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UNIT I THEORY OF ECONOMICS

1.1 Sole Proprietorship

Active Vocabulary

feature	особливість
sole proprietorship	одноособове володіння бізнесом
owner	власник, хазяїн
unlimited liability	необмежена відповідальність
income	дохід, доходи
benefit	вигода, прибуток
deductions	відрахування
proprietor	хазяїн, власник підприємства
profit	прибуток, дохід
advantage	перевага
disadvantage	незручність
to run a business	вести справи, управляти підприємством
within the law	у рамках закону
assets	засоби, фонди, авуари, майно
liabilities	борги, грошові зобов'язання
breach of contract	порушення контракту
to start out	починати професійну діяльність
legal requirements	законні обмеження
charter	документ, що дозволяє створення компанії
permit	дозвіл
to raise funds	залучати фонди, мобілізувати засоби
employee	службовець, працюючий по найманню
personal tax return	особиста податкова декларація

TEXT

There are three principal forms of business organization:

1. the Sole Proprietorship,
2. the Partnership,
3. the Corporation.

The simplest form of business organization is the sole proprietorship, which is owned by one person. Many small businesses start out as sole proprietorships. The owner has relatively unlimited control over the business and keeps all the profits. These firms are usually owned by one person who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also have complete responsibility

for any of its liabilities or debts. In case of break of contract the business property and personal assets of the owner may be taken to pay judgments for damages awarded by courts.

Sole proprietorships are the most numerous form of business organization. No charter and permit are needed and there are no particular legal requirements for organizing or conducting a sole proprietorship. When started, many sole proprietorships are conducted out of the owner's home, garage, or van and inventory may be limited and may often be purchased on credit.

Advantages of a Sole Proprietorship:

1. Easiest and least expensive form of ownership to organize.
2. Sole proprietors are in complete control of business, and within the law, may make any decisions.
3. Sole proprietors receive all income from the business to keep or reinvest.
4. Profits from the business flow-through directly to the owner's personal tax return.
5. The business is easy to dissolve, if desired.

Disadvantages of a Sole Proprietorship:

1. Sole proprietors have unlimited liability and are legally responsible for all debts against the business. Their business and personal assets are at risk.
2. Sole proprietors may be at a disadvantage in raising funds and are often limited to using funds from personal savings.
3. Sole proprietors may have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business.

Main Features of a Sole Proprietorship:

- (+) Easy to organize
- (+) Owner has complete control
- (+) Owner receives all income
- (-) Owner has unlimited liability
- (-) Benefits are not business deductions

Exercise I Answer the questions:

1. What are the three principal forms of business organization?
2. What is a sole proprietorship?
3. What are the advantages and disadvantages of sole proprietorship?
4. What are the main features of a sole proprietorship?

Exercise II Choose the necessary word:

1. Many small businesses ... as a _____ personal tax
sole proprietorships. _____ return

- | | |
|---|--------------------------------------|
| 2. Sole proprietors own all the ... of the business and the ... generated by it. | income
start out
the assets |
| 3. No ... and ... are needed and there are no particular legal requirements for organizing a | the profits
a sole proprietorship |
| 4. Sole proprietors receive all ... from the business to keep or reinvest. | charter
permit |
| 5. Profits from the business flow through directly to the owner's... | |

Exercise III Transform the sentences according to the model:

Model: I'm thinking of starting my own business.

Open a cafe

I'm thinking of opening a cafe.

- 1) to start a car-repair shop
- 2) to hire a book-keeper
- 3) to fire an employee
- 4) to consult a board of directors
- 5) to sell my business
- 6) to do my books myself
- 7) to consult a lawyer
- 8) to find a specialist

Dialogue

Jim: Hi. Alice. How are you getting on?

Alice: Fine. As usual thanks, Jim. What about you?

Jim: I'm OK. It's nice to see you.

Alice: You too. I'm glad you are not in a hurry and we have time to talk today.

Jim: Sure.

Alice: Can you give me a piece of advice?

Jim: Well, I'll try if I can.

Alice: You know I've been always good at cooking. It interests me. I am thinking of starting my own business – a cafe.

Jim: It might be a good idea.

Alice: I guess I must learn about the responsibilities of going into business.

Jim: Are you going into this business by yourself?

Alice: Exactly. I'd like to have a cafe with my name on it where I make the decisions and where I control the profits.

Jim: You seem to be resolute so I'll try to help you. If you go into business alone, it is called sole proprietorship. In such case you needn't consult a lawyer to form the business. You can start or you can stop your business whenever you like.

Alice: It sounds encouraging. What else can you tell me?

Jim: There is no need to consult partners or a board of directors. So you can put policies into effect quickly. You decide on your vacation, hours, salary, hiring and firing.

Alice: Well, that's not bad.

Jim: Wait a moment I believe I have to tell you about the risk involved.

Alice: What do you mean?

Jim: First of all, the most risk is that you have liability. It means that you are responsible for all your business debts.

Alice: So if the business fails I have to declare personal bankruptcy don't it?

Jim: That's what I mean. You can lose your personal assets.

Alice: Well, it's rather disappointing. What other things should I know?

Jim: You won't get tax benefits which partnerships or corporations can get.

Alice: I know about it. By the way do you know of a good accountant to do my taxes?

Jim: Of course. You'll also have to hire a book-keeper if you can't do your books yourself.

Alice: I can't say anything definite about that. I have to think it over. What else, Jim?

Jim: Well. I'm a bit hungry, why don't we have a snack together and discuss the things in the cafe.

Alice: You are right as usual. Let's go.

Active Vocabulary

a piece of advice	порада
can you give me a piece of advice	не могли б ви дати пораду
I am thinking of starting my own business	я думаю про початок свого бізнесу
a responsibility	відповідальність
to make decisions	приймати рішення
to control the profits	контролювати прибуток
a sole proprietorship	приватна власність
to need a lawyer	потреба у юристі
it sounds encouraging	це надихає
to consult partners	консультуватися з партнерами
a board of directors	рада директорів

to put policies into effect quickly	швидко досягти гарних результатів
to hire	наймати
to fire	звільняти
to decide on your vacation, hours, salary, hiring and firing	вирішувати питання, які пов'язані з відпусткою, тривалістю робочого дня, заробітною платою
to have unlimited liability	мати необмежену юридичну відповідальність
to be responsible for all your business debts	нести відповідальність за виробничі борги
to fail	знавати невдачі
to declare personal bankruptcy	декларувати особисте банкрутство
personal assets	приватна власність
tax benefits	пільги щодо оподаткування
to get tax benefits	одержати пільги щодо оподаткування
an accountant	бухгалтер, рахівник
a book-keeper	бухгалтер
to do books	вести бухгалтерський облік

Exercise I Answer the following questions:

1. Are you thinking of starting your own business?
2. What business do you want to start?
3. How do we call the business if you go into it alone?
4. Who is going to make the decisions and control the profits in your business?
5. Do you need a lawyer if you want to start a sole proprietorship?
6. Why don't you have to consult the partners in a sole proprietorship?
7. How many employees are you going to hire for your business?
8. What does it mean to have unlimited liability? Are you ready for it?
9. What will you do if your business fails?
10. What will you do to put policies into effect quickly?
11. What businesses have tax benefits in this country?
12. Can you do your books yourself?
13. Are you going to hire a book-keeper?

Exercise II Transform the sentences according to the model:

Model: A book-keeper will do the books.

I'm going to have a book-keeper do the books.

1. A partner will finance the business.
2. A salesperson will sell the clothes.
3. A decorator will design the interior.
4. A lawyer will do this work.
5. A secretary will mail the letters.
6. A colleague will give me a piece of advice.
7. A book-keeper will prepare the tax report.

Exercise III Translate into English:

1. Мені потрібна порада.
2. Я сам контролюю прибуток свого підприємства.
3. Якщо ви бажаєте зайнятися приватною підприємницькою діяльністю, зверніться до юриста.
4. Директор вирішує питання, що пов'язані з наймом та звільненням.
5. Я боюся мати повну юридичну відповідальність.
6. Я не відповідаю за виробничі борги.
7. Невеликі підприємства мають пільги з оподаткування.
8. Хороший бухгалтер зможе вести справу краще, ніж ви.
9. Мені потрібно найняти бухгалтера.
10. Мені потрібно проконсультуватися з юристом.

Exercise IV Make up the dialogue

You are going to start your own business. Ask the lawyer or an experienced person how to do it.

1.2 Partnership

Active Vocabulary

partnership	товариство, партнерство (фірма, який володіють й якої управляють дві особи або більше)
general partnership	компанія з необмеженою відповідальністю
limited partnership	товариство з обмеженою відповідальністю
to distinguish	розрізняти, проводити розходження
to set forth	викладати, формулювати
legal agreement	юридична угода
complementary	додатковий, додатковий
capital assets	1) основні фонди (машини, будинку, спорудження, устаткування і т.п.); 2) оборотні кошти

retail	роздрібний продаж
to the extent of	до розміру, у межах
share	частка, частина; квота; акція
incentive	стимул
withdrawal	догляд
limited liability	обмежена відповідальність
joint venture	спільне підприємство
to dissolve the partnership	анулювати, розривати партнерство
dissolution of the entity	ліквідація економічного об'єкта

TEXT

In a Partnership two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed.

Many partnerships split up at crisis times. They also must decide up front how much time and capital each will contribute, etc.

Advantages of a Partnership:

1. Partnerships are relatively easy to establish; however partners should develop the partnership agreement.
2. With more than one owner, the ability to raise funds may be increased.
3. The profits from the business flow directly through to the partners' personal tax returns.
4. Prospective employees may be attracted to the business if given the incentive to become a partner.
5. The business usually will benefit from partners who have complementary work skills.

Disadvantages of a Partnership:

1. Partners are jointly and individually liable for the actions of the other partners.
2. Profits must be shared with others.
3. Since decisions are shared, disagreements can occur.
4. The partnership may have a limited life; it may end upon the withdrawal or death of a partner.

There exist different types of Partnerships:

1. General Partnership

Partners divide responsibility for management and liability, as well as the shares of profit or loss according to their internal agreement. Equal shares are assumed unless there is a written agreement that states differently.

2. Limited Partnership and Partnership with limited liability

«Limited» means that most of the partners have limited liability (to the extent of their investment) as well as limited management decisions, which generally encourages investors for short term projects, or for investing in capital assets. This form of ownership is not often used for operating retail or service businesses. Forming a limited partnership is more complex and formal than that of a general partnership.

3. Joint Venture

Joint Venture acts like a general partnership, but it is formed for a limited period of time or a single project. If the partners in a joint venture repeat the activity, they will be recognized as a continuing partnership and distribute accumulated partnership assets upon dissolution of the entity.

Main Features of a Partnership:

- (+) Easy to organize, but needs agreement
- (+) Partners receive all income
- (-) Partners have unlimited liability
- (-) Partners may disagree
- (-) Life of business may be limited

Exercise I Answer the following questions:

1. What is a partnership?
2. What are the limited partnership and general partnership?
3. What are the advantages and disadvantages of partnership?
4. What is a joint venture?

Exercise II Select the necessary word:

- | | |
|---|--|
| 1. Partnerships are relatively easy to | personal tax
return |
| 2. The profits from the business flow directly through to the partners' | establish
liable
benefit |
| 3. The business usually will ... from partners who have complementary | work skill
general part-
nership |
| 4. Partners are jointly and individually ... for the actions of the other partners. | |
| 5. Joint venture acts like a ... | |

Exercise III Transform the sentences according to the model:

*Model: Susan is a woman. She does the books.
Susan is a woman who does the books.*

1. Partners are people. They have unlimited liability.
2. This is my partner. He often runs a risk.
3. He is a shop-assistant. He gets along with all the customers.
4. Susan is a partner. She puts a big amount of money into business.
5. Jean is my friend. She has the background of accounting.
6. Barbara is my partner. She knows how to attract customers.
7. Tom is a partner. He is good at selling.
8. Jack is my friend. He is a secret partner of my business.
9. Helen is my friend. She had a supper with Jack in the restaurant.

Exercise IV Discuss the following problem.

Advantages of a partnership. Would you prefer a partnership or sole proprietorship for business? Give your reasons.

Dialogue

Two friends Susan and Maurice are having supper in a restaurant.

- Maurice: Haven't seen you for a long time. What have you been busy with?
Susan: I've been pretty busy. Do you know my friend Nora? I went into business with her.
Maurice: Really? How is it going on?
Susan: Fine, thanks. We get along very well, and the shop is attracting more and more customers.
Maurice: It sounds well. How many partners are there in your business?
Susan: There are two of us and I am very pleased about it. I've made a right choice. Nora's background is in accounting. She is very good at keeping the books.
Maurice: And you?
Susan: You know I always liked talking. I guess I am rather good with customers. I enjoy selling things.
Maurice: Well, it sounds interesting. I believe you don't run a risk in your business.
Susan: We haven't had many problems, although I suppose all business can be risky. As partners we are both liable.
Maurice: Did you both put the same amount of money into your business? Do you mind my asking?
Susan: No, we didn't invest the same amount of capital. But I think we've combined our resources very well. I think it's good for both of us.
Maurice: It seems really so. That is one of advantage of general partnership.

You can invest less capital than your partner – even no money at all. But you as a partner can contribute important services or skills, sometimes just a name or a reputation.

Susan: Indeed.

Maurice: How did you arrange to distribute profits and losses?

Susan: We share them equally. We hope to be in business for a long time.

Maurice: Nice for you. Now you seem to know a lot about business.

Susan: Not everything yet but the subject become quite technical.

Maurice: I am glad to hear it. It's time to go now. See you later. Bye.

Active Vocabulary

to be busy with	займатися чимось
to go into business	займатися бізнесом
to get along well	жити у злагоді один з одним
to attract customers	залучати покупців
to make a right choice	зробити слухний вибір
background	(here) робочий досвід
accounting	бухгалтерський облік
to run a risk	ризикувати
to be liable	нести юридичну відповідальність
an amount of money	кількість грошей
to put an amount of money into business	вкласти гроші в бізнес
to combine resources	комбінувати ресурси
an advantage	перевага
to contribute services, skills	зробити внесок та сприяти умінням та навичкам
to distribute profits and losses	розподіляти прибутки та збитки
to share	ділити, розподіляти
the subject becomes quite technical	це стає вже справою техніки
a deal	угода

Exercise I Answer the following question:

1. What do you want to be busy with?
2. Do you want to go into business alone or with a partner?
3. With what partner do you get along well?
4. Imagine you run a shop. What will you do to attract customers?
5. Do you need to consult a lawyer to make a right choice when starting the business?
6. What is your background?

7. Are you a careful person or do you like to run a risk?
8. How can you combine the resources with your partner?
9. What services and skills can you contribute in your business?
10. How will you distribute profits and losses in your partnership?
11. What kind of partner would you like to be: a general partner or a limited partner? Why so?

Exercise II Translate into English:

1. Члени правління несуть цілковиту юридичну відповідальність.
2. Партнер з обмеженою юридичною відповідальністю не має реальної влади.
3. Секретний партнер приймає участь в управлінні, але він не відомий громадськості.
4. Я хочу вкласти гроші в нерухомість.
5. Партнерство має багато переваг.
6. Партнерство часто одержує податкові пільги від уряду.
7. Ми живемо у злагоді з партнером.
8. Наше кафе привертає все більше та більше клієнтів.
9. Я зробив слушний вибір. Цей бізнес приносить великий прибуток.
10. Мій робочий досвід пов'язаний з менеджментом.
11. Вона розуміється на бухгалтерських справах.
12. Ми вкладаємо у справу однаковий капітал.

Exercise III Make up the dialogue:

Consult the lawyer how to form a partnership. Use your active vocabulary.

Exercise IV Discuss the following problem:

A joint venture. Pros and cons.

1.3 Corporations

Active Vocabulary

incorporation	1) об'єднання, корпорація; 2) реєстрація корпорацій
unique	унікальний
entity	організація
headquarters	головне правління (фірми)
to be sued	переслідуватися в судовому порядку
shareholders (stock-holders)	акціонери, пайовики, власники акцій
stock	акції
contractual agreement	контракт, договір
board of directors	правління директорів (акціонерного

to oversee	товариства), рада директорів спостерігати, стежити
to be held liable	нести відповідальність
to be accountable	нести відповідальність
employment taxes	податок на фонд заробітної плати
continuity of life	безперервність існування
overall taxes	сумарні податки
to incorporate a firm	оформити юридичний статус фірми як корпорації
to comply with regulations	виконувати приписання (правила)

TEXT

A business corporation is an institution established for the purpose of making profit. It is operated by individuals. Their shares of ownership are represented by stock certificates. A person who owns a stock certificate is called a stock-holder.

A corporation is chartered by the state in which it has headquarters. It is considered by law to be a unique entity, separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Advantages of a Corporation:

1. Shareholders have limited liability for the corporation's debts or judgments against the corporations.
2. Generally, shareholders can only be held accountable for their investment in stock of the company.
3. Corporations can raise additional funds through the sale of stock.

Disadvantages of a Corporation:

1. The process of incorporation requires more time and money than other forms of organization.
2. Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
3. Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income, thus this income can be taxed twice.

Main features of a Corporation:

- (+) Shareholders have limited liability
- (+) Can raise funds through sale of stock

- (+) Life of business is unlimited (continuity of life)
- (-) To incorporate a firm takes time and money
- (-) May result in higher overall taxes

Exercise I Answer the following questions:

1. What is the corporation?
2. What can own a corporation?
3. What are the advantages of a corporation?
4. What are the disadvantages of a corporation?
5. What are the main features of a corporation?

Exercise II Choose the necessary word:

- | | |
|--|--------------------------|
| 1. A business corporation is an institution established for the purpose of making... . | a stock-holder
profit |
| 2. A person who owns a stock certificate is called... | funds |
| 3. A corporation is considered by law to be unique | entity
liability |
| 4. Shareholders have limited ... for the corporation's debts. | time and money |
| 5. Corporation can raise additional | |
| 6. The process of incorporation requires more ... than other forms of organization. | |

Exercise III Translate into English:

1. Корпорація може випускати та продавати акції.
2. Корпорація може пропонувати більшу заробітну платню.
3. Корпорація має більше можливостей для залучення фінансових ресурсів, ніж партнерство.
3. Кожний рік акціонери проводять збори.
4. Освітні, благодійні, релігійні установи можуть бути корпораціями.
5. Подібні установи, як правило, не дають прибутку.
6. Ця корпорація прибуткова, вона має бути розширена.
7. Спочатку ви повинні подати заяву на корпоративний патент.
8. Акціонери мають вирішальне слово в управлінні корпорацією.
9. Адміністративні виконавці компанії здійснюють постійне керівництво.
10. Власники акцій проводять щорічні збори та обирають раду директорів.
11. Корпорація має право порушувати кримінальну справу.

Dialogue

- Secretary: Good afternoon.
- Steve: Good afternoon. I'd like to see Mr. Jackson. We have an arrangement with him. My name is Mr. Watson.
- Secretary: Just a minute, please. I'll let him know you are here.
- Steve: Thanks.
- Secretary: Mr. Jackson is waiting for you. Do you know where his office is?
- Steve: Oh, sure, thank you.
- Jackson: Hello, Steve, it's so nice to see you. Sit down, please.
- Steve: Thanks, Nick. How are you getting on?
- Jackson: Quite all right, thanks. And what about you?
- Steve: Everything is all right too. In fact I want to talk to you about my business.
- Jackson: Oh, I'll be glad to do something for you.
- Steve: Well, Nick. I need some legal advice. John and I are thinking of incorporating.
- Jackson: You are going to expand, aren't you? It seems that your partnership has been doing very well.
- Steve: Oh, yes. We have a success. Now some businessmen are interested in investing with us. So could you explain what sort of legal procedure I have to follow to form a corporation?
- Jackson: At first you have to apply for a corporate charter.
- Steve: Well?
- Jackson: Let me get this straight. You want to issue and sell stock in exchange for investment capital, don't you?
- Steve: Exactly.
- Jackson: After you obtain the charter the stockholders, as owners, hold a meeting to organize the corporation.
- Steve: Does that mean we elect our Board of Directors, adopt by laws and choose the company's officers?
- Jackson: That's what I mean. Though the officers of the company supervise daily management, the stockholders always have final authority. They vote at annual meetings.
- Steve: Yes, I see it. By the way, does a corporation have limited liability?
- Jackson: It does. It also has the right to own property, to buy and sell and the right to sue and be sued.
- Steve: I see. The corporation acts like a person. It has the right of an individual.
- Jackson: You are right.
- Steve: OK. Why don't we get together for a game of golf one day next week?

Active Vocabulary

by laws	юридичне положення для підприємств
I need some legal advice	мені потрібна юридична порада
to incorporate	об'єднуватися
to invest	вкладати гроші
to expand	розширюватися (про виробництво)
to follow a legal procedure	дотримуватися юридичної процедури
to apply for a corporate charter	подавати заяву на корпоративний патент
to issue and to sell stock in exchange for investment capital	випускати та продавати акції
a stockholder	натомість вкладеного капіталу
to hold a meeting	акціонер
to elect a board of directors	проводити збори
to choose the company's officer's	обирати раду директорів
to have a final authority	обирати адміністративних виконавців компанії
to supervise daily management	мати вирішальне слово
to vote	здійснювати щоденне керівництво
annual meetings	голосувати
to have limited liability	щорічні збори
	мати обмежену юридичну відповідальність
to own property	володіти власністю
to sue	порушити судову справу
to be sued	підпадати під судовий розгляд

Exercise I Answer the following questions:

1. In what corporation would you invest money?
2. What legal procedure do you have to follow if you want to form a corporation?
3. Who has the final authority and who supervises the daily management of a corporation?
4. How often do the stockholders choose the company officers?
5. In what way can a corporation act?
6. What do you think about the possibilities of forming corporations in this country?
7. In what spheres of industry is a corporate form of proprietorship the most beneficial in this country?

Exercise II Transform the sentences according to the model:

Model: We are the company officers.

We supervise doily management.

We as the company officers, supervise daily management.

1. My friends are the stockholders of IBM Corporation. They hold annual meetings.
2. These businessmen are the organizers of this corporation. They issue and sell stock in exchange for investment capital.
3. A corporation is the owner of the property. It has limited liability.
4. Dick is a manager. He wants to form a corporation.
5. A corporate charter is a certificate of incorporation. A charter is granted by a state officer.
6. The stockholders are the owners of the corporation. They have final authority in management of the company.
7. The owners of the corporation are the stockholders. The owners of the corporation must vote.

Exercise III Make up the dialogue

1. Ask a lawyer how to form a corporation.
2. Discuss with your friend advantages and disadvantages of a corporate form of proprietorship.
3. Advertise a corporate form of proprietorship.

UNIT II TYPES OF SELLING

2.1 Wholesaling

Active Vocabulary

wholesaling	оптова торгівля
to provide channels	забезпечувати системою (збуту)
indirect channels	непряма, опосередкована система (збуту)
complicated channels	складна система (збуту)
a retailer	роздрібний торговець
chain movement	рух, напрямок до об'єднання
a wholesale unit	контора з оптової торгівлі
total sales	сукупна продаж
a middleman	посередник
a merchant wholesaler	оптовий скупник
a wholesaling middleman	оптовий посередник
to take title to the goods	придбати товар як власність
an agent middleman	посередник між виробником та покупцем
to negotiate purchases or sales	вести переговори стосовно купівлі та продажу
to earn salary	заробляти платню
to receive commissions grocery	одержувати комісійні (відсоток від продажу)
to handle	управляти
assortment	асортимент

TEXT

Wholesaling is a part of the marketing system. It provides channels of distribution which help to bring goods to the market. Generally indirect channels are used to market manufactured consumer goods. It could be from the manufacturer to the wholesaler from the retailer to the consumer or through more complicated channels. A direct channel moves goods from the manufacturer or producer to the consumer.

Wholesaling is often a field of small business but there is a growing chain movement in the western countries. About a quarter of wholesaling units account for one-third of total sales.

Two-third of the wholesaling middlemen is merchant wholesalers who take title to the goods they deal in. There is also an agent middleman who negotiates purchases or sales or both. He receives commissions through. Such agents

don't earn salaries. They receive commissions. This is a percentage of the value of the goods they sell.

Wholesalers simplify the process of distribution. For example, the average supermarket stocks 5000 items in groceries alone, a retail druggist can have more than 6000 items. As a wholesaler handles a large assortment of items from numerous manufactures he reduces the problem of both manufacturer and retailer. The stock-keeper does not have to deal directly with thousands of different people. He usually has a well-stocked store and deals with only a few wholesalers.

Exercise I Answer the following questions:

1. What is the aim of wholesaling?
2. How can you describe a direct channel of distribution?
3. What is an indirect channel of distribution?
4. What channel is preferable?
5. Is there any difference between a merchant wholesaler and an agent middleman? What is the difference?
6. How does a wholesaler simplify the process of distribution?
7. What would a retailer have to do without wholesalers?

Exercise II Select the necessary word:

- | | |
|--|------------------------|
| 1. They use both direct and indirect ... of distribution. | wholesalers |
| 2. Agent middlemen do not ... to the goods they deal in. | take title |
| 3. Usually wholesaling ... stands between the producer and die retailer. | retailer
stock |
| 4. A supermarket may ... thousands of items. | |
| 5. Usually a wholesaler handles a large of items. | channels |
| 6. Agent middlemen don't earn salaries, they ... | assortment |
| 7. A wholesaler doesn't deal with the customers, ... does. | to receive commissions |
| 8. simplify the problems of manufacturers. | middleman |

Exercise III Translate into English:

1. Оптова торгівля – важливий елемент ринкової системи.
2. Товари йдуть від оптового посередника до споживача крізь роздрібного торговця.
3. Непряма система збуту має більші переваги.
4. Оптові скупники придбали товар.
5. Посередник одержує відсотки від продажу.
6. Посередник звичайно веде переговори стосовно купівлі та продажу.

7. Ця крамниця має гарний асортимент товарів.
8. Менеджер з маркетингу одержить підвищення.

Dialogue

John is explaining his new job to his wife, Susan. He is a sales trainee for a company.

John: It's a great job, you know. The salesmen are paid salaries instead of being on commission.

Susan: Why do you find it great? You can earn less money.

John: Well, it's a regular weekly salary. And besides we get reimbursed for everything: lunches and dinners even the football tickets, the car gasoline, tolls.

Susan: That's really great.

John: And I'm going to get a raise in three months.

Susan: And what are you going to sell?

John: Foam rubber.

Susan: What is it used for?

John: It is used to make couches and beds, generally ideal with furniture manufacturers.

Susan: So you will travel much, won't you?

John: No. Delivery is a part of our wholesaling operation. Foam is sold and delivered by the truckloads. It is rather bulky and it is expensive to have it shipped at a big distance. We are going to deal with buyers who are in this region.

Susan: That's fine. I don't want you to travel too much. By the way I want to know more about the sales procedure.

John: At first I go to see buyer. We discuss what he needs. After that send him a written quote. If our prices suit him, he'll call us and send an order.

Susan: Do you take orders over the phone?

John: Yes. The buyers are always in a hurry and a letter would take much time to come, if it's a verbal agreement we call it a gentlemen's agreement.

Susan: And what happens after the verbal agreement.

John: We receive a written purchase order. It is called p. o. – and it has a Number that we use for all future correspondence on that order. The office then retypes the order form and the p. o. and order form are stapled together and filed.

Susan: It sounds organized. Whom do you usually deal with in a company?

John: Well, I'll deal with purchasing agents. But I could deal with any administrator from the president on down, in some cases.

Susan: Good. Soon you'll get your raise.

John: Yeh. Selling is usually a stepping stone to higher position in management.

Susan: Don't worry, dear. If it doesn't work out, we still have my job.

Active vocabulary

a sales trainee	стажист з торгівлі
to be on commission	одержати комісійні з продажу
to reimburse	відшкодувати
to get a raise	одержати підвищення
toll	мити, платня за послуги
a quote	призначення вартості
a delivery	доставка
a gentlemen's agreement	джентльменська угода
a verbal agreement	усна угода
purchase order	замовлення на купівлю
to deliver	доставка
to staple	перевіряти
to file	підшивати, зберігати
a stepping stone	засіб для досягнення мети

Exercise I Answer the following questions:

1. What would you like to be on commission?
2. What expenses do you get reimbursed for at your job?
3. What factors do you need to get a raise?
4. Why isn't a verbal agreement always sufficient?
5. What would you prefer to be: a wholesaler or a retailer?
6. What is a stepping stone to higher positions in your business?

Exercise II Transform the sentences according to the model:

Model: When did they want to reimburse for our expenses? (I don't remember)

I don't remember when they wanted to reimburse for our expenses.

1. How will you get a raise? (They don't care).
2. When did they send you the purchase order? (I don't know).
3. Who are the purchasing agents? (I can't recall).
4. Why didn't they get a verbal agreement? (I'll try to find out).
5. Did they staple and file p.o.? (I don't know).
6. How large is the sales region? (They don't care).
7. When will she get a commission? (She doesn't know).

Exercise III Speak about wholesaling as a part of the marketing system

2.2 Retailing

Active Vocabulary

retailing	роздрібний продаж
an ultimate consumer	кінцевий споживач
a link	ланка, зв'язок
a mail-order house	посилторг
a vending machine operator	оператор торговельних автоматичних машин
a discount house	крамниця з відносно низькими цінами на товари
a cooperative	кооператив
a single line retailer	роздрібний торговець
to perform functions	виконувати функції
an extending credit	тривалий кредит
an outlet	ринок збуту
a discount	знижка

TEXT

Retailing is selling goods and services to the ultimate consumer. Thus the retailer is the most expensive link in the chain of distribution. Being middlemen they make their profit by charging the customer 25 to 100 per cent more than the price they paid for the item.

The retailers operate through stores, mail-order houses, vending machine operators. There are different types of retail stores: department stores, discount houses, cooperatives, single line retailers. The major part (over 95 per cent) of retail establishments concentrate on a single line of merchandise for example, food, hardware, etc. But nowadays there is a trend for many single line stores to take on a greater variety of supplies.

The retailer performs many necessary functions. First, he may provide a convenient location. Second, he often guarantees and services the merchandise he sells. Third, the retailer helps to promote the product through displays, advertising or sales people. Fourth, the retailer can finance the customer by the extending credit. Also the retailer stores the goods in his outlet by having goods available.

Exercise I Answer the following questions:

1. What is retailing?
2. What are four different types of retail stores?
3. What are at least two types of retailing that do not include the use of a store?

4. In what way does a retailer serve a customer?
5. In what way does a retailer serve a manufacturer?
6. Which percent of the price of the good sold goes to the retailer?
7. What is the trend with a single line retailer now?

Exercise II Select the necessary word:

- | | |
|--|------------|
| 1. is one function a retailer may perform. | mail-order |
| 2. You can buy newspapers, cigarettes, cookies from a... . | discount |
| 3. is the most expensive link in the chain between a producer and a consumer, machine | vending |
| 4. The firm ... good quality of the product. | guarantees |
| 5. She doesn't like to go shopping, she prefers to do it by... . | retailer |
| 6. The department store is having a sale and there is a 20 per cent... on all light dresses. | extending |
| 7. Wholesaler is an important... between a producer and a consumer. | credit |
| | link |

Exercise III Translate into English:

1. Роздрібна торгівля – це продаж товарів кінцевому споживачу.
2. У західних країнах є різні типи торговельних установ, універмагів, супермаркетів, крамниць з низькими цінами, посилторзі і т.і.
3. На цей товар можна отримати 10 % знижку.
4. Роздрібний торговець може надати покупцю тривалий кредит.
5. Ця фірма має безліч торгових точок.
6. Роздрібний торговець виконує багато важливих функцій.

Dialogue

Jean has just moved into a new house. Her neighbor, Liz, has come over to welcome her.

Jean: I am very glad to see you here.

Liz: How do you like the new place?

Jean: It's marvelous. I am sure we are going to love living here.

Liz: Well, have a look; here is a shopping guide for the neighborhood and a booklet of discount coupons. New neighbors always receive them. There is one coupon for every store in the shopping guide.

Jean: Oh, thank you. It's come in time. I have a lot of shopping to do.

Liz: I can imagine, having just moved in. Not far from here there's a very good shopping center. You can also find a huge supermarket, a drugstore, and some department stores in the neighborhood.

Jean: Great. Are there any small stores nearby?

- Liz: Oh, yes. The map is right here in the shopping guide. There is a little drugstore a few blocks away, a little grocery store next to it, a little boutique, an ice cream parlor, a pizza place. You can find a plant store not far from here too.
- Jean: Are there any good discount houses nearby? We terribly need a new toaster. Everybody in my family likes toasts for breakfasts very much. I'd like to buy it.
- Liz: Oh, sure. There is a good discount store in the shopping center. If you like, I'll come with you.
- Jean: Oh, you needn't. I don't want to trouble you.
- Liz: No trouble at all. I'd like to do some shopping too. If we go to the discount center I can go to that little cheese shop. I don't want to bother you.
- Jean: It's no bother at all. Make out your shopping list and I'll be your guide. By the way, you can use your discount coupon for the toaster.
- Liz: I am sure you'll buy a good one.
- Jean: Well, it'll take some time to make a shopping list. I'll have to buy a lot at the grocer's.
- Liz: This is a good idea. I should have gone shopping yesterday, so I'll make up my list too.
- Jean: By the way, I like your dress very much. It's a perfect fit. Where did you buy it, if you don't mind my asking?
- Liz: Thank you for compliment. I got it at very nice little boutique. It's a bit expensive, but there are many interesting and original things. If you are interested we can stop there.
- Jean: I'm afraid I can't. I have to cook dinner.
- Liz: Oh. Don't trouble yourself with the dinner. Look over the coupons I've given you. You can go out to dinner at a discount store.

Active vocabulary

a shopping guide	довідник щодо крамниць
a discount	талон, який дає можливість на одержання товару по більш низькій ціні
a store	крамниця
a department	універмаг
a supermarket	супермаркет
a grocery	бакалія
a shopping center	торговельний центр

Exercise I Answer the following questions:

1. What kinds of shops in this country do you know?

2. What shops are situated not far from your house?
3. What goods can be bought there?
4. What specific features do channels of distribution have in this country?
5. What reforms does this country need to reorganize the channels of distribution?

Exercise II Transform the sentences according to the model:

Model: I want to ask your brother to do shopping today. Let me do shopping today myself.

1. I want my secretary to prepare the financial statement.
2. The board of directors wants the officers to plan product development.
3. He wants to speak with my friend about their possible partnership.
4. I want a lawyer to clarify this matter.
5. The executive wants this manager to start market research.

Exercise III Speak about the differences between the channels of distribution of this country and western country

UNIT III FINANCE

3.1 Pricing

Active Vocabulary

credit terms	умови кредиту
trade-in-allowance	гроші, які віддали за стару річ та включені до рахунку купівлі нової
to cover	покривати витрати
to pursue unsound price policy	вести нерозумну ціноутворюючу політику
supply and demand	пропозиція та попит
price competition	конкуренція у ціноутворенні
to set prices	установлювати ціни

TEXT

All products and all services have prices. The price depends on different things such as credit items, delivery, trade-in-allowance, guarantees, quality and other forms of service which price can produce the biggest profit during a long period of time. It's hardly possible to determine such a price. The price may be too high to produce a large volume or too low to cover cost. No other area of marketing operations has been a subject to bad practice. Many businesses pursue unsound price policies for long periods of time and are not aware about it.

Prices can be determined in different ways. For example, the prices of wheat, cotton and other agricultural prices can be decided in large central markets where forces of supply and demand exist. This is pure price competition. The prices on industrial products (iron, steel, etc.) are usually decided by large companies. As a rule amount and price of goods sold to large number of buyers is controlled by a few competing sellers. Prices also can be set by the government, usually for different public services – railroads, electricity, manufactured gas, bus services, etc.

If demand increases, prices rise, profits expand and new investment is attracted. But other factors may be involved as well. Prices are related to each other in different ways. Ultimately, everything is related in price, since the consumer can buy and must pay for everything out of a particular, limited amount of money.

Exercise I Answer the following questions:

1. Why is it difficult to determine the right price?
2. Why is the seller interested in the price that produces the highest volume of sales at the lowest unit cost?

3. Why do many businesses follow unsound pricing policy?
4. In what way are agricultural prices decided?
5. How are industrial products usually priced?
6. Why does the government usually set the prices for public utility services?
7. Why is it so important to know the levels of supply and demand when dealing with pricing?
8. Why is everything related by price?

Exercise II Select the necessary word:

- | | |
|--|--------------------|
| 1. It is difficult ... without sound price policy. | supply and demand |
| 2. Of course we are interested in producing the ... with the lowest unit costs. | volumes of sales |
| 3. I decided to buy a new car at this company because they offered the best ... on my old model. | trade-in-allowance |
| 4. The ... of this store are very beneficial for a customer. | compete |
| 5. Their business will fail if they pursue unsound | price policies |
| 6. The government usually ... for public utility services. | credit terms |
| In pure competition the forces of ... operate. | to set prices |

Exercise III Translate into English:

1. Ця крамниця надає покупцю вигідні кредитні умови.
2. Товар має низьку ціну. Вона покриє витрати.
3. Ця фірма проводить нерозумну ціноутворюючу політику.
4. Перш ніж випускати товар, необхідно ретельно вивчити попит та пропозиції.
5. Держава встановлює ціни на ряд продуктів.
6. Супермаркет надає покупцю багато додаткових послуг: постачання товарів додому та кредит.
7. Нова марка безумовно приверне увагу покупців.
8. Починайте з низької ціни.
9. Продаж за рахунок низької ціни діє при продажі товарів народного споживання.

Dialogue

Dick is introducing a new line of products and is talking to his friend Tom, a business consultant, about it.

Dick: It's the first time when I'm in business for myself.

- Tom: Don't worry. The store has always been doing well. It has a great location and as your new line of merchandise.
- Dick: That's what I wanted to talk to you about. Can you give some ideas how to charge the prices?
- Tom: With pleasure. Generally, there are two types of pricing policies. There is price emphasis and price de-emphasis.
- Dick: What's the difference?
- Tom: The price emphasis policy emphasizes low prices. This encourages sales. But low price doesn't give extra services.
- Dick: So, a really low price means no credit, home delivery, repair, installation and other services.
- Tom: That's what I mean. But many people are interested only in the low price and not in the extra services.
- Dick: Yes, and vice versa. The price which I set determines the number of sales. I must think thoroughly about it
- Tom: A good example of price emphasis is «loss leader» pricing. It means that you choose one item – let's say an electric razor – at a price just above the cost. The customers will come to your shop to buy this loss leader item. But since they are inside they can decide to buy a few other things they need.
- Dick: It sounds interesting. What other things can you tell?
- Tom: There is also off-even pricing. Let's say you sell a tape-recorder for \$ 69,95 instead of 70,00. Though it is in fact about the same, the low price can produce a favorable psychological effect.
- Dick: What are the other ways to attract the customers?
- Tom: First of all, remember that you are going to compete with well-known products, so you should start with specially low prices. It's important to advertise this. You should use newspaper ads, may be a radio spot, and may be do a big window and a floor display.
- Dick: It makes sense.
- Tom: And you can raise the price after your customers try a new brand get to know it and like it. They will continue to buy it.
- Dick: I see. And what is the price de-emphasis you mentioned before?
- Tom: It concerns high quality expensive items. Price de-emphasis means that you don't call attention to the price at all.
- Dick: I know, it concerns our fine jewelry department or designer fashions.
- Tom: Yes, I see you are going to do very well.
- Dick: Your suggestions seem to be very useful. Don't forget you have a discount on any shopping you do in my shop.
- Tom: In such a case I'll be back tomorrow with my wife.

Active Vocabulary

a location	місце знаходження
extra services	додаткові послуги
installation services	послуги з встановлення
to charge prices	встановлювати, призначати ціни
price emphasize	продаж товару за рахунок низької ціни
a price de-emphasis	спроба продажу товару не за рахунок низької ціни, а за рахунок інших факторів
a loss-leader item	товар, який продається по дуже низькій ціні, яка привертає увагу покупців
off-even pricing favorable psychological effect	ціна, яка не доходить до круглого числа та стимулює бажання покупця купити сприятливий психологічний ефект
to start with especially low prices	починати з особливо низьких цін
a new brand	нова марка товару
a high quality expensive item	високоякісний дорогий продукт

Exercise I Answer the following questions:

1. In what way were the prices charged in this country?
2. What is your idea of the term «market price»?
3. What type of pricing policy works with the majority of consumer goods (price emphasis, price de-emphasis)?
4. What is more preferable for you in pricing: low prices with extra services or high prices with home delivery, repair and other services?

Exercise II Transform the sentences according to the model:

Model: The tape recorder is inexpensive. Your store sells the tape recorder.

The tape recorder that your store sells is inexpensive.

1. The dresses are fashionable. The store introduced the new dresses last week.
2. The store has many refrigerators. Dick owns the store.
3. The stereo is high-priced. My daughter wants the stereo.
4. The price determines the number of sales. A retailer sets the price.
5. Very often the people don't want extra services. Many supermarkets offer extra services.

Exercise III Set your imagination free. You are a journalist and you are to interview the Minister of Finance about the price policy in this country. What questions would you ask?

3.2 Corporate Finance

Active Vocabulary

purchase	купівля, придбання
payment of expenses	сплата витрат
property	власність, майно
equity funding	акціонерний (пайовий) спосіб утворення грошового фонду
debt funding	утворення грошового фонду підприємства за допомогою займу
holders of the shares	власник акцій
a stock certificate	сертифікат акції
negotiable	обіговий, який може бути проданий, куплений
net assets	вартість майна за відрахуванням зобов'язань
a bond	боргове зобов'язання, облігація
a note	боргова розписка
interest	частка, фіксований відсоток
to pay out	сплачувати
to run a corporation	керувати корпорацією
an inflow	приплив
an outflow	відплив
an inventory	матеріально-виробничі запаси, інвентар
supplies	ресурси
a debt	борг
goods	товари

TEXT

Corporations need financing for the purchase of assets and the payment of expenses. The corporations can issue shares in exchange for money or property. Sometimes it is called as equity funding. The holders of the shares form the ownership of the company. Each share is represented by a stock certificate, which is negotiable. It means that one can buy and sell it. The value of a share is determined by the net assets divided by the total number of outstanding. The value of the share also depends on the success of the company. The greater the success, the more value the shares have.

A corporation can also get capital by borrowing. It is called debt funding. If a corporation borrows money, they give notes or bonds. They are also negotiable. But the interest has to be paid out whether business is profitable or not.

When running the corporation, management must consider both the outflow and inflow of capital. The outflow is formed by the purchase of inventory and supplies, payment of salaries. The inflow is formed by the sale of goods and services. In the long run the inflow must be greater than the outflow. It results in a profit. In addition, a company must deduct its cost, expenses, and losses on bad debts, interest on borrowed capital and other items. It helps to determine if the financial management has been profitable. The amount of risk involved is also an important factor. It determines the fund raising and it shows if a particular corporation is a good investment.

Exercise I Answer the following questions:

1. Why do all corporations need financing?
2. What does equity funding mean?
3. What does debt funding mean?
4. How is the value of a share determined?
5. What activities produce an inflow and outflow of capital?
6. What can happen if an enterprise has a greater outflow of capital than an inflow?
7. Why is the risk involved an important factor in determining fund raising?

Exercise II Select the necessary word:

- | | |
|---|------------|
| 1. ... funding is a financing formed by borrowing | equity |
| 2. They have borrowed much money and they have to pay a big ... | negotiable |
| 3. Financing by shares is called ... funding. | inventory |
| 4. That is a very profitable deal, for that purpose we need extra ... | funding |
| 5. You can sell your shares and ... They are ... | inflow |
| 6. The current assets of a company usually include cash and ... | bond |
| 7. As a result of this deal we'll have greater ... than outflow. | debt |

Exercise III Translate into English:

1. Наше підприємство потребує грошових фондів дня купівлі устаткування.
2. Я надаю перевагу акціонерному способу утворення грошового фонду підприємства.
3. Він залучає більшу кількість капіталу.

4. Акції та облигації можуть бути перепоступлені, куплені, продані.
5. Я хочу купити десятивідсоткові облигації.
6. Ми маємо намір виплатити всі борги до початку фінансового року.
7. Ти одержиш гарний прибуток за умови продажу цих товарів.
8. Він є співвласником компанії SONY.
9. Купівля акцій цієї компанії – гарний довгостроковий внесок.
10. Якщо мова йде про мої гроші, я вивчу річний звіт компанії.

Dialogue

Mary: It's so nice to see you, Frank. Sorry, I couldn't come to your office today.

Frank: Never mind. Have a seat. Let's start by having some coffee later.

Mary: So, Frank. I guess it might be right time for me to invest in that computer company. As my stockbroker, what can you suggest?

Frank: I am sure they are doing extremely well and they would welcome your investment.

Mary: But why do they need my investment if they are doing so well?

Frank: OK. I think I should explain you a little about a corporate finance.

Mary: Go ahead. If it concerns my money I am always interested.

Frank: If a corporate enterprise wants to expand it needs financing.

Mary: You are right.

Frank: So there are two basic types of financing: equity and debt.

Mary: What's the difference between them?

Frank: If the money is supplied by the owners of a business it is called equity funding. And the use of money supplied by loans is called debt funding

Mary: So as investor, what am I?

Frank: Well, as an investor you become a partial owner of a business and receive equity. You get shares or certificates of common stock which represent your portion of ownership.

Mary: You did right buying the stock for me. By the way, are any documents which show the financial state of the company?

Frank: Oh, yes. You've just reminded me. I've brought a copy of the company's Annual Report for you to look over. You should read it very carefully. And if you have something to ask, do please.

Mary: Thanks a lot, Frank. I will. Does this company pay dividends on its stock?

Frank: Yes, In fact, I studied their Annual Report and I can tell you that they have good management Their business is doing very well, the value of their stock has been rising. It can be an excellent long-term investment, I am sure.

- Mary: But if I want to sell my shares very soon?
 Frank: No problem. Undoubtedly you can make a profit on the sale. But it seems to me you'll want to keep this company in your portfolio.
 Mary: Thank you for your advice. You are wise as usual.
 Frank: Well, my advice now is to study the company's Annual Report. You need several days for that. Then we'll meet and talk again.

Active vocabulary

a stockbroker	біржовий маклер
if it concerns smth	якщо мова йде про що-небудь
a loan	позика
a partial owner	співвласник
annual report	річний звіт
to pay dividends	виплачувати дивіденди
a long-term investment	довгострокові внески
to make a profit on the sale	одержати прибуток при продажу

Exercise I Transform the sentences according to the model:

Model: How should the company pay the expenses? / borrow from the government/

The company should pay the expenses by borrowing from the government.

1. How can we form an equity funding? / issue shares /
2. How can a business sell more shares of stock? / offer a dividend /
3. How should we know about the financial state of the company? / look over the Annual Report /
4. How should he invest his savings? / buy common stock /
5. How should they make people buy their bonds? / increase the interest /
6. How can this company make a profit? / raise investment capital /

Exercise II Transform the sentences according to the model:

Model: It takes a month to sell the bonds.

You need a month to sell the bonds.

1. It will take a half of the year to pay off the debts.
2. It takes her several days to count up net assets.
3. It won't take the company much time to repay the loan.
4. It will take him the rest of his life to learn how to run the corporation.
5. It takes them two days to sell the goods.
6. It will take them much time to decrease the outflow.
7. It will take him a month to raise the capital.

Exercise III Answer the following questions:

1. What kind of funding is preferable: equity or debt?
2. What shares of what enterprises of your town would you buy? Explain why.
3. Imagine that your business is going to get capital funds by borrowing. What bond interest would you charge? Explain why.
4. What should you do to produce more inflow of capital?
5. How can you calculate the net assets of your enterprise?
6. What traits of character need a stockbroker?

SUPPLEMENTARY TEXTS

STRATEGY

Every organization needs to know where it is going and how it is going to get there. I do not believe it is possible to see much further than 1 year in advance as far as day-to-day occurrences go, but some things take a long time to build. If the strategy is to consolidate all the warehouses, this may take a couple of years because the leases need to be arranged, and so forth. There are really different kinds of strategies.

The senior people of the company need to go away from everything for 2 or 3 days and, perhaps under the guiding hand of a consultant, examine the strategy of the company. They need to look at its resources, its goals, and its customers and to examine all these things and lay them out in a nice neat order before deciding where they are going to go. It is a mistake just to sit and guess at where they want to go without realizing that getting there requires trained people, resources, and the market. Having put all this together, the group members can then determine what they would like to see happen several years from now, what they would like the company to look like, not only in terms of profitability and sales but in terms of employees, markets, and places of working. For instance, it might be desirable to have an international operation functioning in 5 years. Well, they can then backtrack from that goal and determine what building blocks will be necessary to make something happen 5 years from now.

Once the resources and goals are understood, the group can put together, piece by piece, the necessary products, people, and money to make it all happen. If it is apparent that these things are not available, then the strategy needs to be restructured. Every 6 months from then on, the group members should get together to see how things are coming and, to determine whether it is necessary to revise the strategy.

Once the initial strategy is laid out, it should be given to people in the next level of operation for their comments and inputs. After all, these are the people who actually have to implement the strategy, and it is necessary to have them «buy off» on it. It is not possible to have everybody in the company go away for a strategy meeting. Some people have to be left out. However, they do not have to feel that they are left out of implementing the strategy and contributing their inputs.

Once a strategy is complete, it should be documented rather informally, and everybody who has a part in it should receive a copy. This lets them all have a common language. One thing companies miss is that having done all this, they hire a new executive and don't bother telling that person about the strategy.

PARTNERSHIP

Partnership, in law, term applied to an association of two or more persons who have agreed to combine their labour, property and skill, or some or all of them, for the purpose of engaging in lawful business and sharing profits and losses between them; in this definition the term business includes every trade, occupation and profession. The parties forming such an association are known as partners. Partners may adopt a fictitious name or use a real family name, which must be registered. A partnership can be formed only by contract. Any number of persons may contract to form a partnership, and firms of partners may enter into partnership with one other. New member may be admitted into an existing partnership only with the consent of all the partners. The agreement of partnership is generally for a definite period of time or for a limited project; if no duration is specified, it is said to be a partnership at will, and can be terminated at any time by any partner. By agreement of the members, a partnership may be dissolved or terminated and the terms of the partnership agreement modified at any time. Death or bankruptcy of a partner, the insanity or misconduct of a partner and the end of the period fixed for the duration of the partnership also operate to terminate the partnership.

A partner acts as an agent of the firm in the conduct of its business. Authority to act depends not only on the express powers given to a partner by the partnership agreement, but also on the implied powers resulting from the partnership relation and the nature of the business conducted. In the case of a partnership formed to conduct a wholesale or retail business, for example, a partner has implied power to borrow money for trade purposes, to buy on cash or credit, to make contracts and negotiable instruments to hire employees, to pay debts and sell or mortgage property for that purpose, and to receive payment of debts owed the firm. A partner must, however, exercise the highest degree of good faith in all dealings with other partners, devote time and attention to the partnership business, and must account to the other partners for any secret profits made in the conduct of the partnership business. The liability of a partner for partnership debts is unlimited, except when the partner is a limited one in a limited partnership (that is, where the liability for the company's debts and losses is limited), organized in accordance with the provisions of a statute permitting such limitation of liability. The partnership agreement may contain provision for dissolution or expulsion of a partner; the expulsion powers must be exercised in good faith. The death of a partner, unless the agreement provides otherwise, terminates the partnership. When the owners of the partnership have unlimited liability they are called general partners. If partners have limited liability they are «limited partners». There may be a silent partner as well – a person who is known to the public as a member of the firm but without authority in management. The reverse of the silent partner is the secret partner – a person who takes part in management but

who is not known to the public. Any business may have the form of the partnership, for example, in such professional fields as medicine, law, accounting, insurance and stockbrokerage. Limited partnerships are a common form of ownership in real estate, oil prospecting, quarrying industries, etc.

Partnerships have more advantages than sole proprietorships if one needs a big capital or diversified management. Like sole proprietorship they are easy to form and often get tax benefits from the government.

Partnerships have certain disadvantages too. One is unlimited liability. It means that each partner is responsible for all debts and is legally responsible for the whole business. Another disadvantage is that partners may disagree with each other.

CAPABLE MANAGEMENT

Perhaps more than any other factor, competent management stands out as the most important ingredient in business success. The people you place in key positions are crucial in determining the health and viability of your business. Moreover, their apparent experience and skills often determine whether your business plan is acted upon favorably by investors or banks.

Because of the significance of management to business success, many venture capital firms place the single greatest emphasis on this factor when deciding on their investments, and they review the management section of a business plan with special scrutiny. Your business plan must inspire confidence in the capabilities of your management.

Before submitting your business plan to investors, conduct your own analysis of your management team. Evaluate each individual (and yourself) to see if he or she fits the profile of a successful manager. Some of the traits shared by successful managers are:

Experience. They have a long work history in their company's industry and / or they have a solid management background that translates well to the specifics of any business in which they become involved.

Realism. They understand the many needs and challenges of their business and honestly assess their own limitations. They recognize the need for careful planning and hard work.

Flexibility. They know things go wrong or change over time, and they are able to adapt without losing focus.

Ability to Work Well with People. They are leaders and motivators with the patience necessary to deal with a variety of people. They may be demanding, but they are fair.

In developing your own business plan, determine whether key members of your management team, possess these characteristics. If not, perhaps you can increase training, add staff, or take other measures to enhance your

management's effectiveness. For instance, if you have little or no experience in your chosen field, perhaps you should first take a job with an existing company in that field before opening your own business.

MANAGING

1. A good manager is a leader, not a boss. A boss gives orders, and workers obey because they have to, but that's all they do. When a leader maintains high activity standards by educating, directing and supporting people and sets examples more than is required.

2. Workers in boring jobs do better under a flexible, considerate boss than one who forces their «noses to the grindstone» but those doing more complex, less clearly defined jobs often function better under an authoritarian. Theory: when work is stressful, employees welcome orders and structure.

A smiling boss makes for a happy and more productive employee. Research from the Journal of Applied Psychology suggests that a boss who gives explicit instructions with a smile get more results than one who barks out orders.

Caution: smiles without specific instructions will only result in relaxed but confused workers.

3. Respect the people who answer to you. Handing out a public scolding may make you feel important and powerful, but no executives stay on top for long without the loyalty of their employees. Criticize in private.

4. When you are the owner, remember that it's the people on the line – in the plant and out with the sales forces – which are doing the work that makes the company run. Get out of your office to see how they are doing.

5. One perk that comes with being in business for yourself is the freedom to come and go as you choose. You may put in 14-hour days, but if you need a few hours for a personal or family matter, you don't have to ask anyone's permission. It's best to be discreet when you're leaving the office for personal reasons. The reason: employees may resent that they can't do the same, and might question your commitment to the business. The result could be a drop in employee morale and increase problems with excessive absences and lateness.

6. When you have got a tough decision to make, don't just ask for opinions. Ask for facts. When you have all the facts, many decisions become automatic.

7. When you schedule a meeting with your employees, plan to keep it brief by scheduling it for the hour or half-hour before lunch. There will be fewer digressions from the topic if staff members are eager to get out for a meal.

8. Don't impose your social life on the social lives of your employees, he'll take it as an imposition and see it as a sign of weakness. They'll think you

need them to stress your importance even away from the office. You should develop a rewarding social life that's completely separate from business life.

9. Don't go into business with friends. It's almost impossible to keep business decisions from negatively affecting personal relationships.

10. Business owners who frequently join in after-hours socializing with employees can put themselves into a no-win situation. Subordinates observe what owners do and what is said. And in the social surroundings, it is easy to send the wrong message. Chains of command, reporting relationships, and routine office procedures can break as employees lose respect for the superior's status.

Occasional socializing with employees, still, is beneficial. It allows the owners to reveal their human side – or to provide special recognition. But when allowed to become a regular occurrence, it can turn into an unwanted substitute for normal office organizational structure.

11. Never hire your in-laws. They aren't relatives and they aren't employees. They are somewhere in the «twilight zone».

12. Good activity is very hard to get from the average worker unless they:
Know specifically what is expected.

Get immediate feedback on their activity.

Are rewarded for doing well (with money, praise, recognition or specially pleasant tasks).

13. Symptoms of poor delegators:

Working longer hours than your workers.

Taking work home almost every day.

Having no time for a social life and educational or professional divides.

14. Less painful firing. Tell employees they are good at what they do, but those skills don't match the company's current needs. Be brief and fair. End by offering support in the job search.

15. Don't let employees who are quitting pick their replacements. They'll probably choose someone less capable; either to make themselves look good or leave the door open if they ever want to come back. Don't let them write the job specifications, either. They'll make the job sound much harder than it really is.

16. Secretaries can be most useful when they:

Always know where to reach you, even during short absences.

Know who your contacts are and what they do, so that they can prevent unnecessary delays.

Handle routine correspondence, either personally or by preparing it for your signature.

Understand the reasons for their duties, and have the opportunity to develop more advanced skills, including the option of taking work time to attend courses or seminars.

17. Have each of your managers write a goal paper for the next 6 months, twice a year. It should include exactly what they are trying to do, what must be

done to reach the goals, and the projected problems to obtaining them—showing those that can be solved within their area and those that will require help in solving.

The paper should also review the plans for the previous 6 months, the achievements, the effects on company goals, and what was not done and why.

18. If you permit ex-employees to come back as part-timers or consultants, consider the effect on morale. Full-time employees may get the idea that the way to get the flexibility or freedom they want is to quit.

19. New clothes and shiny shoes on employees who normally dress more casually often show that they are job-hunting. Another sign: someone who lacks clerical duties begins to write letters and use the office copier, especially during lunch hour.

20. Treat the person who brings you unpleasant news just as well as the one who bears good tidings. If bad news is met with a cool reception, people will eventually stop bringing it to you.

21. Golden rule of discipline: 95 % of employees pose no significant discipline problems. Deal with the problem 5 % firmly, but fairly. Common fear: that setting up a formal disciplinary system will cause uproar among employees. Reality: the trouble-free 95 % usually welcome it.

22. Hire older workers. They have less absenteeism, display sounder judgment, are more loyal and reliable and on average are more satisfied with their jobs than younger employees. Tap into this vast resource by hiring older employees as permanent part-timers and rehiring the company's retirees as consultants. When training older workers:

- Make use of their current skills and experience. Allow these workers opportunities to share their experience with younger workers;
- Be patient. The speed at which people learn, decreases with age. An older worker may need to have a new idea explained or to practice a new task several times before learning it completely;
- Allow for uniqueness. Provide older workers with alternative methods of learning so they can choose a method they are comfortable with;
- Tailor training to the worker's educational level.

TIME MANAGEMENT

Do you suffer from the double whammy of «not enough time / not enough energy» to do everything that needs doing?

Define your goals. What do you want to be doing 1 year from now? 5 years from now?

Use these goals to decide your priorities.

Review your daily routine by keeping a detailed log for a week. This will blueprint your time and energy patterns. Do you:

Allow too many interruptions?

Start a second task before finishing the first?

Oversee every detail of your employees' jobs?

Follow the same procedures without thought of changing?

Continue to shoulder the same responsibilities you had when you started your business, though you've added staff?

Spend lots of time on low-priority matters?

When you match that, survey of your habits to your business goals, decide where you can cut down your activities.

After you've made your adjustments, put on the finishing touches:

- Use a tickler file to organize work, save time and eliminate desk clutter.

The file is merely a set of manila folders numbered for each day of the week;

- Place the folders in your desk, or in a file cabinet nearby;

- If you can't immediately act on any piece of paper it should be placed in the future folder;

- Each day, go through the current file. If you can't dispose of an item that day, it goes into the future folder.

Do certain kinds of work on specific days. Just drop the suitable material into the appropriate folders as it arrives at your desk (e.g., materials for regularly scheduled meeting).

Schedule 20 % of your workday without any set of activities. This leaves room for crises that might arise and if there are none, it gives you time to concentrate on your routine work. Important things are seldom urgent, urgent things are seldom important. When faced with many problems to solve, ask yourself which are important, and then make them your priority.

The disorganized boss is the biggest productivity problem in the office, making employees respond to sudden demands, taking them away from their regular work, and causing obstacles.

Any operations that have stayed the same for the last 20 years are guaranteed to be unprofitable. After 5 years, there's an 80 % probability there is a better way to do something. Even anything older than one year is worth examining. Productivity gains are simply a matter of asking regularly: why do it this way?

Managers often have difficulty spotting problems in their department, but are likely to see same flaw elsewhere. Encourage supervisors to visit other departments and competing businesses, when possible. They will get a better lookout on their area and often find solutions that can readily apply.

Acid test for a messy desk: if you can find what you are looking for in 3 minutes, no action is necessary. Some executives work efficiently and well when their desks are buried under paper.

Do not write notes on scraps of paper. It is one way to lose them. Write everything on the same size of paper. Use notebook, which are easier to keep neat than tile folders.

Keep sharp by attending some seminars, classes or training at least once a year, no matter how high up in the company you are.

Purpose: to get a fresh outlook and new insights, not necessarily to improve specific skills.

Make phone calls early in the morning. Advantages: reach others when they are planning their days and to do lists.

BE RESOURCEFUL

Often the best marketing vehicles are not the most obvious or the most expensive. A large ad in a specialty publication may prove far more effective and less expensive than a small one in a general newspaper.

A well-stocked public library can be an excellent source of marketing information. In particular, you may want to consult the Standard Rate and Data Service to find names and prices of specialty and general publications.

To find information on trade shows, refer the Trade Shows and Directory. Trade Show to books, such as Professional Exhibits and Exhibit Schedule; or Trade Show Week Data Book.

If you are marketing to businesses, identify potential customers for direct mail or telemarketing efforts through the Thomas Register, an invaluable source similar to a giant, national *Yellow Pages* directory.

Some of the marketing vehicles you may choose include:

- *Brochures*. Leaflets, flyers, or other descriptive circulars; these are particularly useful for service businesses;
- *Print media*. Newspapers, magazines, and specialty publications;
- *Broadcast media*. Radio can be targeted to specific markets; television can be expensive, especially on network stations;
- *Advertising Specialties*. Items imprinted with the company name given to customers, e.g., calendars, caps, desk sets, and gifts;
- *Direct Mail*. Flyers, catalogues, brochures, and coupons;
- *Public Relations*. Free feature and news articles in the media and other publicity, usually secured by public relations specialists;
- *Sampling*. Distribution of free product samples, or coupons entitling recipients to free or discounted samples of your product or service;
- *Informal Marketing / Networking*. Activities such as joining organizations, public speaking, or attending conferences.