors. Defense against a hostile takeover includes the (9)___ - a protective action taken to repel a raider, such as spending all the company's cash reserve, in order to make it less attractive. If such measures do not work, the company attempts to find a (10)___ - another buyer whom they prefer.

Chapter 10

Bibliography

Learning objectives:

1. Students get information about world economic figures
2. Students can translate the text into English language.

TEXT 1

Biografi Adam Smith, Bapak Ilmu Ekonomi Dunia
By Nurdyansa - 13 Januari 2021

Adam Smith dikenal sebagai Tokoh Ekonomi Dunia dan juga disebut sebagai 'Bapak Ilmu Ekonomi'. Ia juga dikenal sebagai pelopor sekaligus pencetus ekonomi kapitalis. Adam Smith bisa dikatakan sebagai salah satu ekonom paling berpengaruh abad ini. Ia disebut begitu karena risalahnya mengenai ekonomi dalam bukunya yang paling terkenal berjudul 'An Inquiry Into the Nature and Causes of the Wealth of Nations'.

Nama lengkapnya adalah John Adam Smith dilahirkan di Kirkcaldy, Skotlandia tanggal 5 Juni 1723 dan wafat di Edinburgh, Skotlandia tanggal 17 Juli 1790 diumur 67 tahun. Orang tuanya bernama Adam Smith Sr (ayah) dan ibunya bernama Margaret Douglas (ibu). Dalam biografi Adam Smith seperti yang dikutip dari Wikipedia, Diketahui bahwa ia mulai belajar di kampus Universitas Glasgow saat umurnya berusia 13 tahun. Ia belajar filosofi moral dibawah bimbingan Francis Hutcheson atau yang biasa Smith panggil sebagai "si orang yang tidak boleh dilupakan".

Dibawah bimbingan Francis Hutcheson, Adam Smith mengembangkan keinginan kuatnya mengenai kebebasan, akal sehat, dan kebebasan berpendapat. Kemudian pada tahun 1740 Adam Smith dianugrahi Snell Exhibition. Ia kemudian memasuki Kampus Balliol, Oxford, namun ia meninggalkan universitas tersebut pada tahun 1746. Empat tahun kemudian yakni 1748, Adam Smith mulai melanjutkan kuliahnya di Universitas Edinburgh dibawah bimbingan Lord Kames. diakhir abad ke 20, Adam Smith untuk pertamakalinya mengemukakan filosofi ekonomi dari "sistem yang jelas dan sederhana dari kebebasan alamiah".

Dia menyatakan hal tersebut kepada masyarakat dalam buku karangannya yang berjudul 'The Wealth of Nations.' Di tahun 1750, Adam Smith bertemu dengan David Hume seorang filsuf kenamaan yang merupakan seniornya terpaut sepuluh tahun. Hubungan dan kesamaan opini mereka berdua dapat ditemukan dalam detil dari tulisan mereka yang mencakup mengenai sejarah, politik, filosofi, ekonomi, dan agama.

Dalam Biografi Adam Smith diketahui pada Tahun 1751 Smith ditunjuk sebagai ketua dewan logika di Universitas

Glasgow. Adam Smith kemudian dipindahkan ke Dewan filosofi moral Glasgow pada tahun 1752. Kuliah yang dibawakan oleh Adam Smith mencakup etika, retorika, jurispundens, politik ekonomi, dan "kebijakan dan keuntungan". Tahun 1759, Adam Smith menerbitkan Teori dari Sentimen Moral. Dan memasukan sebagian materinya ke kuliahnya di Glasgow. Karya dari Smith ini membangun reputasi semakin besar pada masa itu. Adam Smith meninggal di Edinburgh pada tanggal 17 Juli 1790 diakibatkan karena sakit keras. Ia kemudian dikuburkan di Canogatw Kirkyard. Sepeninggal Adam Smith, karya-karya yang membahas mengenai ilmu ekonomi kemudian banyak dipakai dan dikembangkan. Khususnya pada pemikiran Adam Smith mengenai ekonomi kapitalis.

Teori yang dicetuskan oleh Adam Smith tersebut kemudian banyak dikembangkan oleh para ilmuwan serta ekonom. Mereka setuju dengan argumen atau pendapat Adam Smith bahwa pemerintah harus memberikan kebebasan sebesar-besarnya kepada para pelaku ekonomi tanpa ada campur tangan pemerintah. Pemikiran Adam Smith mengenai ekonomi juga menjadi dasar bagi Karl Marx menerbitkan karyanya yang fenomenal yang berjudul Das Kapital. Karya karya besar adam smith diantaranya adalah The Theory of Moral Sentiments (1759), An Inquiry Into the Nature and Causes of the Wealth of Nations (1776), Essays on Philosophical Subjects (diterbitkan setelah 1795), Lectures on Jurisprudence (diterbitkan setelah 1976).

Source: https://www.biografiku.com/biografi-adam-smith.

TASK 1

Choose your partner, then translate the text into English language.

TASK 2

Find out discuss with your partner about the theory of economy from Adam smith then write a summary.

Learning objectives:

1. Students can understand the text that is heard.
2. Students can answer questions based on the information in the listening text.

TEXT II

THE LIFE OF CHARLES DICKENS

Link for watching the video: https://www.youtube.com/watch?v=unKuZ2wlNdw

1. **Watch the video and fill in the blanks with the words below.**

   Prison / newspaper / busy / live / fiction / stroke / siblings / crowds / injured / performed / spent / sail / finances / crashed / ambitious / rumours / journalistic / trip / fervent / achievement / carriage / relationship

   Charles John Huffam Dickens was born on 7th of February 1812 to John and Elizabeth Dickens. Charles was the second child of eight [1]______________in all, six of whom survived to adulthood. John, a naval clerk, always [2]_____________beyond his means. One day he pointed out a house to Charles, remarking that he could [3]___________in such a house, if he worked hard. The family moved to London in 1822. At 12, as the family [4]__________worsened, Charles had to start working in a blacking factory, labelling bottles for eleven hours a day. John Dickens was eventually sent to a debtors' [5]___________ Charles visited him there every Sunday. His youth left him with a [6]____________drive. In 1827 he began work as a solicitor's clerk. From the surroundings of his unremarkable office he began to collect names and characteristics of the people he saw.

Charles began a [7]__________________career in 1831. Writing became his passion, working for the paper by day and on his own work by night. He was beginning to taste success. His first piece of [8]_____________ was published in 1835. That same year Charles met Catherine Hogarth, they fell in love and were married. The next few years of [9]______________activity resulted in much writing and many children. As his writing became more popular and his fame more widespread, [10]___________began to abound of his drunkenness and admission to an asylum. Stories were easy to concoct about the writer who kept a pet raven and whose writing dwelt in the extremes of the sentimental and the grotesque.

In 1842 Charles and Catherine set [11]___________ for America. On landing in Boston they were mobbed by [12]_____________. Dickens's interest lay in visiting the unusual, which inspired his writing. He took his whole family on his next big [13]___________ to Italy, in the summer of 1844.

Upon his return, Dickens began to look for new diversions. He helped to start and edit a radical [14]________, founded a refuge for homeless women and [15]_______________his works at public readings.

Aged 44, Charles bought Gads Hill, the house his father had pointed out to him all those years before. It symbolised the pinnacle of [16]_________________ whilst Dickens was organising a theatrical project, *The Frozen Deep*, he met and was spellbound by a young actress Ellen Ternan. There is much speculation about this [17]_______________that caused the end of his marriage to Catherine. One fateful night in 1865, whilst Charles and Ellen were returning from Paris their train [18]_____________ outside Staplehurst. Dickens administered brandy and water to the ____________and dying. Only at the last minute did he remember to retrieve the final part of *Our Mutual Friend* from the wrecked [19]_______________ .The incident left Charles very shaken. For a while he maintained his [20]___________itinerary, and then his health began to fail. At home on Wednesday 9th June 1870, at the age of 58 Charles suffered a [21]____________and died. He's buried in Westminster Abbey.

Chapter

11

Forms of Business Ownership

Learning objectives:

1. Define the three most common forms of business ownership: sole proprietorship, partnership, and corporation
2. Be aware of the advantages and disadvantages of sole proprietorships
3. Grasp the *unlimited liability* concept

Read the following text and do the exercises given after it

The three most common forms of business ownership in the United States are the **sole proprietorship, partnership, and corporation.** In terms of ownership, corporations are generally the most complex, and sole proprietorships are the simplest. In terms of organization, however, all three usually start small and simple. Some, like IBM, grow and grow.

1. **Sole proprietorship**

   A sole proprietorship is a business that is owned (and usually operated) by one person. Sole proprietorship is the oldest and simplest form of business ownership, and it is the easiest to start. In most instances, the owner (the *sole* proprietor) simply decides that he or she is in business and begins operations. Some of the largest of today's corporations, including Ford Motor Company, H.J. Heinz Company, and J.C. Penney Company, started out as tiny sole proprietorships. There are more than twelve million sole proprietorships in the United States. They account for more than two-thirds of the country's business firms. Sole proprietorships are most common in the retailing, agriculture, and service industries. Thus the specialty clothing shop, corner grocery, and television repair shop down the street are likely to be sole proprietorships. Most of the advantages and disadvantages of sole proprietorships arise from the two main characteristics of this form of ownership: simplicity and individual control.

2. Advantages of Sole Proprietorships

Ease and Low Cost of Formation and Dissolution

No contracts, agreements, or other legal documents are required to start a sole proprietorship. Most are established without even an attorney. A state or city license may be required for certain types of businesses, such as restaurants or catering services that are regulated in the interest of public safety. But beyond that, a sole proprietor does not pay any special start-up fees or taxes. Nor are there any minimum capital requirements. If the enterprise does not succeed, or the owner decides to enter another line of business, the firm can be closed as easily as it was opened. Creditors must be paid, of course. But the owner does not have to go through any legal procedure before hanging up an "Out of Business" sign.

Retention of All Profits All profits earned by a sole proprietorship become the personal earnings of its owner. This provides the owner with a strong incentive to succeed—perhaps the strongest incentive—and a great deal of satisfaction when the business does succeed. It is this direct financial reward that attracts many entrepreneurs to the sole proprietorship form of business.

Flexibility The sole owner of a business is completely free to make decisions about the firm's operations. Without asking or waiting for anyone's approval, a sole proprietor can switch from retailing to wholesaling, move a shop's location, or open a new store and close an old one. A sole owner can also respond to changes in market conditions much more quickly than the operators of other forms of business. Suppose the sole owner of an appliance store finds that many customers now prefer to shop on Sunday afternoons. He or she can make an immediate change in business hours to take advantage of that information (provided that state laws allow such stores to open on Sunday). The manager of one store in a large corporate chain may have to seek the approval of numerous managers before making such a change. Furthermore, a sole proprietor can quickly switch suppliers to take advantage of a lower price, whereas such a switch could take weeks in a more complex business.

Possible Tax Advantages The sole proprietorship's profits are taxed as personal income of the owner. Thus a sole proprietorship does not pay the special state and federal income taxes that corporations pay. (As you will see later, the result of these special taxes is that a corporation's profits are taxed twice. A sole proprietorship's profits are taxed only once.)

Also, recent changes in federal tax laws have resulted in higher tax rates for corporations than for individuals at certain income levels.

Secrecy Sole proprietors are not required by federal or state governments to publicly reveal their business plans, profits, or other vital facts. Therefore, competitors cannot get their hands on this information. Of course, sole proprietorships must report certain financial information on their personal tax forms, but that information is kept secret by taxing authorities.

3. Disadvantages of Sole Proprietorships

Unlimited Liability **Unlimited liability** is a legal concept that holds a sole proprietor personally responsible for all the debts of his or her business. This means there is no legal difference between the debts of the business and the debts of the proprietor. If the business fails, the owner's personal property—including house, savings, and other assets—can be seized (and sold if necessary) to pay creditors. Unlimited liability is thus the other side of the owner-keeps-the-profits coin. It is perhaps the major factor that tends to discourage would-be entrepreneurs from using this form of business organization.

Lack of Continuity Legally, the sole proprietor is the business. If the owner dies or is declared legally incompetent, the business essentially ceases to exist. In many cases, however, the owner's heirs take over the business and continue to operate it, especially if it is a profitable enterprise.

Limited Ability to Borrow Banks and other lenders are usually unwilling to lend large sums to sole proprietorships. Only one person—the sole proprietor—can be held responsible for repaying such loans, and the assets of most sole proprietors are fairly limited. Moreover, these assets may already have been used as the basis for personal borrowing (a mortgage loan or car loan) or for short-term credit from suppliers. Lenders also worry about the lack of continuity of sole proprietorships: Who will repay a loan if the sole proprietor is incapacitated? The limited ability to borrow can keep a sole proprietorship from growing. It is the main reason why many business owners change from the sole proprietorship to some other ownership form when they need relatively large amounts of capital.

Limited Business Skills and Knowledge Managers perform a variety of functions (including planning, organizing, and controlling) in such areas as finance, marketing, human resources management, and operations. Often the sole proprietor is also the sole manager—in addition to being a salesperson, buyer, accountant, and, on occasion, janitor.

Even the most experienced business owner is unlikely to have expertise in all these areas. Consequently, the business can suffer in the areas in which the owner is less knowledgeable, unless he or she obtains the necessary expertise by hiring assistants or consultants.

Lack of Opportunity for Employees. The sole proprietor may find it hard to attract and keep competent help. Potential employees may feel that there is no room for advancement in a firm whose owner assumes all managerial responsibilities. And when those who are hired are ready to take on added responsibility, they may find that the only way to do so is to quit the sole proprietorship and either work for a larger firm or start up their own business.

TASK 1

Choose the item that best completes each sentence

1. Most United States businesses are
    a) Corporations
    b) Partnerships
    c) Sole proprietorships

2. Unlimited liability means that the owner
    a) Has unlimited ability to borrow
    b) Must be liable for his/her company debts
    c) Cannot be held responsible for his/her company debts

3. All the following are advantages of a sole proprietorship EXCEPT
    a) The owner is only answerable to himself/herself
    b) There is no requirement to submit profit accounts
    c) The possibility to have competent employees

4. If a sum of money was lent to a sole proprietorship, the responsibility to repay the loan is assumed
    a) By the owner himself/herself
    b) By the owner's family members
    c) By the owner's staff

5. The major factor that discourages from starting up a sole proprietorship is
   a) Limited ability to borrow
   b) Unlimited liability
   c) Limited business knowledge

TASK 2

DISCUSSION

1. What is a start-up fee for a would-be sole proprietor in our country?
2. Try to analyze the advantages and disadvantages of a sole proprietorship by putting them on the scales. To your mind, what pan outweighs – the one with advantages or another one with disadvantages? Give your reasons.
3. Goldman is a student whose father owns and operates the local TV repair shop. Goldman says he does not want to follow in his dad's footsteps, and he adds: "A sole proprietor is the sole owner of a business, but the business really owns the owner". What does he mean by these words?

FOCUS ON GRAMMAR

Comparative Degrees

Comparative adjectives are used to compare differences between the two objects they modify (larger, smaller, faster, higher). They are used in sentences where two nouns are compared, in this pattern:

Noun (subject) + verb + comparative adjective + than + noun (object).

The second item of comparison can be omitted if it is clear from the context (final example below).

Examples

- My house is **larger** than hers.
- This box is **smaller** than the one I lost.
- Jim and Jack are both my friends, but I like Jack **better**. ("than Jim" is understood)

Superlative adjectives

Superlative adjectives are used to describe an object which is at the upper or lower limit of a quality (the tallest, the smallest, the fastest, the highest). They are used in sentences where a subject is compared to a group of objects.

Noun (subject) + verb + the + superlative adjective + noun (object).

The group that is being compared with can be omitted if it is clear from the context (final example below).

Examples

- My house is the largest one in our neighborhood.
- This is the smallest box I've ever seen.
- Your dog ran the fastest of any dog in the race.

TASK 3

Complete the sentences using a comparative form; the first one has been done for you

1. it's too noisy here. Can we go somewhere quitter?
2. This coffee is very strong. I like it a bit ______________
3. The hotel was very cheap. I expected it to be ___________________
4. I was surprised how easy it was to get a loan. I thought it would be __________________
5. You are standing too near the camera. Can you move a bit _____________________ away?

Use the superlative degree and underline the correct variant

1. (large) company in the world is (Royal Dutch Shell, Vodafone, Toyota Motor).
2. (expensive) country to live in is (Russia, Japan, Norway).
3. (tall) building in Europe is in (Germany, France, Great Britain).
4. (USA, India, China) has (large) population.
5. (high) waterfall in the world is in (South Africa, USA, Venezuela).

Chapter

12

Planned Economies

Learning objective:

1. The students are able capture the meaning of the text.
2. The students are able to comprehend the content of the text.
3. The students develop English speaking skill by using debate.

Read the following text and do the exercise given after it.

The two other economic systems that contrast sharply with the capitalism of Adam Smith are socialism and communism. These systems are sometimes called **planned economies** because the answers to the three basic economic questions are determined, at least to some degree, through centralized government planning. ***Socialism*** In a *socialist* economy, the key industries are owned and controlled by the government. Such industries usually include transportation, public utilities, communications, and those producing important materials such as steel. (In France, the major banks are *nationalized,* or transferred to government control. Banking, too, is considered extremely important to a nation's economy.) Land and raw materials may also be the property of the state in a socialist economy. Depending on the country, private ownership of real property (such as land and buildings) and smaller or less vital businesses is permitted to varying degrees. People usually, may choose their own occupations, but many work in state-owned industries.

What to produce and how to produce it are determined in accordance with national goals, which are based on projected needs, and the availability of resources—at least for government-owned industries. The distribution of goods and services is also controlled by the state to the extent that it controls rents and wages. Among the professed aims of socialist countries are the equitable distribution of income, the elimination of poverty and the distribution of social services such as medical care to all who need them, smooth economic growth, and elimination of the waste that supposedly accompanies capitalist competition. Britain, France, Sweden, and India are democratic countries whose mixed economies include a very visible degree of socialism.

Communism If Adam Smith was the father of capitalism, Karl Marx was the father of communism. In his writings (during the mid-nineteenth century), Marx advocated a classless society whose citizens together owned all economic resources. He believed that such a society would come about as the result of a class struggle between the owners of capital and the workers they had exploited. All workers would then contribute to this *communist* society according to their ability and would receive benefits according to their need. Today North Korea is generally considered to have communist economy. Almost all economic resources are owned by the government in this country. The basic economic questions are answered through centralized state planning, which sets prices and wages as well. In this planning, the needs of the state generally outweigh the needs of its citizens.

Emphasis is placed on the production of capital goods (such as heavy machinery) rather than on the products that consumers might want, so there are frequent shortages of consumer goods. Workers have little choice of jobs, but special skills or talents seem to be rewarded with special privileges. Various groups of professionals (bureaucrats, university professors, and athletes, for example) fare much better than, say, factory workers. Communist economies were in the former USSR, China, Cuba, and former Yugoslavia. Nowadays all these countries have market economies, some of them are in the period of transition to the market one.

The so-called communist economies actually seem to be far from Marx's vision of communism, but rather practice a strictly controlled kind of socialism. There is also a bit of free enterprise here and there. For example, in the former Soviet Union, the farmers' markets *(rinki* in Russian) not only were allowed but were also essential to the nation's food supply. However, like all real economies, these economies are neither pure nor static. Every operating economy is a constantly changing mixture of various idealized economic systems. Some evolve slowly; others change more quickly, through either evolution or revolution. And, over many years, a nation, such as Great Britain, may move first in one direction—say, toward capitalism—and then in the opposite direction. It is impossible to say whether any real economy will ever closely resemble Marx's communism.

Read the text more carefully and mark the statements with TRUE or FALSE

1. Planned economy is an economy in which the answers to the 3 basic economic questions are given by private individuals.
2. The key industries of any country are transportation, utilities, communications, and banking.
3. What to produce and how to produce it in a socialist economy depends on the availability of resources.
4. One of the professed aims of socialist countries is the distribution of social services to all who have money to pay for them.
5. India is a social democratic country.

6. In a communist society, there is a slogan "*Everybody will contribute according to their ability and will receive according to their need*".
7. In a communist society, prices and wages are set by the state.
8. Workers in a communist economy can choose any job they like.
9. Land and raw materials may belong to the state in a socialist economy.
10. There is no free enterprise in planned economies.
11. In a communist economy capital goods are produced in larger quantities than consumer goods.
12. In the real world, no economy attains "theoretical perfection".

DEBATE

Work in groups. Do you agree or disagree with the following statements? Give your reasons:

1. The rich cannot exist without the poor.
2. The state has an obligation to take care of homeless and poor people.
3. The only thing that can remove poverty is sharing.
4. Poverty is not just being without food. It is the absence of affection.

Chapter 13

Money

Learning objectives:

1. The students can get the information from the text.
2. The students' speaking skill can be developed by debate.
3. The students understand about the phrasal verb related to money.

Read the following text.

Text 1.

How do you manage the money? Money is a necessary item in our lives. We use it to buy food, clothes and pay bills. This way, we need to know how to manage it well so we can keep our life organized.

Every worker has a salary. If you learn how to use it in the right way, you can buy food, clothes, pay bills and save it, leading you and your family to live an organized life with more responsibility and peace.

In the Scriptures, we can find some wise teachings about managing money. Here they are: In 1 Timothy 6:10, we read " For the love of money is a root of all kinds of evil". We should not love money; we must know how to use it wisely.

For example, a salary should provide the needs of a family. In 1 Timothy 5:8 this is confirmed: " Anyone who does not provide for their relatives, and especially for their own household, has denied the faith and is worse than an unbeliever".

The Bible also teaches us we should not have any debts. We can read this in Romans 13:8: " Let no debt remain outstanding".

Saving money is also important, to have it when an emergency comes up, to help someone who really needs it or to save it to achieve things you need to or even to your retirement. " He who gathers in summer is a prudent son, but he who sleeps in harvest is a son who brings shame" Proverbs 10:4-5.

To sum up, this is how we should manage money, according to the teachings of the Bible: Do not love money; use it wisely, considering a salary should provide a family's needs. Spend it with control, not with fancy things. We should avoid debts and save it to have whenever we need it. If you follow and practice these teachings, you will have a more peaceful life, with more quality and more responsibility.

Debating the text.

Discuss with your partner, make the columns to write you and your partner's mind.

a. According to the text, how we should manage money?

b. How do you manage money? Well, more or less or bad? Why?

c. Do you value your salary? Do you share it among the things you need to provide?

d. Do you buy more necessary things or fancy things?

e. Can you save money? If you can, how do you intend to use it?

f. What are some things you achieve when managing money well?

Phrasal Verbs Related to Money ↓↓

- My electricity bills are really high. I have to ***fork out*** €100 every month.
- I can't go to the theatre this weekend. I'm ***saving up*** for my holiday.
- You have to be careful with credit cards. You can ***run up*** huge debts very quickly.
- I'm usually very careful with my money but sometimes I ***splash out*** on a nice new handbag.

- If you're not careful the travel agents will ***rip*** you ***off***. You can find cheaper holidays online.
- The American government ***bailed out*** General Motors.
- I try to ***put aside*** a bit of money each month for emergencies.
- My aunt doesn't like to spend any money. She ***squirrels*** it ***away*** in the bank instead.
- I've got €10,000 of debt and I don't know how I'll ***pay*** it ***off***.
- I don't like to send cash through the post. I'll ***make out*** a cheque instead.

Match the phrasal verbs with their definitions:

Phrasal verb	Definition
1. make out _____ 2. save up _____ 3. put aside _____ 4. fork out _____	A. Spend a lot on something you like. B. Pay for something that you don't want to. C. Pay your debts D. Accumulate money in a bank or money box.

5. rip off ____ 6. splash out ____ 7. bail out ____ 8. pay off ____ 9. run up ____ 10. squirrel away ____	E. A con/ Charge a ridiculous amount of money. F. Rescue someone financially. G. Complete (a cheque or a document) H. Store money in a safe place. I. Accumulate debts. J. Reserve money to spend later

Complete the passage:

made out saving up fork out rip off splashed out put aside bail out run up pay off

I can't believe how much weddings cost. It's a complete __________. The average couple has to __________ £20,000. We've been __________ since last year. We __________ about £500 each month and so far we have £5000. I __________ £1000 on a designer wedding dress. I've also _____________a cheque for £500 to the church. I hope we don't __________ too many debts because they will be difficult to __________ and we don't want to ask our parents for a __________.

Text 2.

How to Save Money

Are you *bad with* **finances**? Do you live from **pay check** to pay check? Would you *like to figure out how to* save a little money from time to time?

Here are a few **tips**.

1. Give yourself a **budget** for each week and *stick to it***.** If you get to the end of the week with nothing left, take a bus *instead of* a cab, make your own dinner instead of eating out, invite your friends over for a BYOB (bring your own beer) party instead of going to a bar, and pass on the **frivolous** shopping **spree** until you have more money.

2. Stop using credit cards. Pay for everything with cash. It's easier to **overspend** when you're using a bank or credit card because you don't know exactly how much you have. If you have cash, you can see your **supply** *running low*.

3. Keep a record of your spending. Write down everything you spend your money on for a couple weeks or a month. Be as detailed as possible, and try not to leave out small **purchases**. **Assign** each purchase or **expenditure** a category *such as*: Rent, Car insurance, Car payments, Phone Bill, Cable Bill, **Utilities**, Gas, Food, Entertainment, etc.

Answer these questions. You may discuss with your partner.

1. What is this article about?
2. What should you do if you overspend your budget?
3. Why is it better to pay with cash instead of with bank or credit cards?
4. Why should you keep a record of your spending?
5. Which tip do you think is the best tip?
6. Can you think of any other ways to save money? Talk about and write at least 1 new idea with your partner:

____
____

____
____

____
____

____
____

DISCUSSION

1. What role does money play in your life? For instance, you have been offered 2 jobs:

   a) a part-time, attractive, low-paid job

   b) a full-time, dirty (from the ethical point of view), rather well-paid job

   What would you choose and why?

2. If you possessed a large amount of money, what would you do with it? Choose out of the following 3 items that would characterize your actions concerning your money. Give your reasons. Use the following structure: ***If I possessed a large amount of money I would …***

   - put it under the mattress
   - buy a lottery ticket
   - visit a casino
   - deposit it in a bank
   - buy gold
   - invest it in my own business
   - buy a Van Gogh painting
   - buy shares of a corporation DISCUSSION

3. How much money do you need to consider yourself to be a rich person? Is it possible to earn this sum of money in an honest way in our Republic?

4. When you see a person for the first time, can you detect whether the person is rich, with average income, or poor. If yes, than how?
5. Can everything be bought with money?
6. What would be the consequences of a world without money? Would there be no poverty? Could we use a barter system instead?
   - invest it in real estate
   - go on a spending spree

Chapter 14

Bank

Learning objectives:

1. The students can absorb the information from the text
2. The students practice dialogues at the bank
3. The students understand about how to making offering, permission and request

Read the text.

What Is a Bank?

Institutions that match up savers and borrowers help ensure that economies function smoothly

By Jeanne Gobat

You've got $1,000 you don't need for, say, a year and want to earn income from the money until then. Or you want to buy a house and need to borrow $100,000 and pay it back over 30 years. It would be difficult, if not impossible, for someone acting alone to find either a potential borrower who needs exactly $1,000 for a year or a lender who can spare $100,000 for 30. That's where banks come in. Although banks do many things, their primary role is to take in funds—called deposits—from those with money, pool them, and lend them to those who need funds. Banks are intermediaries between depositors (who lend money to the bank) and borrowers (to whom the bank lends money). The amount banks pay for deposits and the income they receive on their loans are both called interest. Depositors can be individuals and households, financial and nonfinancial firms, or national and local governments. Borrowers are, well, the same. Deposits can be available on demand (a checking account, for example) or with some restrictions (such as savings and time deposits).

Making loans

While at any given moment some depositors need their money, most do not. That enables banks to use shorter-term deposits to make longer-term loans. The process involves maturity transformation—converting short-term liabilities (deposits) to long-term assets (loans). Banks pay depositors less than they receive from borrowers, and that difference accounts for the bulk of banks' income in most countries. Banks can complement traditional deposits as a source of funding by directly borrowing in the money and capital markets. They can issue securities such as commercial paper or bonds; or they can temporarily lend securities they already own to other institutions for cash—a transaction often called a repurchase agreement (repo). Banks can also package the loans they have on their books into a security and sell this to the market (a process called liquidity transformation and securitization) to obtain funds they can relend. A bank's most important role may be matching up creditors and borrowers, but banks are also essential to the domestic and international payments system—and they create money. Not only do individuals, businesses, and governments need somewhere to deposit and borrow money, they need to move funds around—for example, from buyers to sellers or employers to employees or taxpayers to governments.

Here too banks play a central role. They process payments, from the tiniest of personal checks to large-value electronic payments between banks. The payments system is a complex network of local, national, and international banks and often involves government central banks and private clearing facilities that match up what banks owe each other. In many cases payments are processed nearly instantaneously. The payments system also includes credit and debit cards. A well operating payments system is a prerequisite for an efficiently performing economy, and breakdowns in the payments system are likely to disrupt trade—and, therefore, economic growth—significantly.

Creating money

Banks also create money. They do this because they must hold on reserve, and not lend out, some portion of their deposits— either in cash or in securities that can be quickly converted to cash. The amount of those reserves depends both on the bank's assessment of its depositors' need for cash and on the requirements of bank regulators, typically the central bank— a government institution that is at the center of a country's monetary and banking system. Banks keep those required reserves on deposit with central banks, such as the U.S. Federal Reserve, the Bank of Japan, and the European Central Bank. Banks create money when they lend the rest of the money depositors give them. This money can be used to purchase goods and services and can find its way back into the banking system as a deposit in another bank, which then can lend a fraction of it. The process of relending can repeat itself a number of times in a phenomenon called the multiplier effect. The size of the multiplier—the amount of money created from an initial deposit—depends on the amount of money banks must keep on reserve. Banks also lend and recycle excess money within the financial system and create, distribute, and trade securities. Banks have several ways of making money besides pocketing the difference (or spread) between the interest they pay on deposits and borrowed money and the interest they collect from borrowers or securities they hold. They can earn money from:

- income from securities they trade; and
- fees for customer services, such as checking accounts, financial and investment banking, loan servicing, and the origination, distribution, and sale of other financial products, such as insurance and mutual funds.

Banks earn on average between 1 and 2 percent of their assets (loans and securities). This is commonly referred to as a bank's return on assets.

Transmitting monetary policy

Banks also play a central role in the transmission of monetary policy, one of the government's most important tools for achieving economic growth without inflation. The central bank controls the money supply at the national level, while banks facilitate the flow of money in the markets within which they operate. At the national level, central banks can shrink or expand the money supply by raising or lowering banks' reserve requirements and by buying and selling securities on the open market with banks as key counterparties in the transactions. Banks can shrink the money supply by putting away more deposits as reserves at the central bank or by increasing their holdings of other forms of liquid assets— those that can be easily converted to cash with little impact on their price. A sharp increase in bank reserves or liquid assets— for any reason—can lead to a "credit crunch" by reducing the amount of money banks have to lend, which can lead to higher borrowing costs as customers pay more for scarcer bank funds. A credit crunch can hurt economic growth. Banks can fail, just like other firms. But their failure can have broader ramifications—hurting customers, other banks, the community, and the market as a whole. Customer deposits can be frozen, loan relationships can break down, and lines of credit that businesses draw on to make payrolls or pay suppliers may not be renewed. In addition, one bank failure can lead to other bank failures. Banks' vulnerabilities arise primarily from three sources:

- a high proportion of short-term funding such as checking accounts and repos to total deposits. Most deposits are used to finance longer-term loans, which are hard to convert into cash quickly; • a low ratio of cash to assets; and
- a low ratio of capital (assets minus liabilities) to assets.

Depositors and other creditors can demand payment on checking accounts and repos almost immediately. When a bank is perceived—rightly or wrongly—to have problems, customers, fearing that they could lose their deposits, may withdraw their funds so fast that the small portion of liquid assets a bank holds becomes quickly exhausted. During such a "run on deposits" a bank may have to sell other longer-term and less liquid assets, often at a loss, to meet the withdrawal demands. If losses are sufficiently large, they may exceed the capital a bank maintains and drive it into insolvency. Essentially, banking is about confidence or trust—the belief that the bank has the money to honor its obligations. Any crack in that confidence can trigger a run and potentially a bank failure, even bringing down solvent institutions. Many countries insure deposits in case of bank failure, and the recent crisis showed that banks' greater use of market sources of funding has made them more vulnerable to runs driven by investor sentiment than to depositor runs.

The need for regulation

Bank safety and soundness are a major public policy concern, and government policies have been designed to limit bank failures and the panic they can ignite. In most countries, banks need a charter to carry out banking activities and to be eligible for government backstop facilities—such as emergency loans from the central bank and explicit guarantees to insure bank deposits up to a certain amount. Banks are regulated by the laws of their home country and are typically subject to regular supervision. If banks are active abroad, they may also be regulated by the host country. Regulators have broad powers to intervene in troubled banks to minimize disruptions. Regulations are generally designed to limit banks' exposures to credit, market, and liquidity risks and to overall solvency risk (see "Protecting the Whole" in this issue of F&D). Banks are now required to hold more and higher quality equity—for example, in the form of retained earnings and paid-in capital—to buffer losses than they were before the financial crisis. Large global banks must hold even more capital to account for the potential impact of their failure on the stability of the global financial system (also known as systemic risk). Regulations also stipulate minimum levels of liquid assets for banks and prescribe stable, longer-term funding sources. Regulators are reviewing the growing importance of institutions that provide bank-like functions but that are not regulated in the same fashion as banks—so-called shadow banks—and looking at options for regulating them. The recent financial crisis exposed the systemic importance of these institutions, which include finance companies, investment banks, and money market mutual funds.

Answer the questions.

1. Bank is ______________________
2. The primary role from Bank is ______________________
3. The banks create money because ________________
4. Deposits is ______________________
5. At the national level, central banks can shrink or expand ______________________

6. "Banks are intermediaries" what does the sentence means ____________________

7. The regulations are designed for _______________

8. Banks can complement traditional deposits as a source of funding by ___________________

Practice the dialogues with your peer. Then answer the questions given.

Dialogue 1

Teller : Good afternoon, ma'am.

Client 1 : Good afternoon. I want to use the 24-hour teller but I don't know how.

Teller : Insert your card in the slot, punch in your code and choose what you want from the menu.

Client 1 : Thanks.

Dialogue 2

Teller : Good morning.

Client 2 : Good morning. I'd like to cash some travelers' checks.

Teller : We cash travelers' checks up to two hundred dollars. Can you sign here on the back?

Client 2 : OK. Can you give me some change for the bus?

Teller : Here you are: ten pennies, four nickels, two dimes, two quarters, four ones, a five, a twenty, two tens and three fifties.

Client 2 : Thanks!

Answer the questions about the texts:

1. What did the client 1 want?
2. What's that she doesn't know how to do?
3. Did you understand the teller's explanation? Could you explain using your own words?
4. What did the client 2 want to know?
5. What's the limit to cash travelers' checks at this bank?
6. What did the teller ask the client to do?
7. What else did the client request?
8. How much did the teller give the client?

Information:

We use **can + verb in the infinitive without "to" to ask permission or to make offers or requests:**

- **Can** we **go** outside? (permission)
- **Can** I **help** you? (offer)
- **Can** you **close** the door (request)

Mark (P) for permission, (O) for offer and (R) for request:

1. Can I wear your blouse tonight? **( )**
2. Can you bring me those books over there? **( )**
3. Can Sally go out and play with me, Mrs. Smith? **( )**
4. Can we do something for you? **( )**
5. Can I give you a lift home? **( )**
6. Can you wait for me outside while I get dressed? **( )**
7. Can Marian stay out until 12 tonight? **( )**
8. Can you close the window? **( )**
9. Can your kids go with me to the park this afternoon, Amanda? **( )**
10. Can you walk the dog for me, please? **( )**
11. Can I help you out in the kitchen? **( )**
12. Can you take the garbage out, please? **( )**

13. Can I help you with your homework? **( )**
14. Can you turn the lights off when you leave the room? **( )**
15. Can you stop making this terrible noise while I'm studying? **( )**

Chapter 15

Negotiation

Learning objectives:

1. Students can do the role-play with their partners to improve speaking's skill.
2. Students learn how to negotiate and seven elements of negotiation

Read the text.

What is the negotiation?

Learn the building blocks of indispensable negotiation business skills.

By KATIE SHONK

Many people dread negotiation, not recognizing that they negotiate on a regular, even daily basis. Most of us face formal negotiations throughout our personal and professional lives: discussing the terms of a job offer with a recruiter, haggling over the price of a new car, hammering out a contract with a supplier. Then there are the more informal, less obvious negotiations we take part in daily: persuading a toddler to eat his peas, working out a conflict with a coworker, or convincing a client to accept a late delivery.

"Like it or not, you are a negotiator … Everyone negotiates something every day," write Roger Fisher, William

Ury, and Bruce Patton in their seminal book on negotiating, Getting to Yes: Negotiating Agreement Without Giving In.

What do these negotiations have in common, and what tools should we use to get what we need out of our everyday negotiations, large and small?

What is Negotiation?

The authors of Getting to Yes define negotiating as a "back-and-forth communication designed to reach an agreement when you and the other side have some interests that are shared and others that are opposed."

Other experts define negotiation using similar terms. In her negotiation textbook The Mind and Heart of the Negotiator, Leigh Thompson refers to negotiation as an "interpersonal decision-making process" that is "necessary whenever we cannot achieve our objectives single-handedly." And in their book Judgment in Managerial Decision Making, Max H. Bazerman and Don A. Moore write, "When two or more parties need to reach a joint decision but have different preferences, they negotiate."

Together, these definitions encompass the wide range of negotiations we carry out in our personal lives, at work, and with strangers or acquaintances.

Seven Elements of Negotiations

Unfortunately, most people are not natural-born negotiators. The good news is that research consistently shows that most people can significantly improve their negotiation skills through education, preparation, and practice.

Members of the Harvard Negotiation Project developed a framework to help people prepare more effectively for negotiation. The Seven Elements framework describes the essential tools needed to identify our goals, prepare effectively to minimize surprises, and take advantage of opportunities as they arise in negotiation, writes Patton in The Handbook of Dispute Resolution.

Here, we overview the seven elements:

- Interests.

  Interests are "the fundamental drivers of negotiation," according to Patton—our basic needs, wants, and motivations. Often hidden and unspoken, our interests nonetheless guide what we do and say. Experienced negotiators probe their counterparts' stated positions to better understand their underlying interests.

- Legitimacy.

  The quest for a legitimate, or fair, deal drives many of our decisions in negotiations. If you feel the other party is taking advantage of you, you are likely to reject their offer, even if it would leave you objectively better off. To succeed in negotiation, we need to put forth proposals that others will view as legitimate and fair.

- Relationships.

  Whether you have an ongoing connection with a counterpart or don't think you'll ever see her again, you need to effectively manage your relationship as your negotiation unfolds. Relationship dynamics become all the more important when you have an ongoing connection: future business, your reputation, and your relationships with others may hang in the balance. You can strengthen the relationship by taking time to build rapport and by meeting your own high ethical standards throughout the process.

- Alternatives and BATNA.

  Even as we take part in negotiations, we are aware of our alternatives away from the table—what we will do if the current deal doesn't pan out. Negotiation preparation should include an analysis of your BATNA, or best alternative to a negotiated agreement, according to Getting to Yes. For example, a job candidate may determine that she will start applying to grad schools if a particular job negotiation falls apart.

- Options.

  In negotiations, options refer to any available choices parties might consider to satisfy their interests, including conditions, contingencies, and trades. Because options tend to capitalize on parties' similarities and differences, they can create value in negotiation and improve parties' satisfaction, according to Patton.

- Commitments.

  In negotiations, a commitment can be defined as an agreement, demand, offer, or promise made by one or more party. A commitment can range from an agreement to meet at a particular time and place to a formal proposal to a signed contract.

- Communication.

  Whether you are negotiating online, via phone, or in person, you will take part in a communication process with the other party or parties. The success of your negotiation can hinge on your communication choices, such as whether you threaten or acquiesce, brainstorm jointly or make firm demands, make silent assumptions about interests or ask questions to probe them more deeply.

  Armed with a better understanding of these building blocks of negotiation, you are positioned to learn more about how to prepare to create and claim value in negotiations, manage fairness concerns, and reach the best deal possible—both for you and for your counterpart.

Source: https://www.pon.harvard.edu/daily/negotiation-skills-daily/what-is-negotiation/

Role-play.

Make a group consist of three or two persons. Your group can choose one of the situations below then making a dialogue. Don't forget to negotiate.

Situation 1

Student A

You are the CEO of Marketing company. One of your managers is feeling overworked and wants to hire a full-time assistant to help her. She is a very hard worker and you want to make her happy. However, some of the other lazier managers might get angry if you let her have an assistant.

Student B

You are the CFO of a Marketing company. The board of directors is pressuring you to really reduce costs. One of your managers is feeling overworked and wants to hire a full-time assistant to help her. She is a very hard worker and you want to make her happy but you also don't want to increase costs too much.

Student C

You are a very successful manager at a Marketing company. You are feeling very overworked and stressed. You want to hire a full time assistant to help you. Negotiate with the CEO and CFO of your company to get the help that you need.

Situation 2

Student A

You are the CEO of an Accounting company. Your employees rely on their computers for work every day. You want to buy 100 new computers for your company but you would like a discount for buying so many computers. You have 200 employees total so you may buy more computers later if you are satisfied. The highest price you can pay is $700 per computer.

Student B

You are a computer Salesperson. The standard price for your computers is $800 dollars but you can still make a profit if you sell them for $600. Lately, your boss has been angry at you for selling them at too low of a price. Your boss has encouraged you to sell extra services like maintenance and training so you can sell the computers at a higher price.

Situation 3

Student A & B (You are a team!)

You are the manager at a factory that makes computer chips. You depend on a silicon supplier to deliver the supplies on time. You are happy with their costs but sometimes they are late when they deliver the material. You have tried other suppliers but you were unhappy with the quality of their product. You usually pay for the materials after they are delivered.

Student C

You are the CEO of a silicon supplier. You recently had to buy a lot of new equipment and now your company is in debt. You need money quickly! You would like to ask the manager of a computer chip factory to pay you in advance. You have a lot of material waiting to be shipped so you are positive you can deliver on time.

Chapter

16

Investment

Learning objectives:

1. The students understand about the function of investment.
2. Through information of the text, the students can answer the questions.
3. The students develop vocabulary skill.

Read the following text.

In the United States, investment accounts for about one sixth of gross national product (GNP). Yet investment occupies a much more important role in policy discussions than this share of production might suggest. The two main reasons for this are that investment is volatile and, therefore, a cause of business fluctuations and that investment contributes to economic growth. Concern with these issues of business cycles and growth has led to very active tax policy toward investment during the postwar years, as a succession of governments has tried to influence the level, pattern, and timing of investment spending.

Such policies have been effective. At the same time many other, uncontrollable factors continue to influence investment. Although in general the word "investment" may denote many types of economic activity, economists usually use the term to describe the purchase of durable goods by households, businesses, and governments. Private investment is commonly divided into three broad categories: residential investment, which accounts for about a quarter of all private investment (in the USA 25.7 percent in 1990); nonresidential, or business, fixed investment, which accounts for most of the remainder; and inventory investment, which is small but volatile. Business fixed investment, in turn, is composed of equipment and nonresidential structures. Equipment now makes up over three-quarters of business investment.

Investment helps increase productivity by raising the level of capital per worker and, perhaps, hastening the adoption of new technologies. One more reason for so much interest in investment behavior is its apparent role in influencing business cycles. Investment is a volatile component of GNP, falling sharply during recessions and rising just as sharply during booms. As the economy went into a deep recession in the early eighties, for example, real GNP in the USA fell 3 percent between 1981 and 1982, but investment fell in real terms by 18 percent.

In the following year, as the expansion began, GNP rose 4 percent while investment rose 13 percent. Why is investment so volatile? The key lies in the nature of the investment process. Investment decisions often require long lead times, and their consequences are as durable as the investment goods themselves. While fluctuations in output exert a strong influence on investment behavior, the costs of investing matter, too. These costs include the prices of capital goods themselves, as well as interest rates, required returns to equity owners, and the taxes that firms must pay on the profits that the investments generate.

Answer the Questions:

1. How much of the US GNP does investment account for?
2. Why does investment cause business fluctuations?
3. What have the US governments been trying influence during the postwar years?
4. What do economists describe with the term "invest- ment"?
5. What categories is the private investment commonly divided into?
6. How much of the US total private investment does residential investment account for?
7. What is business fixed investment composed of?
8. How does investment influence business cycles?
9. Why is investment so volatile?
10. What do the costs of investing include?

Match the definitions of the words.

1. **Investment**	a. to mean something
2. **Share**	b. the fact of a series of events being repeated many times, always in the same order
3. **Fluctuation**	c. the act of investing money in something
4. **Cycle**	d. a sudden increase in trade and economic activity
5. **Denote**	e. to influence somebody or something
6. **Fixed**	f. frequently changes in size, amount, quality
7. **Exert**	g. to divide something, between two or more people part or amount of something
8. **Boom**	h. staying the same; not changing

Chapter

17

Accounting

Learning objectives:

1. The students can write their mind in grammatically correct.
2. The students are expected to become more confident through perform in front of the class.
3. The students expand the vocabulary words related to the topic.

First, read the text below.

Accounting is the process of systematically collecting, analyzing, and reporting financial information. Because of its great value, business owners have been concerned with financial information for hundreds of years. The first book of accounting principles was written in 1494, by an Italian monk named Paciolo. Luca Paciolo (1445 – 1515) was a maths master, but he became internationally famous for his above mentioned work. The evolution of accounting has led to the appearance of accounting profession. The word

"accountant" (a person who does the accounts) appeared in the XV century. In 1448 the king of imperial Rome, Maximilian I named in the capacity of the first accountant Christofer Stechter. From then onwards accountancy is considered a profession. In the second half of the XVII century France became the most powerful country in the world and its accounting predominated in Europe. In the XIX century accounting became a science. Under the market economy conditions the accounting is called a language of business, carrying out one of the most important functions of management.

Accounting in the United States can be traced back to the establishment of the American Institute of Certified Public Accountants (AICPA) in 1887. By the early 1900s, accounting instruction was offered (but was optional) at many colleges and universities. Today, accounting courses are required for virtually every type of business degree. Many people confuse accounting with bookkeeping, but there are important differences between the two. Accounting is a complex activity that includes **bookkeeping, accounting** proper and **auditing**.

Bookkeeping is concerned mainly with recording every purchase and sale made by a company, first in the **journals**, then in the **account book** or **ledger**. These 'books' record all transactions as double entry: a value both received and parted with. **Debits** or *payments made* are entered on the left-hand side of an account, **credits** or *payments received* are entered on the right-hand side. All the documents (invoices and receipts) related to transactions are known as **vouchers** and have to be retained for internal or external auditing.

Nowadays many companies use computer-stored information instead of the classical ledger. **Accounting** as performed in the *Accounting Department* of companies refers mainly to financial records, income and expenditure, valuing assets. The role of this department within a company is primarily concerned with two key areas related to managing the flow of financial resources through the company, namely **managerial accounting** and **financial accounting**.

The *Managerial Accountant* provides the management of the company with all the information necessary in the decision-making process, controls credits and sales ledger, calculates product costs (**cost accounting**) and is concerned with planning the finances for the coming year, that is budgeting. The *Financial Accountant* is concerned with how money is raised and how it is used by the company, stocks control, purchase ledger, petty cash and payroll. Besides payroll, the administrative tasks include payroll deductions (national insurance, taxation, etc.), pension scheme contributions, staff expenses (company's car petrol costs, etc.) and many others. However, the two main concerns of financial accounting are *financing* (the on-going provision of cash for the business) and *financial reporting* (the preparation of annual accounts or end-year accounts).

Thus, accounting deals with the entire system for providing accurate and up-to-date financial information. To become an accountant, an individual must undergo years of training and gain a great deal of practical experience. Bookkeeping, on the other hand, is the routine, day-to-day record keeping that is a necessary part of accounting. Bookkeepers are responsible for obtaining the financial data that the accounting system processes. Accounting system cannot operate without good, accurate bookkeeping but a bookkeeper can generally be trained within a year or so.

Auditing is the activity of checking a company's account books, financial statements and accounting procedures by other independent accountants than those who prepared the accounts. These accountants are called auditors and their duty is to inform the shareholders about their findings. Auditors are required to control the accounts and decide if they give a true and fair view of the company's financial situation. Their job is necessary, because some accountants use tricks and present a false image of the financial position of the company, which is called a "creative accounting".

TASK

WRITE AND STATE YOUR MIND!

Write your mind in a paper, after that, read it aloud in front of the class. The other students may give you some questions.

1. What particular skills must a good accountant possess?
2. Is the job of an accountant a risky one or not? If yes, then what risks are run by accountants?
3. A good accountant is the one who knows how *to cook the books*" (= to do "creative accounting"). Do you agree or disagree with it? What is your attitude towards "creative accounting"? Why do all private firms practice such illegal methods?
4. Do you agree or disagree with the point of view that in order to become a professional a person must know not only theory but also gain a lot of practical experience? What is more important - theory or practice?

Vocabulary

It is necessary to know for economists.

- Account = a detail record of all the money that a person receives and spends.

- Accountant = a person whose job is to inspect or keep accounts.
- Accounting = the system that measure business activities, process that information into reports and communicates these findings to decision maker.
- Accountancy = the theory and practice of keeping and inspecting accounts.
- Audit = the inspection of an organization's annual accounts.
- Auditor = a person who carries out an audit.

Chapter

18

Entrepreneurship

Learning objectives:

1. The students develop their writing skill through summarizing.
2. The students develop their grammar skill by identifying the sentences.
3. The students develop their English speaking skill, by stating their opinion in front of the class.

Read the text below.

An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. The process of setting up a business is known as entrepreneurship. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures.

Entrepreneurs play a key role in any economy, using the skills and initiative necessary to anticipate needs and bringing good new ideas to market. Entrepreneurship that proves to be successful in taking on the risks of creating a *startup* is rewarded with profits, fame, and continued growth opportunities. Entrepreneurship that fails results in losses and less prevalence in the markets for those involved.

Entrepreneurship is one of the resources economists categorize as integral to production, the other three being land/natural resources, labor, and capital. An entrepreneur combines the first three of these to manufacture goods or provide services. They typically create a business plan, hire labor, acquire resources and financing, and provide leadership and management for the business.

Entrepreneurs commonly face many obstacles when building their companies. The three that many of them cite as the most challenging are as follows:

- ✓ Overcoming bureaucracy
- ✓ Hiring talent
- ✓ Obtaining financing

Economists have never had a consistent definition of "entrepreneur" or "entrepreneurship" (the word "entrepreneur" comes from the French verb entreprendre, meaning "to undertake"). Though the concept of an entrepreneur existed and was known for centuries, the classical and neoclassical economists left entrepreneurs out of their formal models: They assumed that perfect information would be known to fully rational actors, leaving no room for risk-taking or discovery. It wasn't until the middle of the 20th century that economists seriously attempted to incorporate entrepreneurship into their models.

Three thinkers were central to the inclusion of entrepreneurs: Joseph Schumpeter, Frank Knight, and Israel Kirzner. Schumpeter suggested that entrepreneurs—not just companies—were responsible for the creation of new things in the search for profit. Knight focused on entrepreneurs as the bearers of uncertainty and believed they were responsible for risk premiums in financial markets. Kirzner thought of entrepreneurship as a process that led to the discovery.

Source: https://www.investopedia.com/terms/e/entrepreneur.asp

Task 1

After you read the text, please summarize it by using English.

Task 2

Please underline the simple past sentences that exist in text.

Task 3

If you can be an entrepreneur, what kind of business that you want to handle? Why?

Chapter
19

Securities Markets

Learning objectives:

1. Understand how securities are bought and sold in the primary and secondary markets
2. Distinguish between a securities exchange and an over-the-counter market
3. Be aware of how the New York Stock Exchange functions

Read the following text and do the exercises given after it.

To purchase a sweater, you simply walk into a store that sells sweaters, choose one, and pay for it. To purchase stocks, bonds, and many other investments, you have to work through a representative— your stockbroker. In turn, your broker must buy or sell for you in either the primary or secondary market.

The Primary Market

The primary market is a market in which an investor purchases financial securities (via an investment bank or other representative) from the issuer of those securities. An **investment bank** is an organization that assists corporations in raising funds, usually by helping sell new security issues.

For a large corporation, the decision to sell securities is often complicated, time- consuming, and expensive. There are basically two methods. First, a large corporation may use an investment bank to sell and distribute the new security issue. This method is used by most large corporations that need a lot of financing. If this method is used, analysts for the investment bank examines the corporation's financial condition to determine whether the new issue is financially sound and how difficult it will be to sell the issue. If the analysts for the investment bank are satisfied that the new security issue is a good risk, the bank will buy the securities and then resell them to the bank's customers—commercial banks, insurance companies, pension funds, mutual funds, and the general public. The investment bank generally charges 2 to 12 percent of the gross proceeds received by the corporation issuing the securities. The size of the commission depends on the quality and financial health of the corporation issuing the new securities and the size of the new security issue. The commission allows the investment bank to make a profit while guaranteeing that the corporation will receive the needed financing.

The second method used by a corporation trying to obtain financing through the primary market is to sell directly to current stockholders. Usually, promotional materials describing the new security issue are mailed to current stockholders. These stockholders may then purchase securities directly from the corporation.

The Secondary Market

After securities are originally sold through the primary market, they are traded through a secondary market. The secondary market is a market for existing financial securities that are currently traded between investors. Usually, secondary-market transactions are completed through a securities exchange or the over-the-counter market.

Securities Exchanges A **securities exchange** is a marketplace where member brokers meet to buy and sell securities. The securities sold at a particular exchange must first be ***listed***, or accepted for trading, at that exchange. Generally, securities issued by nationwide corporations are traded at either the New York Stock Exchange or the American Stock Exchange. The securities of regional corporations are traded at smaller ***regional exchanges***. These are located in Chicago, San Francisco, Philadelphia, Boston, and several other cities. The securities of very large corporations may be traded at more than one of these exchanges. Securities of American firms that do business abroad may also be listed on foreign securities exchanges—in Tokyo, London, or Paris, for example.

The largest and best-known securities exchange in the United States is the New York Stock Exchange (NYSE) (also called the "Big Board"), located on the famous Wall Street. It handles about 70 percent of all stock bought and sold through organized exchanges in the United States. The NYSE lists approximately 2,250 securities issued by more than 1,500 corporations, with a total market value of $3 trillion. The actual trading floor of the NYSE, where listed securities are bought and sold, is approximately the size of a football field. A glass-enclosed visitors' gallery enables people to watch the proceedings below, and on a busy day the floor of the NYSE can best be described as organized confusion. Yet, the system does work and enables brokers to trade an average of more than 160 million shares per day.

The frequently seen electronic display boards mounted on the walls of the exchange were first installed in 1966 along with radio pagers. A highly technical wireless data system increasing the speed in which trades were executed was introduced in 1996. This allows for trading to be done with hand-held laptop – these are computers carried by the floor traders.

Today the exchange opens at 9:30 AM and closes at 4:00 PM.

Before a corporation's stock is approved for listing on the New York Stock Exchange, the firm must meet five criteria:

1) annual earnings before taxes are $2.5 million
2) shares of stock held publicly – 1 million
3) market value of publicly held stock - $9 million

4) number of stockholders owning at least 100 shares is 2,000
5) value of tangible assets - $18 million

When companies first list on the NYSE, often the company's CEO or other official is invited to ring the opening bell in the Trading Floor. Ringing the bell, which signals the start and close of the trading day, is part of the NYSE's rich heritage and is considered an honour.

The second largest stock exchange in the USA is the American Stock Exchange (AMEX). It is located in Manhattan and has about 500 full members and 400 associate members. AMEX operates in much the same way as NYSE, but smaller companies may qualify for listing. It handles about 10 percent of U.S. stock transactions, and regional exchanges account for the remainder.

The ***over-the-counter market*** (OTC) sells and buys unlisted securities, often of smaller companies, outside of the organized securities exchanges. About 5,000 brokers of OTC are scattered all over the country. They trade unlisted stocks and bonds by phone and keep in contact with each other. The largest volume of over-the-counter stocks are quoted on the National Association of Securities Dealers Automated Quotations (NASDAQ) - a national market system which merged with the American Stock Exchange in 1998.

I. VOCABULARY PRACTICE

A) Find synonyms (1-5) and antonyms (6-10) in the text to the following:

1.	shares	6.	simple
2.	to help	7.	to forbid
3.	profit	8.	to purchase
4.	to collect money	9.	time-saving
5.	notebook	10.	cheap

B) Match the words with their definitions

1. bonds	a) a person who buys shares in a company in the hope of making a profit
2. securities	b) an amount of money that is charged for providing a particular service
3. analyst	c) a statement of the current value of stocks

4. broker	d) a company that offers a service to people by investing their money in various different businesses
5. mutual fund	e) a type of security – issued either by a company or by government – bearing a fixed interest every year, which is redeemed after a stated period
6. commission	f) a person who can advise investors and buy and sell shares for them
7. investor	g) the general term for all stocks, shares and bonds
8. quotation	h) a person whose job involves examining facts in order to give an opinion of them and to forecast the possible result

II. COMPREHENSION

A) Answer the following questions:

1. Whose services must one use in order to buy securities?

2. What types of securities markets do you know? Give the definition of a primary market.

3. What is an investment bank?

4. What are the two methods used by large corporations when they decide to sell a new security issue? Why do some corporations choose the second method?

5. What is a secondary market?

6. What is a securities exchange? What is the necessary condition for the securities to be sold at a particular exchange?

7. What is the largest and best-known securities exchange in the USA? Describe it.

8. What do you know about its history?

9. What are the criteria that a corporation must meet in order to sell its stock on the NYSE?

10. How much percent of U.S. stock transactions do the following exchanges handle?

- the NYSE ____________________
- the American Stock Exchange _
- regional exchanges __________

11. What is an over-the-counter market?

B) Mark the statements with TRUE or FALSE and correct the false ones

1. One can purchase securities without using the services of a stockbroker.
2. A new security issue can be sold only in the primary market.
3. Most large corporations that need a lot of financing sell their securities directly to current stockholders.
4. The customers of the investment bank are mutual funds, commercial banks, insurance companies, pension funds and different natural persons.
5. The investment bank buys the corporation's securities only if they are financially sound.
6. The investment bank charges 2 to 20% of the corporation's gross proceeds.
7. The securities of regional corporations are traded at either the NYSE or the American Stock Exchange.

8. An American company that does business in France can trade its securities both at the NYSE and at the securities exchange in Paris.

9. Brokers trade an average of more than 160 million shares per day at the American Stock Exchange.

10. At the over the counter market there are traded securities that are not accepted for trading at securities exchanges.

III. DISCUSSION

1. It is thought that the best way to invest your money is to buy securities. Do you agree or disagree with it?

2. The job of a financial analyst is to evaluate the financial standing of a corporation and to forecast whether its shares are a good risk or not. To your mind, is it easy or difficult to do this job? What qualities must a good analyst possess?

3. Your corporation has issued new securities. In what market are you going to sell them? What decision would you take: to sell these securities through an investment bank or directly to your current shareholders? Substantiate your answer.

4. You are a shareholder and you want to sell your shares. In what market are you going to sell them?
5. In your opinion, what do the Americans prefer: to buy shares at a securities exchange or in the over-the-counter market? Give your reasons.

IV. FOCUS ON LANGUAGE

Business Idioms

Fill in the gaps with a suitable prepositional phrase from the list below:

On closer inspection, on order, on holiday, on approval, on condition, on paper, on schedule, on behalf of, on display, on the phone, on the spot, on business, on loan, on request.

1. You will find our new product ____ at our showroom.
2. We have a sales engineer _________who can fix the fault this week.
3. The goods arrived _________.
4. We have had the goods ________for 3 months, but they haven't arrived yet.
5. We accepted delivery of the goods as undamaged, but we found that 5 of the components are unusable.

6. I spoke to him ______last week about this.
7. We can have the goods for 4 weeks __________. We can return them or pay for them.
8. He traveled to England ______but managed to do a little sightseeing while he was there.
9. I'm afraid Mr Smith is _________till the end of the month – can I help you?
10. We can offer you the job _______ that you start work on the first of the next month.
11. The candidate doesn't look very good __________but she is very impressive in person.
12. You can't keep it permanently, but you may have it till the end of the month.
13. She signed the letter _________her boss.
14. Let us not waste time and act _______ .

Chapter

20

Managerial Finance

Learning objectives:

1. Define "managerial finance"
2. Identify short-term and long-term financing needs

Read the following text and do the exercises given after it

Finance is important in every business. Decisions made by managers throughout the enterprise have financial implications. No business can be started without raising the funds to begin operations. How much money is needed for the business? Who will invest equity money in the new venture? How much debt is needed and from whom can it be borrowed? Must decisions be made by management to allocate the enterprise's resources profitably? What is the expected rate of return on an investment? Does an investment's expected profit justify its risk? What effect will management decisions probably have on the value of the enterprise? All these and more are issues involved in managerial finance.

Managerial finance, sometimes called financial management, involves decisions within enterprise. The basic goal of managerial finance is to maximize the wealth of an enterprise's owners over the long run. In the proprietorship and partnership forms of business organization, this means increasing the owners' equity. In the corporation, this means increasing the market price of the corporation's common stock shares.

Financial management begins with the creation of a financial plan. The plan includes timing and amount of funds and the inflow and outflow of money. The financial manager develops and controls the financial plan. He also forecasts the economic conditions, the company's revenues, expenses and profits.

The financial manager's job starts and ends with the company's objectives. He reviews them and determines the funding they require. The financial manager compares the expenses involved to the expected revenues. It helps him to predict cash flow. Cash flow is the movement of money into and out of an organization. The available cash consists of beginning capital plus customer payments and funds from financing.

The financial manager plans a strategy to make the ending cash positive. If cash outflow exceeds cash inflow the company will run out of cash. The solution is to reduce outflows. The financial manager can trim expenses or ask the customers to pay faster.

Money is needed both to start a business and to keep it going. The original investment of the owners, along with money they may have borrowed, should be enough to get operations under way. Then, it would seem that income from sales could be used to finance the firm's continuing operations and to provide a profit as well.

This is exactly what happens in a successful firm. But sales revenue does not generally flow evenly. Both income and expenses may vary from season to season or from year to year. Temporary funding may be needed when expenses are high or income is low. Then, too, special situations, such as the opportunity to purchase a new facility or expand an existing facility, may require more money than is available within a firm. In either case, the firm looks to outside sources of financing. In this situation the financial manager chooses either short- term or long-term financing techniques.

Short-term financing is money that will be used for a period of one year or less and then repaid. A firm might need short-term financing to pay for a new promotional campaign that is expected to increase sales revenue.

Although there are many short-term financing needs, two deserve special attention. First, certain necessary business practices may affect a firm's cash flow and create a need for short- term financing. The ideal is having sufficient money coming into the firm, in any period, to cover the firm's expenses during that period. But the ideal is not always achieved. For example, a firm that offers credit to its customers may find an imbalance in its cash flow. Such credit purchases are generally not paid until thirty or sixty days (or more) after the transaction. Short-term financing is then needed to pay the firm's bills until customers have paid theirs. An unexpectedly slow selling season or unanticipated expenses may also cause a cash-flow problem.

A second major need for short-term financing that is related to a firm's cash-flow problem is inventory. Inventory requires considerable investment for most manufacturers, wholesalers, and retailers. Moreover, most goods are manufactured four to nine months before they are actually sold to the ultimate customer. As a result, manufacturers that engage in this type of speculative production often need short-term financing. The borrowed money is used to buy materials and supplies, to pay wages and rent, and to cover inventory costs until the goods are sold. Then, the money is repaid out of sales revenue. Wholesalers and retailers may need short-term financing to build up their inventories before peak selling periods. Again the money is repaid when the merchandise is sold.

Long-term financing is money that will be used for longer than one year. Long-term financing is obviously needed to start a new business. It is also needed for executing business expansions and mergers, for developing and marketing new products, and for replacing equipment that becomes outmoded or inefficient.

At the end of the fiscal year the financial manager reviews the company's financial status and plans the next year's financial strategy.

I. Find antonyms in the text to the following:

1) inflow -
2) to minimize -
3) fashionable -
4) to increase expenses –
5) lent -
6) downsizing of an enterprise -
7) consumer -
8) permanent -
9) to sell -
10) loan capital -

II. Comprehension

A) Answer the following questions:

1. What issues are involved in managerial finance?
2. What is the basic goal of managerial finance?
3. What does financial management begin with?
4. What does the job of a financial manager entail?

5. What exactly happens with finance in a successful firm?
6. When does a firm look to outside sources of financing?
7. How is short-term financing different from long-term financing?

B) Enumerate the needs for financing. The first one has been done for you

Short-Term Financing	**Long-Term Financing**
• to get operations under way	• to start a new business

C) Match the words with their definitions

Long-term financing, available cash, short-term financing, financial plan, owner's equity, inventory, cash flow, financial management, financial strategy.

1. All those activities that are concerned with obtaining money and using it effectively.
2. The movement of money into and out of an organization.
3. Money that will be used for longer than one year.

4. Money that will be used for a period of one year or less and then repaid.
5. Money invested in a business, which shows one's share of the ownership.
6. The beginning capital, customer payments and funds from financing.
7. A supply of goods that is available for sale.
8. A summary of a company's financial needs or goals for the future and how to achieve them.
9. Practices a firm adopts to pursue its financial objectives.

III. READING

Read the dialogue between Jack Williams, a financial manager and the President of the corporation who are talking about the results of the financial year and answer the questions given after it.

Pres : Now, Jack, and how about the inflow of funds this year?

Jack : Actually, we made a good start in January by selling a large amount abroad. However, we still had to ask the bank for more loans.

Pres : Not bad. Let's pass on to the sales in spring.

Jack : In March we made 35% of this year's income. Due to the advertising campaign in winter we made rapid progress in March and April, and it still continues now.

Pres : And now briefly about our expenses, please, Jack.

Jack : Ads took 2 % of the total income, a little more than usual, but it proved to be worth while, as you know. We spent more on salaries and wages but the results were also worth the expenses - we worked out some new items that would sell. Rent and taxes as usual, and we spent less than usual on transportation and inventory. Eventually, cash inflow exceeded cash outflow.

Pres : And what shall we do with the new money?

Jack : Now I am looking for a reliable investment that will pay a satisfactory rate of interest. And I'm also thinking of expanding our advertising program.

Pres : That's good. As far as I can see, your role in the company is rapidly changing. You're very good at strategic planning. They say you are a financial miracle worker, and I hope you will very soon rise to the top of the corporate ladder.

Jack : It's very kind of you, Mr. President, I'm just trying to do my best.

Questions:

1. Is Jack Williams a good financial manager? What proves it?
2. Did the company look to outside sources of financing? What were they?
3. What is the major technique that helps this company prosper?

IV. ROLEPLAY

Work in pairs. Imagine that your company is running out of cash. Make up a dialogue between the President of the company and the financial manager who are trying to look to ways of improving the existing situation.

V. DISCUSSION

1. What qualities are needed for a good financial manager? How can they be acquired?
2. Is finance important in every business? Give your reasons.

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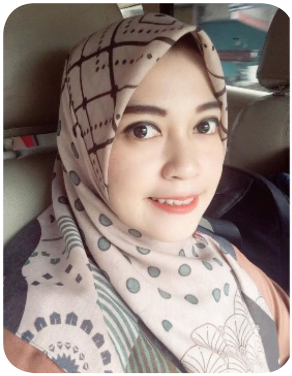

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