

МИНИСТЕРСТВО СЕЛЬСКОГО ХОЗЯЙСТВА
И ПРОДОВОЛЬСТВИЯ РЕСПУБЛИКИ БЕЛАРУСЬ

ГЛАВНОЕ УПРАВЛЕНИЕ ОБРАЗОВАНИЯ,
НАУКИ И КАДРОВОЙ ПОЛИТИКИ

Учреждение образования
«БЕЛОРУССКАЯ ГОСУДАРСТВЕННАЯ
ОРДЕНОВ ОКТЯБРЬСКОЙ РЕВОЛЮЦИИ
И ТРУДОВОГО КРАСНОГО ЗНАМЕНИ
СЕЛЬСКОХОЗЯЙСТВЕННАЯ АКАДЕМИЯ»

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АНГЛИЙСКИЙ ЯЗЫК

BANKING AND FINANCE

Пособие

для студентов, обучающихся по специальностям

1-25 01 08 Бухгалтерский учет, анализ и аудит,

1-25 01 04 Финансы и кредит

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Приведены задания и упражнения для обучения чтению оригинальной литературы по специальности. Предтекстовые и послетекстовые упражнения способствуют закреплению лексических единиц и развитию речевых навыков студентов.

Для студентов, обучающихся по специальностям 1-25 01 08 Бухгалтерский учет, анализ и аудит, 1-25 01 04 Финансы и кредит.

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ВВЕДЕНИЕ

Данное пособие предназначено для студентов 1-го курса факультета бухгалтерского учета, обучающихся по специальностям 1-25 01 08 Бухгалтерский учет, анализ и аудит, 1-25 01 04 Финансы и кредит.

Пособие состоит из десяти уроков, которые содержат оригинальные тексты по специальности. Их цель – научить студентов чтению профессионально-ориентированной литературы. Каждый из десяти разделов пособия содержит поурочный словарь, упражнения лексического характера, целью которых является усвоение специальной лексики урока, тексты с заданиями, при помощи которых осуществляется контроль понимания прочитанного.

Кроме того, в конце данного пособия приводится краткий терминологический словарь, который облегчит студентам работу над текстами и при выполнении упражнений. Пособие может использоваться как для аудиторной, так и для самостоятельной работы.

Unit 1. BANK – THE BASICS

Ex. 1. Before reading the text learn the following words.

- 1) profit – прибыль, доход
- 2) coin – монета
- 3) note = bank note – банкнота, банковский билет
- 4) bill – 1) счёт, 2) *амер.* банкнота, купюра
- 5) bank of issue – эмиссионный банк
- 6) deposit [dɪ'pɒzɪt] – депозит, депозитный вклад (в банке)
- 7) cash machine / cash dispenser (an “ATM” – automated teller machine) – 1) банкомат 2) счётчик купюр
- 8) PIN number (personal identification number) – личный код счета (ПИН-код)
- 9) legal tender – законное платёжное средство
- 10) ancillary [æn'sɪləri] – вспомогательный, добавочный
- 11) stock broking – перепродажа акций
- 12) interest – проценты (на капитал)
- 13) charge for smth – установленная плата/цена за что-либо
- 14) overdraft ['əʊvədra:ft] – превышение кредита (в банке)
- 15) fee [fi:] – вознаграждение, гонорар (за какие-либо услуги)
- 16) make a loan – получить заем
- 17) savings account – сберегательный счёт
- 18) checking account – текущий чековый счёт (с которого снимаются деньги по чекам клиента)
- 19) extend a loan – предоставлять кредит
- 20) cash [kæʃ] – наличные деньги, наличный расчёт
- 21) wire transfer – телеграфный перевод (денег)
- 22) bank cheque/cashier's check – банковский чек
- 23) debit card – платёжная/дебетовая карточка
- 24) bank roll – пачка банкнот
- 25) branch = branch office, = branch establishment – отделение, филиал
- 26) instalment [ɪn'stɔ:lmənt] – часть долга, очередной взнос



Bank – the basics

A **bank** is a business that provides banking services for profit. Traditional **banking services** include receiving deposits of money, lending money, and processing transactions. Some banks (called Banks of Issue) issue

banknotes as legal tender. Many banks offer ancillary financial services to make additional profit; for example: selling insurance products, investment products, or stock broking. Traditionally, a bank generates profits from transaction fees on financial services and from the interest it charges for lending. In recent history, with historically low interest rates limiting banks' ability to earn money by lending deposited funds, much of a bank's income is provided by overdraft fees and riskier investments.

In most jurisdictions the business of banking is regulated and banks require permission to trade. Authorization to trade is granted by bank regulatory authorities and provide rights to conduct the most fundamental banking services such as accepting deposits and making loans. There are also financial institutions that provide banking services without meeting the legal definition of a bank.



Banks have a long history, and have influenced economies and politics for centuries. The development of **central banks**, responsible for the monetary policy of their country and with supervisory powers over banks, ensures that financial institutions do not behave recklessly or fraudulently. In most countries, the central bank is state-owned and has a minimal degree of autonomy to allow for the possibility of government intervention in **monetary policy**.

While commercial banks serve individuals and businesses, facilitating the flow of money and thus supporting economic transactions, the central bank's function is to maintain economic stability by storing and regulating the flow of money, much as various organs in the human body regulate the production and flow of blood, including the production and flow of red and white blood cells, to support the health of the body as a whole. Historically, the body of human society has suffered ill-health, as has its economic system, including the collapse of several banking systems. As humankind develops greater maturity and a peaceful world of harmony and co-prosperity is established, the economic system, including the banking system, will enjoy greater health.

Services typically offered by banks

Although the type of services offered by a bank depends upon the type of bank and the country, services provided usually include:

1. Taking deposits from their customers and issuing checking and savings accounts to individuals and businesses.

2. Extending loans to individuals and businesses.
3. Cashing cheques.
4. Facilitating money transactions such as wire transfers and cashier's checks.
5. Issuing credit cards, ATM cards, and debit cards.
6. Storing valuables, particularly in a safe deposit box.
7. Cashing and distributing bank rolls.

Financial transactions can be performed through many different channels:



1. Branch
2. ATM (An automatic teller machine)
3. Mail
4. Telephone banking
5. Online banking

Ex. 2. Add the word “bank” or “banking” either before or after each of the words below.

- | | |
|----------------------|---------------------|
| 1) ...account... | 10) ...merchant... |
| 2) ...balance... | 11) ...note... |
| 3) ...central... | 12) ...off-shore... |
| 4) ...clerk... | 13) ...retail... |
| 5) ... commercial... | 14) ... robbery ... |
| 6) ...deposit... | 15) ...savings... |
| 7) ...holiday... | 16) ...statement... |
| 8) ...investment... | 17) ...system... |
| 9) ...manager... | 18) ...wholesale... |

Ex. 3. Put the correct word in each space.

*account _ back _ banknotes _ borrowed _ change _ coin _ currency _
earn _ lent _ note _ salary _ spend _ sum _ wages _ waste _ win*

1. In the USA, "quarters" (25 cents) and "dimes" (10 cents) are types of _____.
2. In the United Kingdom, "a tenner" means a ten pound _____.
3. The US dollar, the Yen and the Euro are types of _____.
4. Hundred dollar bills and twenty pound notes are _____.
5. 2,000,000 Swiss francs is a large _____ of money.
6. I need to _____ some Euros into Australian dollars.
7. My friend _____ a hundred pounds from me.

8. I _____ a hundred pounds to my friend. When she can, she'll pay me _____

9. I buy a lottery ticket every week, but I never _____ anything.

10. Most dentists _____ at least £30,000 a year.

11. _____ are paid to employees weekly. _____ are paid to employees monthly.

12. In business, you have to _____ money to make money.

13. A: Do you have a bank _____?

B: Yes. I bank with the Bank of Scotland.

14. In my opinion, eating in expensive restaurants is a _____ of money.

Ex. 4. Match the words on the left with the words on the right.

1. a small	a. a profit
2. an income	b. amount of money
3. donate	c. cash
4. high	d. cost of living
5. make	e. credit card
6. pay by	f. losers
7. pay in	g. money to charity
8. winners and	h. of £25,000 a year

Ex. 5. Choose the correct word.

1. Spain now uses the euro. Pesetas are no longer _____.

a. good money **b.** legal money **c.** legal tender

2. I bought a TV which doesn't work. I'll take it back to the shop to get _____.

a. my money returned **b.** a refund **c.** a repayment

3. In a shop, to get a refund, you usually have to show the _____.

a. receipt **b.** recipe **c.** payment ticket

4. I'm paying for my new car in 36 monthly _____.

a. instalments **b.** pieces **c.** parts

5. I earn a lot of money, but I have a lot of _____.

a. payouts **b.** expenses **c.** paying

6. Famous paintings are usually sold by _____.

a. bid **b.** highest price **c.** auction

7. In an auction, the item is sold to the person who makes the highest _____.

a. bid b. price c. offer

8. In Japan, the US dollar is _____.

a. foreign money b. strange money c. a foreign currency

9. In Britain, it's not usual to discuss your personal _____

a. money b. finances c. money arrangements

10. You can _____ a house and _____ a car.

a. hire / rent b. hire / hire c. rent / rent or hire

11. Here's the fifty dollars I _____.

a. owe you b. pay you back c. must return

12. The best things in life are _____.

a. free b. not for sale c. not bought and sold

Ex. 6. Find the opposites of these words:

1. spender / _____

2. borrower / _____

3. winnings / _____

4. losses / _____

5. high prices / _____ prices

6. sellers / _____



Ex. 7. Read and translate the text using a dictionary.

**JOINT STOCK COMPANY "SAVINGS BANK "BELARUSBANK"
Minsk**



Belarusbank's position in the financial community.

Belarusbank is the largest systemically important bank of the Republic of Belarus, part of the banking system of the country.

The Bank's strategy is based on the Program for Social and Economic Development of the Republic of Belarus, major provisions of the Program for Development of the Banking Sector of the Republic of Belarus, and the Guidelines for the Monetary Policy of the Republic of Belarus.

Belarusbank traditionally aims to meet the demand of the public for banking products. The extensive network of the Bank's outlets makes its services available for each citizen of the Republic of Belarus.

As a major universal credit institution of the country, the Bank provides

loans to the real sector of the economy, makes its contribution to the implementation of government programs and large-scale investment projects in the Republic of Belarus.

The goals and tasks of Belarusbank.

The main goal of Belarusbank is to ensure its sustainability and effective performance.

To achieve this goal, the Bank is to meet the following tasks:

to ensure a growth of profit, to increase the profitability of the Bank, to ensure a growth of income for its shareholders based on a balanced growth of the Bank's economic performance;

to build an effective system of providing high-quality banking products and services fully meeting the customers' needs;

to enhance the internal control system, to improve the quality of risk management, to ensure a proper level of the Bank's reliability;

to impose high professional demands on the Bank's personnel and to tap the potential of each employee;

to make a substantial contribution to the development of the banking system of the Republic of Belarus;

to expand long-term mutually beneficial relations with international financial institutions and to improve the image of the Bank in the world financial community.

Unit 2. BANK ORGANIZATION

Ex. 1. Before reading the text learn the following words.

- 1) to determine – определить
- 2) to conduct business – вести дело
- 3) to make a profit – получать прибыль
- 4) to provide services – оказывать услуги
- 5) central bank – центральный банк
- 6) development bank – производственный банк
- 7) to increase the economic growth – увеличивать экономический рост
- 8) to raise the living standard – повышать жизненный уровень
- 9) commercial bank – коммерческий банк
- 10) to earn a profit – получать прибыль
- 11) to yield a profit – приносить прибыль (давать прибыль)
- 12) to assess – оценивать, определять
- 13) wholesale banking – операции крупных банков между собой

- 14) retail banking – операции банков с широкой клиентурой
- 15) payment – платеж, оплата
- 16) to generate a profit – порождать (вызывать) прибыль
- 17) to achieve – достигать
- 18) competition – конкуренция, соревнование
- 19) to acquire – приобретать, покупать
- 20) to extend a branch network – расширять сеть филиалов
- 21) to establish correspondent relationships – устанавливать корреспондентские связи
- 22) profitable joint operations – прибыльные совместные операции

Bank organization

The way in which a bank is organized and operates is determined by its objectives and by the type of economy in which it conducts its business. A bank may not necessarily be in business to make a profit. **Central banks**, for example, provide a country with a number of services, while **development banks** exist to increase the economic growth of a country and raise the living standard of its population. On the other hand, the aim of **commercial banks** is to earn profits. They therefore provide and develop services that can be sold at a price that will yield a profit.



A commercial bank which provides the same range of services year after year is less likely to be successful than one which assesses changes in the demand for its products and which tries to match products to its customers' needs. New services are constantly being introduced and developed by commercial banks, and the full-service philosophy of many banks means that they are akin to financial supermarkets, offering a wide variety of services. However, not every bank may want to offer every kind of financial service.

Many banks offer a combination of **wholesale** and **retail** banking. The former provides large-scale services to companies, government agencies and other banks. The latter mainly provides smaller-scale services to the general public. Both types of banking, however, have three essential functions, which are:

- 1) deposits;
- 2) payments;
- 3) credits.

These three functions are the basis of the services offered by banks. They make it possible for banks to generate profits and to achieve their operating aims.

Several factors have combined to make banking an international business. These include the growth of multinational companies and of international capital markets, the increased competition between the banks themselves, and important improvements in communications and transportation. The major banks of the world have established extensive international operations by acquiring banks in other countries, by extending their own branch network abroad and by establishing correspondent relationships with foreign banks so as to develop profitable joint operations. The operations of these major commercial banks are dynamic and rapidly changing, and their organization is of a global nature.

Ex. 2. Answer the following questions.

1. What does a bank organization and operation depend on?
2. What three types of banks do you know?
3. Do central banks provide a country with a number of services?
4. What is the aim of development banks?
5. What is the aim of commercial banks?
6. What does the full-service philosophy of many banks mean?
7. How can you explain the difference between wholesale and retail banking?
8. What three essential functions have both types of banking?
9. Why are these functions very important for bank operation?
10. What factors make banking an international business?
11. How have the major banks of the world established extensive international operations?

Ex. 3. Match the formal phrases on the left with the informal phrases on the right.

- | | |
|-------------------------------------|---|
| 1. I deposited some money. | a. The money's been sent. |
| 2. I withdrew some money. | b. I paid in some money. |
| 3. The funds have been transferred. | c. It goes out of my account every month. |
| 4. My account is overdrawn. | d. I went to a cashpoint. |
| 5. It's paid by standing order. | e. I took out some money. |
| 6. My account was debited. | f. I'm in the red. |
| 7. My account was credited. | g. I checked my balance. |
| 8. I used an ATM. | h. It went into my account. |
| 9. I made a balance enquiry. | i. It went out of my account. |

Ex. 4. Choose the necessary word and put it in the sentence.

1. New ... are constantly being introduced and developed by commercial banks.	1. competition
2. Development banks exist to increase the economic growth of a country and ... the living standard of population.	2. services
3. The aim of commercial banks is to provide and develop services that can be sold at ... that will yield a profit.	3. raise
4. Many banks offer a combination of wholesale and ... banking.	4. a price
5. The wholesale banking provides services to companies and other banks.	5. payments
6. The retail banking provides ... services to the general public.	6. large-scale
7. Deposits ... and credits are the basis of the services offered by banks.	7. retail
8. The increased ... between the banks contributes to the development of international business.	8. smaller-scale

Ex. 5. Translate into English.

1. Существуют различные виды банков в зависимости от их целей и типа экономики, в которой они ведут дела.

2. Производственные банки существуют для того, чтобы поднимать экономику страны и жизненный уровень населения.

3. Основная цель коммерческих банков состоит в том, чтобы заработать прибыль.

4. Успех банка зависит от того, насколько он оценивает (исследует) спрос на свои услуги и пытается удовлетворить нужды своих клиентов.

5. Сочетание нескольких факторов делают банковское дело международным бизнесом.

Ex. 6. Put up five questions of different types (general, special (2) disjunctive, alternative) to each sentence.

Model: Central banks provide a country with a number of services.

a) Do central banks provide a country with a number of services?

b) Do central banks provide a country or an office with a number of services?

c) What do central banks provide a country with?

d) Who provides a country with a number of services?

e) Central banks provide a country with a number of services don't they?

1. New services are constantly being introduced by central banks.
2. Every year this bank offers a wide variety of services.
3. The operations of the major commercial banks are rapidly changing.

Ex. 7. Choose the correct words.

Grimleys Bank Open an account today!

Open an account with Grimleys Bank, and start benefiting from our great ¹ *rates / levels* of interest and ² *small / low* charges. With over 3,000 ³ *branches / outlets*, you'll never be far from us, and unlike many other ⁴ *high street / town centre* banks, we're open all day on Saturdays.



Grimleys customers can ⁵ *take money / make withdrawals* from more than a million ⁶ *cash dispensers / money machines* worldwide, and of course you'll receive a ⁷ *cheque book / book of cheques* and a ⁸ *paying card / debit card* within a few days of opening your account.

Computer-users may be interested in our e-account - all the benefits of a regular Grimley's ⁹ *current / day-to-day* account, with the added convenience of being able to view your ¹⁰ *lists / statements* and ¹¹ *make / do* payments online.

Whether you're opening your first current account, ¹² *switching / changing* from another bank or simply want to take advantage of our ¹³ *range / variety* of savings accounts, you'll be glad you chose Grimleys – the bank that always ¹⁴ *makes / puts* the customer first.

Ex. 8. Read and translate the text using a dictionary.

**CODE OF CORPORATE GOVERNANCE JOINT STOCK
COMPANY “SAVINGS BANK “BELARUSBANK” Minsk**

The Code of Corporate Governance of Joint Stock Company “Savings Bank “Belarusbank” (hereinafter “The



Code”) is a set of rules and recommendations to be followed by Belarusbank (hereinafter “The Bank”) in carrying out its activities to ensure a high level of business ethics in relationships with economic agents in domestic and international markets, as well as inside the Bank.

The goal of the Code is to improve the system of corporate governance as a tool to protect the rights and interests of shareholders, to enhance the Bank’s performance, to strengthen its authority, and to keep up confidence both on the part of shareholders and customers, and the Bank’s employees.

The Code is based on the OECD Principles of Corporate Governance, the Guidance of the Basel Committee on Banking Supervision on Enhancing Corporate Governance for Bank Organizations, General Instructions on Activity against Money Laundering in Private Bank Sector (Wolfsberg Principles), 40 + 9 Recommendations of the FATF Ad Hoc Group on Financial Measures, Law of the Republic of Belarus “On Business Companies”, the Code of Rules for Corporate Governance recommended by the Ministry of Finance of the Republic of Belarus.

Corporate governance means general management of the Bank’s activities by its shareholders’ general meeting and the Supervisory Board, and includes the complex of relations with the Bank’s executive bodies and other parties concerned (employees, lenders, depositors, other customers, counterparties, partners, including international financial organizations).

The principles and norms set out in the Code are mandatory for all of the Bank’s employees regardless of their position and are to be treated as a guide for their everyday professional activities.

The approaches described in the Code lay the foundation for internal procedures, rules and documents contributing to designing the mechanisms, conditions and ways of implementing the principles set out in the Code.

The decisions made by the Bank’s shareholders and managers should not be in conflict with the rules established by the Code.

The provisions of the Code are recommended for compliance by all of the Bank’s unitary enterprises and subsidiaries.

Unit 3. BANK PERFORMANCE

Ex. 1. Before reading the text learn the following words.

- 1) sophisticated accounting system – испытанная система бухгалтерского учета
- 2) double entry – двойная бухгалтерская запись (проводка)
- 3) transaction – операция, сделка
- 4) to enter – вносить, заносить
- 5) credit – кредит(приход)
- 6) debit – дебет(расход)
- 7) deposit (to deposit) – вклад (вкладывать)
- 8) to represent – представлять
- 9) asset – активы, капитал, фонды
- 10) liability – правая сторона счета (пассив)
- 11) balance sheet – балансовый отчет
- 12) profit account – счет прибылей
- 13) loss account – счет убытков
- 14) portfolio of loans – общая сумма дебиторской задолженности, портфель выданных займов
- 15) to constitute – составлять, являться
- 16) cash on hand – кассовая наличность
- 17) money in vaults – деньги в хранилище
- 18) fixed assets – недвижимость
- 19) payable – подлежащий оплате
- 20) return on investments – прибыль на инвестиции
- 21) to lend – давать займы
- 22) salary – жалованье, оклад
- 23) benefit – пенсия, пособия
- 24) statutory requirements – требования, установленные законом
- 25) to run business – вести дело
- 26) safety – надежность
- 27) liquidity – ликвидность
- 28) to owe – быть должным, задолжать
- 29) item – статья
- 30) success – успех

Bank performance



Banks necessarily use sophisticated accounting systems to record as clearly as possible what the financial situation of the bank is. Normally such a system is based on the principle of the double entry, which means that each transaction is entered twice, as a credit in one account and as a debit in another account. If we deposit \$100 with a bank, for example, the bank enters a debit for the receiver and a credit for the giver. The former represents an asset to the bank, since it is a sum of money at the bank's disposal, as well as a liability, since it will one day have to be repaid.

The balance sheet of a bank gives us a view of its financial situation at one point in time, usually 31 December of a particular year. But we do not know what has happened between two balance sheets. This information is provided by the profit and loss account for the period in question. Neither statement is exactly uniform from bank to bank, but both contain certain essential features.

The largest asset of a bank is normally its total portfolio of loans. Deposits usually constitute the largest liability. Balance sheets usually include the following items listed as assets:

- Cash on hand and due from banks-money in vaults, balances with other banks, cheques in process of collection.
- Investments - bonds, shares, etc.
- Loans - to companies, the general public, etc.
- Fixed assets - buildings, equipment, etc.

Items listed in the balance sheet as liabilities are:

- Deposits - all money owed to depositors.
- Taxes payable - national and local.
- Dividends payable - decided on, but not yet paid.

The profit and loss account records the income of a bank, and here, typically, the items in order of size are:

- interest on loans;
- return on investments;
- fees, commissions, service charges.

The granting of credit provides the largest single source of bank income. Typically, two thirds of an American commercial bank's yearly earnings

result from interest on loans. Nine out of every ten dollars they lend come from depositors' funds.

The following items normally constitute the main expenses in a bank's profit and loss account, again in typical order of size:

- interest paid;
- salaries and other benefits;
- taxes.

A bank's accounting systems, then, are designed to record and present the many transactions that take place every day. Substantial reserves over and above statutory requirements are an indication to customers of the bank's strength, that it has run its business well and has retained profits in the business for future operations. Profitability indicates the effectiveness of a bank's performance and how well it has managed the resources under its control. Published figures thus provide some essential data on the liquidity, safety and income of a bank.

Ex. 2. Answer the following questions.

1. What systems do banks use to record the financial situation of the bank?
2. What does the principle of double entry mean?
3. What is an asset of a bank?
4. What is a liability of a bank?
5. What information does the balance sheet of a bank give us? 6What assets items do balance sheets include?
6. What liabilities items do balance sheets include?
7. The income of a bank is recorded in the profit and loss account, isn't it?
8. What items constitute the expenses in the bank's profit and loss account?
9. What are bank's accounting systems designed for?

Ex. 3. Choose the necessary word and put it in the sentence.

1. Banks use sophisticated accounting systems ... as clearly as possible the financial situation of the bank.	1. data
2. If we deposit some sum money with a bank, for example, the bank . a debit for the receiver and the credit for the giver.	2. the transactions
3. The largest asset of a bank is usually its total portfolio of	3. to record
4. Profitability ... how well the bank has managed the recourses under its control.	4. enters

5. A bank's accounting systems are designed to record and present ... that take place every day.	5. loans
6. Published figures provide some important ... on the liquidity, safety and income of a bank.	6 indicates

Ex. 4. Translate into English.

1. Балансовый отчет банка дает картину его финансового состояния на данный момент времени (обычно на 31 декабря текущего года).
2. Счета прибылей и убытков не являются единичными для всех банков, но оба содержат определенные основные черты.
3. Счет прибылей и убытков регистрирует доход банка.
4. Самый крупный единый источник дохода банка обеспечивается выделением кредита.
5. Системы бухучета представляют основные данные о ликвидности, надежности и доходе банка.

Ex. 5. Put up 5 questions of different types (general, special (2), disjunctive, alternative) to each sentence.

Model: Such system is based on the principle of the double entry.

- a) Is such system based on the principle of the double entry?
- b) Is such system based on the principle of the double or single entry?
- c) What principle is such system based on?
- d) What is based on the principle of the double entry?
- e) Such system is based on the principle of the double entry, isn't it?

1. The balance sheet gives a view of the bank's financial situation.
2. Banks use accounting systems to record the financial situation of the bank.
3. Profitability indicates the effectiveness of a bank's performance.

Ex. 6. Read and translate the text using the dictionary.

Money and income

Currency

The money used in a country – euros, dollars, yen, etc. – is its currency.

Money in notes (banknotes) and coins is called cash. Most money, however, consists of bank deposits: money that people and organizations have in bank accounts. Most of this is on paper – existing in theory only – and only about ten per cent of it exists in the form of cash in the bank.



Personal finance

All the money a person receives or earns as payment is his or her income. This can include:

- **a salary:** money paid monthly by an employer, or wages: money paid by the day or the hour, usually received weekly
- **overtime:** money received for working extra hours
- **commission:** money paid to salespeople and agents – a certain percentage of the income the employee generates
- **a bonus:** extra money given for meeting a target or for good financial results
- **fees:** money paid to professional people such as lawyers and architects
- **social security:** money paid by the government to unemployed and sick people
- **a pension:** money paid by a company or the government to a retired person. Salaries and wages are often paid after deductions such as social security charges and pension contributions. Amounts of money that people have to spend regularly are outgoings. These often include:
 - **living expenses:** money spent on everyday needs such as food, clothes and public transport
 - **bills:** requests for the payment of money owed for services such as electricity, gas and telephone connections
 - **rent:** the money paid for the use of a house or flat
 - **a mortgage:** repayments of money borrowed to buy a house or flat
 - **health insurance:** financial protection against medical expenses for sickness or accidental injuries
 - **tax:** money paid to finance government spending. A financial plan, showing how much money a person or organization expects to earn and spend is called a budget.

Ex. 6. Choose the best word.

1. Regular bank statements will be sent to you by post, listing recent _____.
a. payments **b.** events **c.** transactions
2. New current account customers can borrow up to £200 in the form of a low-interest _____.
a. overdraft **b.** overtake **c.** overspend
3. The current rate of interest for _____ overdrafts is 6.7 % APR.
a. permitted **b.** allowed **c.** authorised
4. While your account is _____ credit, there are no charges.
a. under **b.** in **c.** with

5. If your account is overdrawn, charges may _____.
- a. happen b. apply c. occur
6. When you acknowledge _____ of your new debit card...
- a. receipt b. the receiving c. reception
7. ...you will be sent a PIN (Personal _____ Number)
- a. identifying b. identifier c. identification
8. You will need to _____ your PIN each time you use the card.
- a. put in b. type c. enter
9. Two or more customers may apply for a _____.
- a. two-person account b. joint account c. together account
10. Current account _____ may apply for a Grimleys Credit Card.
- a. holders b. owners c. users
11. Credit cards will be issued _____.
- a. if you're rich enough b. if you have money c. subject to status
12. You may _____ your account at any time.
- a. close b. finish c. end

Unit 4. TYPES OF BANKS

Ex. 1. Before reading the text learn the following words.

- 1) fix interest rate – устанавливать процентную ставку
- 2) exchange rate – валютный курс, обменный курс
- 3) hold deposit – владеть депозитом, хранить депозит
- 4) savings account – срочный счет
- 5) confine – ограничивать
- 6) share dealing – сделка с акциями
- 7) bond dealing – сделка с облигациями (закладными)
- 8) subsidiary – дочерняя компания (фирма)
- 9) hire purchase – покупка в рассрочку
- 10) installment credit – (потребительский) кредит с погашением в рассрочку
- 11) stockbroking – операции с фондовыми ценностями
- 12) underwrite securities – гарантировать размещение ценных бумаг
- 13) merger – объединение, поглощение, слияние

Types of Banks

Central banks supervise the banking system; fix the minimum interest rate; issue bank notes; control the money supply; influence exchange rates; and act as lender of last resort.

Commercial banks are businesses that trade in money. They receive and hold deposits in current and savings accounts, pay money according to customers' instructions, lend money, and offer investment advice, foreign exchange facilities, and so on. In some countries such as England these banks have branches in all major towns; in other countries there are smaller regional banks. Under American law, for example, banks can operate in only one state. Some countries have banks that were originally confined to a single industry, e.g. the Credit Agricole in France, but these now usually have a far wider customer base.

In some European countries, notably Germany, Austria, and Switzerland, there are **Universal banks** which combine deposit and loan banking with share and bond dealing, investment advice, etc. Yet even universal banks usually form a subsidiary, 'known as a Finance house, to lend money - at several per cent over the base lending rate - for hire purchase or installment credit, that is, loans to consumers that are repaid in regular, equal monthly amounts.

In Britain, the USA and Japan, however, there is, or used to be, a strict separation between commercial banks and banks that do stockbroking or bond dealing. Thus in Britain, **merchant banks** specialise in raising funds for industry on the various financial markets, financing international trade, issuing and underwriting securities, dealing with takeovers and mergers, issuing government bonds, and so on. They also offer stockbroking and portfolio management services to rich corporate and individual clients. **Investment banks** in the USA are similar, but they can only act as intermediaries offering advisory services and do not offer loans themselves.

Yet despite the Glass-Steagall Act in the USA, and Article 65, imposed by the Americans in Japan in 1945, which enforce this separation, the distinction between commercial and merchant or investment banks has become less clear in recent years. Deregulation in the US and Britain is leading to the creation of "financial supermarkets" - conglomerates combining the services previously offered by stockbrokers, banks, insurance companies, etc.

In Britain there are also **building societies** that provide mortgages, i.e. they lend money to home-buyers on the security of houses and flats, and attract savers by paying higher interest than the banks. The savings and loan associations in the United States served a similar function, until most of them went spectacularly bankrupt at the end of the 1980s.

There are also **supranational banks** such as the World Bank or the European Bank for Reconstruction and Development, which are generally concerned with economic development.

Ex. 2. Complete the following sentences.

In different countries the most important types of banks are:

.....
The banking services that people use are:
.....

Ex. 3. Complete the sentences using the words given below:

1. ... control the money supply.
2. In England commercial banks have ... in major towns.
3. Universal banks form..., known as a Finance house.
4. In Britain ... specialise in financing international trade.
5. Investment banks in the USA can act as
6. ... in the US and Britain is leading to the creation of financial supermarkets.
7. Building societies attract savers by paying higher ... than the banks.
 - 1) intermediaries;
 - 2) interest;
 - 3) central banks;
 - 4) subsidiary;
 - 5) deregulation;
 - 6) branches;
 - 7) merchant banks.

Ex. 4. Complete the following sentences using words from the text.

Banks

Most (банковских инвестиций) are (займы, ссуды) to business and (потребителям), and most of their (обязательств, долгов) are accounts of (вкладчиков). As (инвесторы), banks try to match the risks of (активов) to liabilities while earning a profitable spread between the lending (заемный капитал) rate. The difference between the (процент, взыскиваемый) to a borrower and the (процентная ставка) that banks pay on their liabilities is called the bank interest rate (разница).

Most bank liabilities are (чековые, текущие) accounts, time or (сберегательные вклады), and (деPOSITный сертификат (вклад) (CDs)). Checking account funds may be (снят со счета) at any time, so they are of shortest (срок оплаты, погашения). Time or saving deposits are of various maturity. Some time (деПОЗИТЫ) may extend as long as seven years, but on average, they are of fairly short (сроком погашения).

CDs are (облигации) of various maturities that the bank (выпускает) to investors. While the range of maturities is from 90 days to 10 years, the average is about one year.

Traditionally, a large part of the banking industry loan portfolio has been in collateralized (под недвижимость) loan, better known as (закладная, залог). Typically, (закладные) are of 15 to 30 years, significantly longer than the (срок погашения) of the average (обязательства). Thus, bank (прибыль) have been exposed to (процентной ставки) risk. If (ставки) rise, then banks must pay higher rates to (вкладчикам), while the (доход) from longer-term (инвестиции) is relatively fixed.

Ex. 5. Look through the passage and answer the following questions.

1. What functions do investment bankers fulfill?
2. What is warrant (гарантия)?
3. What must the investment banker design to deal with contingency (случайность)?
4. What does the exercise of warrant provide?

Investment bankers



Investment bankers such as Goldman Sachs, Merrill Lynch, or Salomon Brothers advise the issuing corporation on the prices it can charge for the securities issued, on appropriate interest rates, and so forth. Ultimately, the investment banking firm handles the marketing of the security issue to the public.

Investment bankers also can help firms design securities with special desirable properties. As an example, consider a pharmaceutical company undertaking a risky research and development project for a new drug. The firm needs to raise this money for research, and, if the research is successful, it will need to build a new manufacturing plant, requiring still more financing.

To deal with this contingency, the investment banker might design a bond-with-warrant issue. (A warrant is a security giving its holder the option to purchase stock from the firm at a specified price up until the warrant's expiration date.) The bonds and warrants are issued, and the research commences.

If the research is successful, the stock price will increase, warrant holders will find it advantageous to exercise their option to purchase additional shares, and as they purchase those shares, additional funds will flow to the

firm precisely as they are needed to finance the new manufacturing plant. This financing package lets the firm avoid two separate security offerings. The exercise of the warrants provides additional financing at no additional flotation costs.

Ex. 6. Choose the best words from each pair in bold type.

Mortgages

For the majority of ¹ **homeowners** / **houseowners**, the purchase of their property is financed by a **mortgage**. The bank or building society which lends the money to buy a property is called a mortgage ² **lender** / **giver** or **mortgagee**. The person who borrows money in the form of a mortgage is called a mortgage ³ **borrower** / **taker** or **mortgagor**.



There are several different types of mortgage ⁴ **in** / **on** the market. Probably the most common is a **repayment mortgage**, in which the ⁵ **capital sum** / **capital price** and the interest are paid in ⁶ **instalments** / **pieces** over a long period (for example 25 years).

An alternative is an **interest-only** mortgage, in which the interest is paid, and the capital sum is ⁷ **repaid** / **paid** in another way, for example with an endowment assurance policy. This type of mortgage is known as an **endowment mortgage**.

With an **offset mortgage**, the mortgage borrower's ⁸ **daily** / **current** account is combined with her/his mortgage. Provided the current account is usually ⁹ **in** / **with** credit, this can reduce the interest repayments ¹⁰ **on** / **for** the mortgage.

Ex. 7. Match the types of mortgage with the definition.

1. repayment mortgage	a. The mortgage interest rate is linked to the interest rate of country's central bank.
2. interest-only mortgage	b. The mortgage interest rate stays the same.
3. endowment mortgage	c. You pay the capital sum and the interest.
4. offset mortgage	d. You pay the interest in instalments, and you pay the capital sum by another method.

5. fixed rate mortgage	e. The mortgage interest rate can only rise as far as a certain level.
6. base-rate tracker mortgage	f. An interest-only mortgage, with the capital repaid by an endowment.
7. variable rate mortgage	g. Your current and mortgage accounts are combined to reduce the interest.
8. capped mortgage	h. The mortgage lender can change the interest rate as they wish.

Ex. 8. Choose the best word.

1. Houses, bungalows, apartments, offices, shops and any other type of building you can own are called _____.
a. housing b. property c. buildings
2. The _____ are a document which proves who owns a property.
a. owner's deeds b. owner's papers c. title deeds
3. In some countries you can get a mortgage for _____ your annual salary.
a. times five b. five times c. five of
4. If a mortgage borrower _____ the instalments...
a. doesn't pay b. defaults on c. fails on
5. ...the mortgage lender will eventually _____ the property.
a. retake b. take back c. repossess
6. Before a property can be repossessed, the lender must apply to a court for a _____.
a. repossession order b. repossession paper c. repossession document
7. When the lender has a repossession order, the occupants of the property can be _____.
a. evicted b. put out c. ejected
8. Generally, mortgage lenders only repossess as _____.
a. a desperate action b. a last resort c. the final option
9. A mortgage lender can also be called a mortgagee or a _____.
a. mortgage provider b. mortgage maker c. mortgage producer
10. A mortgage borrower can also be known as a mortgagor or a _____.
a. mortgage owner b. mortgage possessor c. mortgage holder
11. To change your mortgage agreement is to _____ your property.
a. mortgage again b. remortgage c. unmortgage
12. A mortgage paid over 25 years is called a _____ mortgage.
a. 25 b. 25 year c. 25 years

13. When somebody's mortgage is the most they can possible afford, you can say they are "mortgaged up to the _____".

a. hilt b. top c. head

14. If property prices go down, and your house is mortgaged for more than its current value, you have _____.

a. negative money b. negative value c. negative equity

15. After you have paid your last mortgage instalment, you can say that you have _____ your mortgage.

a. paid out b. paid up c. paid off

Ex. 9. Use the words in capitals at the end of each line to form a word that fits in the space of the same line.

1. The Student Loan Marketing Association sponsors pass-throughs backed by loans ... under the guaranteed student Loan Program.	ORIGINATE
2. Like Treasury bonds, municipal bonds vary widely in	MATURE
3. Bonds ... with maturities ranging from 10 to 30 years.	ISSUE
4. Thus, the ... committee has responsibility for broad asset allocation.	INVEST
5. Life insurance companies have ... the whole life policyholders that are similar to those of pension funds.	OBLIGATE
6. The corporate tax rate also applies to all ... company investment income, so taxes are an important concern.	INSURE
7. Trading in ... markets in the United States is regulated by a myriad of Laws.	SECURE
8. A company can be affected by other events that are not external or internal...	TRANSACT

Unit 5. BANKS FOR COOPERATIVES

Ex. 1. Before reading the text learn the following words.

- 1) service – обслуживать
- 2) borrower – заемщик (получатель кредита)
- 3) share of stock – акция, доля в акционерном капитале
- 4) borrowing – заем, кредит, заимствование
- 5) net savings – чистое сбережение, чистое накопление
- 6) patronage – попечительство, покровительство

- 7) allocated surplus – распределенная прибыль
- 8) debenture bond – облигации, не имеющие специального обеспечения
- 9) eligible – имеющий право голоса
- 10) equity capital – акционерный капитал, собственный капитал
- 11) loanable funds – ссудные фонды
- 12) outstanding – неуплаченный, просроченный

Banks for cooperatives

The 12 district banks for cooperatives serviced the credit needs of agricultural cooperatives. Also there was a Central Bank for Cooperatives in Denver, Colorado, that participated with district banks on large loans. The Farm Credit Act of 1933 established the organization and initial capitalization for these 13 banks.



The board of directors of the Central Bank for Cooperatives was composed of one director elected from each district farm credit board and one additional member appointed by the governor. The banks for cooperatives were owned by current and former borrowing cooperatives. A cooperative's equity in its district bank was acquired by: (1) purchasing shares of stock when a loan was made; (2) purchasing additional shares of stock in proportion to interest paid on borrowings; and (3) net savings of the banks, which could be distributed to the cooperative in stock as patronage refunds or allocated surplus.

The banks for cooperatives obtained most of their loan funds through the sale of systemwide debenture bonds backed by borrower collateral. These bonds were sold by a Fiscal Agency in New York City. Other funds were obtained by borrowing from systemwide notes, commercial banks, and other financial institutions.

Any association of farmers, ranchers, or producers or harvesters of aquatic products or any federation of such associations, was eligible to borrow from a bank for cooperatives. To be eligible to borrow, a cooperative had to have at least 80 percent of its voting control with agricultural producers, and the cooperative had to do at least 50 percent of its business with its members. No member could have more than one vote, and dividends on stock or membership capital were restricted to a fixed percentage rate per year.

Loans to eligible borrowers were made to finance long-term assets or working capital. Most loans were made for constructing, remodeling, or expanding facilities, or purchasing land, buildings, or equipment.

Interest rates varied from district to district, depending on the type and length of the loan. Short-term loans usually carried a lower rate of interest than longer term loans. As the cost of money in the money market rose or fell, the rate to cooperatives also rose and fell.

Until recently, the farm credit system in the United States was very successful. All original equity capital supplied by the government to establish the farm credit system was repaid by 1968. This producer owned and controlled organization provided access to the major money market for all producers. Therefore, producers had the advantage of maintaining competition with local commercial banks in obtaining loanable funds at the lowest possible rates. By 1985, the system had \$65 billion loaned to more than one million producers. Loans outstanding had increased sixfold since 1969, and the farm credit system had become the major source of agricultural credit for farmers.

Ex. 2. Say whether the following statements are “True” or “False”.

1. The district banks serviced the credits of industrial cooperatives.
2. The board of directors was elected by shareholders.
3. Borrowing cooperatives were the owners of the banks of cooperatives.
4. Net savings of the bank could be distributed to the cooperative in stock.
5. Debenture bonds were backed by lender collateral.
6. Loan funds were obtained by borrowing from systemwide notes and through the sale of systemwide debenture bonds.
7. Any farm producer could borrow from a bank for cooperatives.
8. To be eligible, the cooperative only had to do 60 % of its business with individual farm producers.
9. Each member had only one vote.
10. Dividends were restricted to a variable percentage rate.
11. Interest rates depended on the type and length of the loan.
12. It was the farm credit system that provided access to the major money market for all producers.

Ex. 3. Choose words that have the following definitions.

1. All the things that a company or a person own.
a) profit b) assets c) collateral

2. A sum of money given back, especially because goods are defective or you have paid too much for goods.

a) refund b) loan c) account

3. Assets minus liabilities net worth. Portion of a company's net worth, belonging to its owners or shareholders.

a) equity b) money c) goods

4. An excess of income over expenditure, or something left over and not required.

a) stock b) earnings c) surplus

5. The money invested in a business and used to buy assets.

a) profit b) loan c) capital

6. An amount of money paid into a bank account; an arrangement to receive goods or services but paid later.

a) credit b) checking c) bill

7. The cost of borrowing money, expressed as a percentage of the loan per period of time.

a) interest rate b) dividends c) balance sheet

Ex. 4. Complete the following sentences using the chosen words from ex. 3.

1. In general, the ... of a business are the properties or economic resources owned by the business.

2. The beginning point for accounting system is the definition of owner's ... as the difference between an organization's assets and liabilities.

3. Does your bank pay its depositors a competitive ... ?

4. In this continent there is a vast... of workers.

5. We have put a lot of... into this project.

6. They sold grain on ... during times of famine.

Ex. 5. Complete the sentences.

What happens to a ten-dollar (банкнота) after you (кладете в банк) it in your (сберегательный счет)? Does the bank teller take it to a vault and put it into a separate compartment or cubby-hole market with your name and account number? No. The bank begins by adding ten dollars to the amount that is already in your (счет), your existing (баланс). Your ten-dollar (вклад) and your new balance are then recorded in your (банковская книжка - лицевой счет) and in the bank's computer system. The ten-dollar (банкнота) you (кладете в банк) is mixed in with all the other (деньгами) your bank receives that day.

When you and other (клиенты) deposit money in a bank, the bank puts most of it to work. Part of the money is set aside and held in (запасе), but much of the rest is (ссужается) to people who need to (брать займы) money in order to buy houses and cars, start or (расширить) business, buy equipment or plant crops, or do any of the other things that require people to borrow money.

Of course banks do not (одалживать) money just to provide a service. They do it to (зарабатывать деньги). Here how it works.

When you (хранить) your (сбережения) in a bank, the bank pays you extra money, which is called (процент). It is added to your account on a regular basis.

Let's say a bank pays its (вкладчикам) five percent a year (процент) on their (сбережения). In simple terms, that (значит) if you (храните) \$100 in your (сберегательном счету) the bank will add five dollar to your (с четный баланс) during the course of the year.

But there is another side to (процента). When someone (берет займы) from the bank, the bank (устанавливает) interest, and it charges (заемщикам) a (более высокую ставку) than it pays (вкладчикам). For example, it might pay savers 5 percent and (устанавливать) borrowers 10 percent. The difference , 10 percent minus 5 percent goes to the bank. (Установление процента) on (займы) is one of the main ways for a bank to (зарабатывать деньги).

Ex. 6. Answer the following questions.

1. What happens to your money deposited in the bank?
2. Where is it recorded?
3. Do you have a bankbook?
4. What does the bank do with your deposited money?
5. Why does the bank lend money?
6. What does the bank pay you if you keep your savings in a bank?
7. How often is the interest paid?
8. What interest rate does the bank charge borrowers?
9. What interest rate do the banks charge borrowers in our country?
10. What interest rate do Belarusian banks pay you if you keep savings in banks?

Ex. 7. Choose the correct alternative to complete each sentence:

Households want desirable investments for their (1) ..., yet a small (financial) size of most households makes direct (2)... difficult. A small (3)... seeking to lend money to (4) ... that need to finance investments doesn't advertise in the local newspaper to find a willing and desirable (5)

Moreover, an individual (6) ... would not be able to diversify across borrowers to reduce (7) Finally, an individual lender is not equipped to assess and monitor the (8) ... risk of borrowers.

For these reasons, financial (9)... have evolved to bring lender and borrower together. These financial intermediaries include banks, investment companies, (10) ... companies, or credit unions. Financial intermediaries (11) ... their own (12) ... to raise funds to purchase securities of other corporations.

For example a bank raises funds by borrowing (taking (13) ...) and lending that money to other borrowers. The (14) ... spread between the rates paid to (15) ... and rates (16) ... to borrowers is the source of the bank's profit. In this way, lenders and borrowers do not need to contact each other directly. Instead, each goes to the bank, which acts as an intermediary between the two.

1. a) profit	b) savings	c) money
2. a) cash	b) income	c) investment
3. a) borrower	b) investor	c) debtor
4. a) lender	b) businesses	c) risk
5. a) borrower	b) customer	c) liability
6. a) seeker	b) intermediary	c) lender
7. a) risk	b)loan	c) income
8. a) assets	b) credit	c) bond
9. a) intermediaries	b) unions	c) businesses
10. a) insurance	b) income	c) stock
11. a) made	b) distribute	c) issue
12. a) securities	b) bills	c) incomes
13. a) interest	b) deposits	c) assets
14. a) rate	b)interest	c) securities
15. a) householders	b) depositors	c) stockholders
16. a) charged	b) loaned	c) invested

Ex. 8. Read and translate the following passage without using the dictionary.

Investment companies

Investment companies, which pool and manage the money of many investors, also arise out of economies of scale. Here, the problem is that most household portfolios are not large enough to be spread among a wide variety of securities. It is very expensive in terms of brokerage fees and research costs to purchase one or two shares of many different firms. Mutual funds

have the advantage of large-scale trading and portfolio management, while participating investors are assigned a prorated share of the total funds according to the size of their investment. This system gives small investors advantages they are willing to pay for via management fee to the mutual fund operator.

Investment companies also can design portfolios specifically for large investors with particular goals. In contrast, mutual funds are sold in the retail market, and their investment philosophies are differentiated mainly by strategies that are likely to attract a large number of clients.

Economies of scale also explain the proliferation of analytic services available to investors. Newsletters, databases, and brokerage house research services all engage in research to be sold to a large client base. This setup arises naturally. Investors clearly want information, but with small portfolios to manage, they do not find it economical to personally gather all of it.

Hence, a profit opportunity emerges: A firm can perform this service for many clients and charge for it.

Ex. 9. Look through the text and answer the following questions.

1. Why was the Export-Import Bank of the United States (ExIm Bank) created?
2. What are its goals today?
3. What programs does it carry out?
4. What loans does this bank help to obtain?
5. What repayment to the commercial bank does the ExIm Bank guarantee?
6. Does the importer pay ExIm Bank for this service?
7. What is the size of this fee?
8. At what rates does the ExIm Bank finance large loans to foreign buyers?
9. At what rate does the ExIm Bank lend the money to a commercial bank?

Export-Import Bank of the United States

The Export-Import Bank of the United States (ExIm Bank) was created in 1934 for the original purpose of facilitating trade between the United States and the Soviet Union. Subsequent world events dictated a change in its goals. Today the ExIm Bank serves to finance and facilitate exports of U.S. goods and services and to help maintain the competitiveness of U.S. companies in foreign markets. It has a mandate to supplement private

sources of funds and is forbidden to compete with these sources. As an independent agency of the U.S. government, it carries out two separate programs – import financing and export financing.

Import Financing

The ExIm Bank helps foreign importers obtain intermediate-term loans from commercial banks to pay for purchases of U.S. goods. The ExIm Bank guarantees repayment to the commercial bank up to 85 percent of the amount of the loan and a portion of the interest, should the importer default for political and commercial reasons. The importer pays the ExIm Bank a fee for this service. The size of the fee depends on the riskiness of the importer's country, the riskiness of the importing company, and the term of the loan (which ranges from one to seven years).

Alternatively, the ExIm Bank finances large loans (at least \$10 million) over long terms (more than seven years to maturity) at fixed rates to foreign buyers to purchase U.S. products that compete with officially subsidized foreign products. The ExIm Bank lends the money to a commercial bank at below-market rate, and the bank relends the money to the importer at a specified higher rate.

Unit 6. FEDERAL LAND BANKS

Ex. 1. Before reading the text learn the following words.

- 1) capital stock – акции, акционерный капитал
- 2) participation certificates – сертификаты участия
- 3) range – диапазон
- 4) subject to approval – в случае одобрения
- 5) length – продолжительность
- 6) provide for – предусматривать

Before reading the text answer the following questions.

1. Do you trust banks? Why?
2. Do you have a bank account?
3. What is the interest rate?

Federal Land Banks



The Federal Land Banks were organized under federal charter established by the Federal Farm Loan Act of 1916, with 12 Federal Land Banks in

the United States, one in each Farm Credit District. These banks made long-term loans secured by first mortgages on real estate through more than 490 local Federal Land Bank Associations. The federal government provided initial financial support to these banks (\$9 million in 1916 that was repaid in 1932, plus \$189 million obtained in 1933-37). By 1947, the federal support was repaid and the banks became entirely owned by their borrowers.

The Federal Land Bank in each district supervised the Federal Land Bank Associations in their district. The producer actually borrowed funds from the Federal Land Bank Association, but the loan was transferred directly from the Federal Land Bank to the borrower. The Federal Land Bank delegated the authority to the Association to make and service all loans, but supervised the activities of the associations. Voting members of these associations selected a board of directors and employed a manager.

When farmers borrowed from the local association, they were required to purchase capital stock or participation certificates in the local association equal to 5 percent of the loan. The local association then bought the same amount of capital stock or certificates in the district Federal Land Bank. District bank and local association stock and certificates were refunded to the borrower when the loan was repaid.

The Federal Land Bank obtained funds through the sale of farm credit system bonds in the national money market, with the size of any bond issue being dependent on the estimated money needs of the farm credit system. In addition to bond issues, the banks borrowed from other financial institutions with the Farm Credit Administration's approval.

The Federal Land Banks made loans with a range of 5 to 40 years for maturity. Originally, they could provide loans limited to 50 percent of the value of the land used as collateral. That was raised to 75 percent in 1933, lowered to 65 percent in 1947, then raised higher yet to 85 percent in 1967, where it remained until the financial crisis of the 1980s. Loans could not exceed 85 percent of the appraised value of borrowers' collateral, except when loans were guaranteed by a governmental agency.

Interest rates were determined by the bank boards subject to the Federal Credit Administration's approval. All banks used a variable interest rate in which interest rates could rise or fall over the length of the loan depending on the cost of money to the farm credit system.

The federal land banks, after providing for reserves and operating expenses, could distribute earnings to the local associations in the form of dividends. These local associations, in turn, could decide to pass their dividends on to their member patrons.

Ex. 2. Decide whether the following statements are “True” or “False” according to the text.

1. The Federal Land Banks provided long-term loans that were secured by mortgages on real estate.
2. After repaying federal support, the lenders became the owners of these banks.
3. The borrower received the loan from the Federal Land Bank Association.
4. The Federal Land Bank didn't supervise the activities of the associations.
5. When farmers borrowed from the local association they purchased capital stock in the district Federal Land Bank.
6. The Federal Land Bank obtained funds through the sale of farm credit system bonds.
7. Only loans guaranteed by a governmental agency could exceed 85 % of the appraised value of borrowers' collateral.
8. The determination of interest rates didn't require the Federal Credit Administration's approval.
9. Interest rate depended on the cost of money to the farm credit system.
10. Local associations passed their dividends on to their customers.

Ex. 3. Match these words with their definitions.

1. loan	a) a person or organization that borrows money
2. mortgages	b) a certificate issued by a government or company which shows that you have lent them money and that they will pay you interest
3. real estate	c) an official document which states that particular facts are true
4. borrower	d) money or property which is used as a guarantee that someone will repay a loan
5. stock	e) a loan of money which you get from a bank or building society in order to buy a house
6. bond	f) a) shares in the ownership of a company or investments on which a fixed amount of interest will be paid; b) a stock of things is a supply of them
7. certificate	g) a sum of money that you borrow
8. collateral	h) money that you receive if you have invested a sum of money or money that you pay if you have borrowed money
9. interest	i) property in the form of buildings and land

Ex. 4. Complete the sentences using the words from ex.3.

1. People make investments in a number of ways, such as purchasing ...
..., rare coins, artwork etc.
2. If you deposit a specific amount of money for a certain number of days, months or years, the bank or other financial institution pays you a fixed rate of
3. Lending usually involves a payment from the ... to the lender as a compensation for the lender's sacrifice in giving up the present use of the loaned goods.
4. Governments usually try to control inflation by manipulating their money
5. Small discount brokers act only as agents for investors who trade stocks and
6. The banking system will be more reluctant to grant ... to its customers.
7. Cut, faceted, unset diamonds would seem to meet the criteria for good
8. Banks sell services - financial services such as car loans, home ... loans, business loans, checking accounts, and credit card services.
9. ... of deposits are saving deposits that require customers to keep a certain amount of money in the bank for a fixed period of time.

Ex. 5. Form new words with prefix re- and translate them.

to pay, to fund, to invest, to distribute, to sell

Ex. 6. Complete the sentences using newly formed words from ex. 5.

1. When you put your cash in a money market account, the bank ... it in short-term securities other than stocks and bonds and makes money off your money.
2. The investment bank acts as a dealer who buys the paper from the company and ... it to the public.
3. Of course, the opportunity to earn lots of interest won't mean much if a borrower fails to ... a loan.
4. Money will be ... from the traditional art institutions.
5. The store ... her money when she returned the dress that was too small for her.

Ex. 7. Complete the text with the words in the boxes.

lend	borrowers	borrow	rates
profit-oriented	financial	developing	



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

The World Bank is another international... institution established in 1944. Its official title is the International Bank for Reconstruction and Development.

The World Bank is a ... agency that is empowered to ... money from anywhere it can, from individuals and corporations as well as from governments, and to ... that money to ... countries and their government agencies.

... must demonstrate some ability to pay back their loans and loans themselves must be expected to enhance economic development. World Bank interest ... are pegged to a weighted average of the interest costs to the treasuries of the major industrial nations.

balances capital-intensive innovative lenders agencies improve sharing-the-loan productivity

The World Bank has developed many ... ways of fulfilling its goals. It has created Structural Adjustment Loans which it extends to developing countries that want to ... their trade ... by enhancing economicIt has entered into co-financing agreements, joining with other ... such as government foreign aid ..., export credit agencies and commercial banks, to provide large blocks of funds to finance projects in developing countries. This... approach spreads the risk of financing expensive projects among lenders.

Ex. 8. Complete the sentences using the words from the text.

1. The Chairman and the ... are elected by the ordinary shareholders at the Annual General Meeting.
2. At the end of each business year the profit should be distributed to the shareholders as
3. Some have extra money to save; others need to
4. Bankers have a special obligation not to take big risks when they make
5. In order to make a profit the bank charges ... on a loan.
6. Interest is the price the ... pay for using someone else's money.
7. The government ... that the investor will receive full principal upon maturity.
8. This bank offers both ... – rate loans and fixed-rate loans.

Ex. 9. Answer the following questions.

1. Were loans made by Federal Loans Banks secured?
2. What were they secured by?
3. What provided initial financial support to these banks?
4. Who became the owners of these banks after 1947?
5. What authority did the Federal Land Bank delegate to the Association?
6. Did shareholders employ a manager?
7. What were the farmers required to do if they borrowed from the local association?
8. What were the interest rates determined by?
9. Did anybody have to approve them?
10. What interest rate did all banks use?
11. What does interest rate mean?

Ex. 10. Read, translate and retell the following text using the plan below. Use a dictionary.

1. a precondition for membership in the IFC
2. functions of the IFC
3. its resources
4. criteria for selecting the project for financing
5. provided loans

International Finance Corporation

The International Finance Corporation (IFC) was formed in 1956 as a unit of the World Bank Group. Membership in the World Bank is a precondition for membership in the IFC. Its main functions are to promote private investment and assist individual enterprises in developing countries.

It does this by providing equity and loan funds, technical assistance, and finance-related services. It often works in association with international banks to provide funds to private enterprises in developing countries.

The resources of the IFC come from several sources. Each member nation is required to contribute to its capital. In addition, the IFC can borrow from member countries, from the World Bank, and in world capital markets. The IFC also raises funds by selling shares in a mutual fund it created



and manages the Emerging Markets Growth Fund. Established in 1986, this fund invests in listed securities of companies in developing nations. It is well-diversified, investing a maximum of 20 percent of its assets in any one country and a maximum of 5 percent of its assets in any one company.

The IFC has a set of criteria for selecting the projects it will finance. The projects must satisfy a wide range of conditions that include benefits to the local economy, availability of private capital to supplement IFC efforts, and immediate or eventual local participation. It invests in projects covering a broad range of activities such as manufacturing, mining, utility development, agriculture, financial services, and tourism.

Though the IFC has set no rigid policy on the proportion of its participation, it usually limits its investment risk by providing no more than 15 percent of the funds needed by an enterprise. It offers loans in all major currencies and some minor currencies, with an occasional option allowing the borrower to switch currencies at a later date. It offers both variable-rate loans and fixed-rate loans. Clauses in some fixed-rate loans allow the rates to be reset every five years. IFC loan terms usually range from 7 to 12 years.

Ex. 11. Read the following text with the dictionary and give English equivalents to the following words.

Экспортер; не выполнять своих обязанностей по банковским займам; накопленные проценты; взнос; закладывать рабочий капитал в качестве; отгруженные товары; частные страховые компании; страховой полис; защищать от риска неплатежей; банкротство; возмещать; эмбарго; выпускать долгосрочные облигации; заем, подлежащий погашению; долговые обязательства; не прибежал к полиции.

Export Financing of ExIm Bank

The ExIm Bank helps U.S. exporters obtain working capital loans from commercial banks to finance production and sale of exportable goods. If the exporter defaults on the bank loan, the ExIm Bank repays the commercial bank up to 90 percent of the loan principal along with a portion of the accumulated interest. To get this guarantee, the exporter pays a fee and pledges its net working capital as collateral for the loan. The ExIm Bank does not protect the exporter if the foreign importer cannot pay for shipped goods; the exporter must absorb such a loss.

The ExIm Bank also helps insure the foreign accounts receivable of U.S. exporters. The Foreign Credit Insurance Association (FCIA) was formed in



1961 by a group of private insurance companies to sell insurance policies to U. S. exporters and lenders to protect them from the risk of non-payment by foreign importers. Most of the insurance companies left the FCIA in the 1980s

because of heavy losses, so the ExIm Bank currently underwrites all FCIA policies. If the foreign importer defaults for business reasons such as insolvency, the FCIA reimburses the U.S. exporter or the lending bank up to 90 percent of the value of the invoice or loan. If the foreign importer defaults for political reasons such as an exchange blockage, embargo, or war, the FCIA reimburses the U.S. exporter or lending bank 100 percent of the value of the invoice or loan. Some restrictions apply to importers in specific countries.

The Private Export Funding Corporation (PEFCO) was established in 1971 by a consortium of commercial banks and industrial companies to mobilize non-bank funds to finance U.S. exports. It raises funds by issuing long-term bonds and lends this money to foreign buyers to finance large projects that use products of U.S. companies. These loans mature in 5 to 25 years and are guaranteed by the ExIm Bank. In addition to its regular loan program, PEFCO purchases the debt obligations of foreign importers that have been guaranteed by the ExIm Bank from banks and other lending institutions without recourse.

Ex. 12. Answer the following questions.

1. What does the ExIm Bank do if the exporter defaults on the bank loan?
2. Does the ExIm Bank protect the exporter if the foreign importer cannot pay for shipped goods?
3. Who founded the Foreign Credit Insurance Association?
4. What was the task of this Association?
5. Why did most of insurance companies leave the FCIA?
6. Does FCIA reimburse the U.S. exporter or lending bank if the foreign importer defaults for some reasons?
7. Why was the Private Export Funding Corporation established?
8. How does it raise funds?

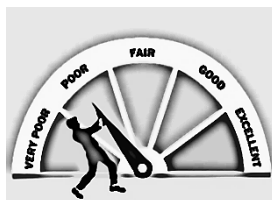
Unit 7. PRODUCTION CREDIT

Ex. 1. Before reading the text learn the following words.

- 1) authorize – уполномочивать, разрешать, санкционировать
- 2) intermediate – среднесрочный кредит
- 3) short (term) credit – краткосрочный кредит
- 4) current interest spread – текущая ставка процента
- 5) fixed-interest spread – фиксированная процентная ставка
- 6) depository institution – депозитное учреждение (занимающееся приемом вкладов)
- 7) curtail activity – ограничивать активность
- 8) reluctant – вынужденный

Production Credit

The production credit system was established under federal laws in 1923 and 1933 to provide short-term and intermediate-term loans to farmers, ranchers, harvesters of aquatic products, and rural residents. The federal intermediate credit banks were first authorized by the Farm Credit Act of 1923. These 12 banks



were intended only to discount short-term notes that farmers had given to various financial institutions. Farmers and ranchers did not make use of the credit banks, so short and intermediate credit remained a problem. Therefore, in 1933, Congress authorized local production credit associations.

The relationship between the Federal Land Bank and the federal land bank associations was similar to the relationship between the federal intermediate credit banks and the production credit associations. The 12 Federal Intermediate Credit Banks discounted loans for, and made loans to the production credit associations. They also supervised some of the production credit associations' operations, which usually were educational in nature, including such functions as helping on problem loans and developing credit standards.

The federal intermediate credit banks obtained funds in the same way as the Federal Land Bank, by selling system-wide bonds in the national money market. These bonds provided the production credit associations with a dependable source of credit at current interest rates.

By 1986, there were more than 420 production credit associations throughout the United States with 1500 full-time offices. Members with voting stock in the production credit associations elected a board of directors from its members and employed a staff to conduct their business affairs.

Ownership of the federal intermediate credit banks was by the local production credit associations through purchases of capital stock and certificates issued by the bank. Every production credit association borrower purchased stock in the association equal to 5 per cent of the loan and could be required to own as much as 10 per cent. When these loans were made, the amount to be repaid included the cost of the stock. As the loan was repaid, the amount of stock owned by the borrower was reduced proportionately, so that when the loan was repaid the borrower did not own stock in the production credit association.

Loans to borrowers were made by the individual production credit association, with producers' notes and mortgages then used as collateral to borrow from the district Federal Intermediate Credit Bank. In 1971, the Farm Credit Act was passed that provided a participation agreement between federal intermediate credit banks and production credit associations in making and servicing loans. This provision facilitated the making of large loans, as producers become fewer and larger, by spreading risks.

The interest rate policy was much the same as for the federal land banks. Many production credit associations used the "fixed-interest spread," adding their costs of making and servicing loans and requirements for reserves to the amount they must pay for money from the Federal Intermediate Credit Bank.

Ex. 2. According to the text, are the following statements “True” or “False”?

1. The production credit system was established to provide short-term and long-term loans to city residents.
2. Farmers and ranchers used credit banks.
3. It was Congress that supervised production credit associations' operations.
4. The functions of production credit associations were to develop credit standards and help on problem loans.
5. The federal intermediate credit bank obtained funds by buying bonds.
6. A board of directors in the production credit association was elected by members with voting stock.
7. When the borrower repaid the loan, it meant he didn't own stock.

8. The farm Credit Act provided a participant agreement between federal intermediate credit banks and production credit associations.

9. It was the federal law that provided making and servicing loans.

10. Production credit associations used the “fixed - interest spread”.

Ex. 3. Match the method of payment with the definition.

1. Credit card	a. A piece of paper which transfers money from your account to somebody else's account.
2. Debit card	b. Similar to a credit card, but usually operated by a chain of shops or other retailer.
3. Charge card	c. The money is deducted from your bank account almost immediately.
4. Cheque	d. These can be exchanged for foreign currency, or in some cases used instead of cash.
5. Traveller's cheque	e. You owe the card provider money. You can pay it back in one instalment, or over a longer period if you wish.
6. Charge account	f. You owe the retailer money.

Ex. 4. Choose the correct alternative to complete each sentence.

1. If you possess something, you can say that you ... it.

a) owe b) own c) owner

2. If you have to reimburse or repay someone, you ... money.

a) owe b) own c) yield

3. To let someone else have the use of your money for a certain period of time, after which it must be paid back, is to

a) borrow b) lend c) credit

4. To take money that has to be repaid is, on the contrary, to

a) borrow b) lend c) steal

5. An amount of money lent is a

a) debit b) debt c) loan

6. A person who has borrowed money is a

a) creditor b) debtor c) owner

7. Another word for a lender is a/an

a) creditor b) debtor c) owner

8. The income received by someone who lends money is called

a) dividends b) interest c) interests

9. The borrower has to pay back the loan itself, also known as the

a) principal b) principle c) premium

10. The amount of money a lender receives for a loan or an investment, expressed as a percentage, is known as its return or

- a) credit b) income c) yield

Ex. 5. Complete the text by inserting the correct word in the box:

borrowers lenders businesses interest investments payment
to earn borrow income loans budgets property

Borrowers and (1) ... of money during any period may include all three economic agents: individuals, business, and government agencies. They (2) ... to meet deficits in their (3)..., and they lend to (4) ... income from surpluses. Individuals are the dominant lenders and (5) ...and government agencies are the dominant (6) For a borrower, the interest (7) ... constitutes a cost, the cost of using the services of money. For a lender, (8) ... is a source of income. Individuals may receive (9) ... from many, sources: wages, rent on (10) ..., dividends on (11) ... and interest on (12) For some individuals the income from interest may constitute a major part of personal income.

Ex. 6. Match up these words into pairs.

- | | |
|-----------------|----------------------|
| 1. loans | a) money |
| 2. associations | b) producers' |
| 3. credit | c) credit |
| 4. bank | d) interest |
| 5. rate | e) standards |
| 6. notes | f) short-term |
| 7. market | g) production credit |



Ex. 7. Fill in the right form of the words in brackets.

1. A ... (to deposit) institution with insufficient reserves in relation to its transaction deposits may borrow from the Federal Reserve.
2. If the Federal Reserve wishes to reduce ... (to lend) activity and the supply of money, it raises the ... (to discount) rate.
3. When the check is ... (to deposit) into the seller's checking account, the funds available to the seller's bank increase.
4. Insurance companies are ... (to finance) intermediaries.
5. Interest is a source of income to the ... (to lend) and a cost to the ... (to borrow).
6. The return on an ... (to invest) is the difference between the fund committed to it and the cash flows received from it.

7. The level of output, the velocity of money, or the cost of ... (to produce) may have changed.

8. (to buy) of foreign currencies also act as ... (to sell) of their home currencies in the same market.

9. Currency ... (to deal) do not change each other separate fees for buying and selling currencies.

Ex. 8. Choose the correct alternative to complete each sentence.

General Motors set up the first successful captive (1) ... company, General Motors Acceptance Corporation (GMAC), as a wholly owned, unconsolidated (2) ... in 1919. The original purpose of GMAC was to (3) ... consumers (4) ... to buy General Motors cars. A potential (5) ... whose auto loan application might be rejected by a (6)... would be evaluated more favorably by GMAC, because (7) ... could be made on both the sale of the car and the (8) ... on the loan. The enterprise was so (9) ... that by 1987, General Motors had set up additional, unconsolidated subsidiaries to (10) ... car sales in Australia, Austria, Canada, Chile, Colombia, England, France, Greece, Italy, Mexico, the Netherlands and others.

Other companies copied General Motors' innovation. Some large retail stores decided to offer their own credit (11) ... and created (12) ... subsidiaries to do the associated data processing.

1. a) finance	b) sell	c) lease
2. a) branch	b) industry	c) subsidiary
3. a) borrow	b) buy	c) lend
4. a) interest	b) money	c) market
5. a) customer	b) seller	c) producer
6. a) company	b) bank	c) corporation
7. a) profits	b) shares	c) collateral
8. a) dividend	b) income	c) interest
9. a) available	b) successful	c) associated
10. a) accounting	b) finance	c) loan
11. a) cards	b) letters	c) stock
12. a) favourable	b) additional	c) financial

Ex. 9. A. Read the article, and put these words into the spaces.

credit rating _ creditors _ creditworthy _ into the red_ write off
loans _ owe _ pay it back

1. The people of the United Kingdom are estimated to _____ around a trillion pounds in personal debt, which is about £16,000 for every man, woman and child. Much of this debt is of course in the form of mortgages, but an ever-increasing proportion is in the form of consumer credit: unsecured _____ in the form of overdrafts, credit card debts, store card debts, hire-purchase agreements and the numerous other ways in which the British public are able to “buy now, pay later”.

2. An inevitable result of this is that an increasing number of people are taking on more debt than they can service. Credit cards and store cards especially can have very high APRs*, and the interest soon mounts up, pushing the borrower further and further _____. Repayment in full may simply become impossible.

3. Of particular concern are so called “loan sharks”. While the major lenders such as banks _____ millions of pounds every year in bad debts, small credit companies sometimes resort to heavy-handed measures such as sending in the

bailiffs and even (although of course this is illegal) threatening physical violence.

4. Naturally, creditors try to avoid lending money to people who won’t be able to _____. Although they may not know it, every person who has ever had dealings with a financial institution (for example, had a bank account) has a credit rating. This data is stored on computers by credit reference agencies, and before agreeing to a loan, most creditors will check the applicant’s _____. However, this information can be misleading. Apparently _____ people may already be struggling to keep up the payments on their existing debts.

5. As well as having potentially disastrous consequences for people who get too heavily into debt, the boom in consumer credit could have serious repercussions for lenders. If people are genuinely unable to repay their debts, ultimately there is very little their _____ can do about it.

**APR = Annual Percentage Rate*

B. Find words in the text which mean the same as the following.

1. Money owed by people, not businesses (*paragraph 1*)
p_____ d_____
 2. Paying for something like a sofa or a car in instalments (*paragraph 1*)
h_____ -p_____
 3. Increases (*paragraph 2*) m_____ u_____
 4. ...of all the money (*paragraph 2*) i_____ f_____
 5. Having problems (*paragraph 4*) s_____
 6. Maintain (*paragraph 4*) k_____ u_____
 7. Cause big problems (*paragraph 5*) h_____ s_____
- r_____

C. Which of the following sentences best summarizes the article?

1. Creditors have lent too much money, and are starting to have serious problems.

2. British people love to "buy now, pay later", but the majority of them are not very creditworthy.

3. Creditors are lending more and more money, and this is causing an increase in debt-related problems.

4. If more creditors used credit-reference agencies, there would be fewer debt-related problems.



Ex. 9. Complete the sentences.

1. The growth of (финансовые рынки) stimulates the growth of financial institutions.

2. Brokerage houses act as agents for (инвесторов) who wish to acquire (долговременные) debts.

3. (Производственный) management also requires a great deal of attention to the quality of the goods.

4. They give the owners of the plastic cards permanent (скидки) on goods and services.

5. He certainly will try to (оправдать) the expenses for the card.

6. Non-depository institutions also include firms such as (закладные) banks and (деPOSITНЫЕ) institutions.

7. When you take out a (ссуду) to buy a car, you pay (процент).

8. You should never (брать займы) money unless you are reasonably certain you can pay it back.

9. People often borrow for large (покупки).

10. To be a (заемщиком) you must be a customer of the bank because the money will be (дать займы) you through a bank (счет).

11. Banks often refuse to make (займы) that seem too (рискованные).

12. (Закладная), (долгосрочный) loan to buy a house, works the same way.

13. The purchaser has to buy a majority of the (акций) to gain control of the company.

Ex. 10. Answer the following questions.

1. What was the purpose of establishing the production credit system?

2. What were these banks intended to?

3. Why did the Congress authorize local production credit associations?

4. What was the role of the Federal Intermediate Credit Banks?

5. What were the functions of production credit associations.

6. What way did the federal intermediate credit banks obtain funds?

7. What did these bonds provide the production credit association with?

8. Who elected a board of directors?

9. What did the Farm Credit Act facilitate?

10. What interest rate did many production credit associations use?

Ex. 11. Translate the passage without using a dictionary.

When you take out a loan to buy a car, you pay interest. When you take out a loan to pay for the college, you pay interest. A mortgage, a long-term loan to buy a house, works the same way.

You should never borrow money unless you are reasonably certain you can pay it back. Two bad things happen when you fail to pay back a loan. First, the bank will repossess, or take back, whatever it is that you bought with the loan. Second, you will have a bad credit rating. You will have a hard time borrowing money in the future because you have a record of not paying back what you borrow.

There are no such things as "easy payments". Paying back a loan is never easy. Many families in western countries pay 20 percent to 40 percent or more of their income just for interest. On the other hand, most people have to buy some things on credit. Very few people can afford to buy a house or a new car with cash. People often borrow for large purchases. If they waited until they had enough cash, they probably would never own a home or a new car of their own. Credit is needed, but so is a little common sense.

Your first step is to decide on a bank. It is a good idea to shop around for a bank that offers the best deal, including the best (lowest) interest rate.

Compound interest does some amazing things to a small amount of money. Suppose you put \$100 in the bank and leave it there. See what happens at different interest rates. At 4 percent, it takes nearly 20 years for your money to double. But look what happens at 8 percent. At this rate, it takes less than ten years for your money to double. At 12 percent, it takes less than five years for your money to double. After 20 years at 16 percent your \$100 has become \$964.63.

Ex. 12. Look through the text and answer the following questions.

1. What is the discount rate?
2. What happens with the commercial bank reserves when it receives the proceeds from the loan?
3. What does the Federal Reserve do if it wants to reduce lending activity?
4. Does a change in the discount rate have significant affect on bank loan activity?
5. What does it mean when the Federal Reserve increases the discount rate?

The Discount Rate



A depository institution with insufficient reserves in relation to its transaction deposits may borrow from the Federal Reserve. The Fed's interest rate for this loan is termed the discount rate. When the commercial bank receives the proceeds from the loan, its reserves are increased and it no longer has to curtail its loan activity.

Changes in the discount rate result from policy decisions of the Federal Reserve. Increasing the rate makes it more expensive for depository institutions with insufficient reserves to continue lending. Thus the banking system will be more reluctant to grant loans to its customers. Summarized briefly, if the Federal Reserve wishes to reduce lending activity and the supply of money, it raises the discount rate. Conversely, if it wishes to stimulate lending, it lowers the rate.

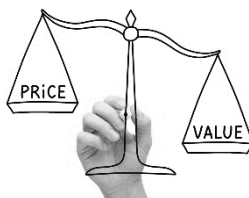
Since borrowing from the Federal Reserve is a relatively insignificant source of funds for the banking community, a change in the discount rate really can not have a significant impact upon bank loan activity. Changes in the rate still draw attention, however, because they signal changes in Fed-

eral Reserve policy. Thus, an increase in the discount rate really means that the Federal Reserve is warning the banking community to reduce its lending activities or else the Fed will use other means (probably open market operations) to slow down loan expansion and money supply increases.

Unit 8. PRICING

Ex. 1. Before reading the text learn the following words.

- 1) production cost – издержки производства, заводская себестоимость
- 2) distribution cost – издержки обращения
- 3) profit target – плановая норма прибыли
- 4) sales target – (плановое) задание по реализации продукции
- 5) production capacity – производственная мощность, производственные возможности
- 6) cost inflation – инфляция, порождаемая ростом издержек (производства)
- 7) price variation – изменение цены, отклонение цены (на готовой продукции в результате изменения цен на сырье и рабочую силу)
- 8) odd pricing – использование фракционных цен (напр., 99 центов вместо 1 доллара)
- 9) overheads – накладные расходы
- 10) cost accountant – главный бухгалтер по учету издержек производства; бухгалтер-калькулятор
- 11) breaking point – уровень дохода, точка безубыточности, точка самоокупаемости, точка критического объема производства



Pricing



Companies' pricing decisions depend on one or more of three basic factors: production and distribution costs, the level of demand, and the prices (or probable prices) of current and potential competitors. Companies also consider their overall objectives and their consequent profit or sales targets, such as seeking maximum revenue,

or maximum market share, etc. Pricing strategy must also consider market positioning: quality products generally require "prestige pricing" and will probably not sell if their price is thought to be too low.

Obviously, firms with excess production capacity, a large inventory, or a falling market share, tend to cut prices. Firms experiencing cost inflation, or in urgent need of cash, tend to raise prices. A company faced with demand that exceeds its possibility to supply is also likely to raise its prices.

When sales respond directly to price variations, demand is said to be elastic. If sales remain stable after a change in price, demand is inelastic. Although it is an elementary law of economics that the lower the price, the greater the sales, there are numerous exceptions. For example, price cuts can have unpredictable psychological effects: buyers may believe that the product is faulty or of lower quality, or will soon be replaced, or that the firm is going bankrupt, etc. Similarly, price rises convince some customers that the product must be of high quality, or will soon become very hard to get hold of, and so on!

A psychological effect that many retailers count on is that a potential customer seeing a price of £499 will register the £400 price range rather than the £500. This technique is known as "odd pricing".

Obviously most customers consider elements other than price when buying something: the "total cost" of a product can include operating and servicing costs, and so on. Since price is only one element of the marketing mix, a company can respond to a competitor's price cut by modifying other elements: improving its product, service, communications, etc. Reciprocal price cuts may only lead to a price war, good for customers but disastrous for producers who merely end up losing money.

Whatever pricing strategies a marketing department selects, a product's selling price generally represents its total cost (unit cost plus overheads) plus profit or "risk reward". Overheads are the various expenses of operating a plant that cannot be charged to any one product, process or department, which have to be added to prime cost or direct cost which covers material and labour. Cost accountants have to decide how to allocate or assign fixed and variable costs to individual products, processes or departments.

Microeconomists argue that in a fully competitive industry, price equals marginal cost, equals minimum average cost, equals breakeven point (including a competitive return on capital), and that a company's maximum-profit equilibrium is where extra costs are balanced by extra revenue, in other words, where the marginal cost curve intersects the marginal revenue curve. In reality, many companies have little idea what their optimal price

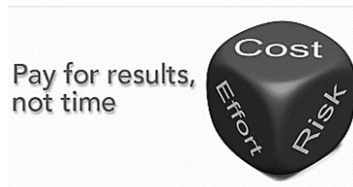
or production volume is, while most microeconomists are happier with their models than actually talking to production managers, marketers or cost accountants!

Ex. 2. Decide whether the statements are “true” or “false” according to the text.

1. There are three basic factors potentially involved in all pricing decisions.
2. When pricing a product, companies have to think of potential as well as existing competitors.
3. You are unlikely to sell high quality products at low price.
4. When demand exceeds supply, a company nearly always increases its prices.
5. A company faced with rising costs has to increase its prices.
6. A company can only change a price if it is “inelastic”.
7. Pricing is often strongly influenced by psychological factors.
8. A company can respond to competitors’ price cuts by changing different elements of the marketing mix.
9. Prices generally take into account both direct and indirect costs.
10. In theory, a product’s price should equal its marginal cost and the company’s breakeven point.

Ex. 3. Complete the following word partnerships from the text:

1. breakeven.....
2. capacity
3. distribution
4. targets
5. positioning
6. share
7. odd
8. prime
9. account
10. variable.....



Ex. 4. Which of these three summaries most fully and accurately expresses the main ideas of the text on pricing?

First summary

The prices companies charge for their products depend on many factors: their costs, the level of demand, competitors’ prices, financial targets, marketing strategies, market positioning, production capacity, inventory size, inflation, and so on. Yet pricing strategies are often unsuccessful because of

the unpredictable psychological reactions of customers. Consequently companies often concentrate instead on other elements of the marketing mix: product improvement, service, communications, etc. Even so, companies have to make sure they cover direct costs and overheads. This usually results in a price that equals both marginal cost and breakeven point.

Second summary

The most important factors in pricing decisions are production costs (including overheads), the level of demand, and the going market price. Yet broader company objectives, and profit or sales targets, and market positioning, are also important. There are also lots of circumstances that might cause companies to change their prices: excess production capacity, large inventories, or a falling market share on the one hand, or cost inflation, an urgent need for cash, or demand that exceeds supply, on the other. Yet perfectly logical decisions regarding prices thought to be elastic can have unpredictable psychological effects. It is also clear that customers are influenced by elements other than price, so companies can equally modify other elements of the marketing mix. In a competitive industry, price is generally not much greater than marginal cost and breakeven point.

Third summary

Companies' pricing decisions generally depend on factors such as production and distribution costs, consumer demand, and competitors' prices. Yet a company's overall objectives and profit or sales targets are also important. Of course there are situations in which a company will raise its prices (e.g. excess production capacity, a large inventory, or a falling market share) or lower them (e.g. excessive demand, cost inflation, a cash shortage). In general, the lower the price, the greater the sales. Companies take account of psychological effects and use techniques such as odd pricing. Companies can also change other elements of the marketing mix, especially if this allows them to avoid a damaging price war. Whatever happens, companies generally have to cover a product's total cost and make a profit. This is difficult in a competitive industry, as here price will only equal breakeven point.

Ex. 5. Match up the remarks below with the names of different pricing strategies in the box.

1. market penetration pricing	5. mark-up or cost-plus pricing
2. market skimming	6. going-rate pricing
3. current-revenue pricing	perceived-value pricing
4. loss-leader pricing	

a) Firstly we need cash, and secondly, we don't think the product will last very long - it's really just a gimmick - so we're trying to maximize our sales income now;

b) Like all supermarkets, we offer half a dozen or more different items at a really low price each week. We loose on those, but customers come in and buy lots of other stuff as well;

c) Since our product is indistinguishable from those of all our competitors, and we've only got a tiny part of the market, we charge the same price as the rest of them;

d) We just worked out the unit cost and added a percentage, without even considering demand elasticity or anything like that;

e) We charge an extremely high price because we know people will pay it. Our brand name is so famous for quality - we can make huge profits;

f) We decided to launch the product at a very low price, almost at direct cost, hoping to get a big market share. Then we can make profits later because of economies of scale.

Ex. 6. All the words below can be combined with *price* in a two-word partnership: e.g. *price war*, *retail price*. Add the word *price* either before or after each of the words below.

1. control	14. market
2. cost	15. mechanism
3. cut	16. minimum
4. discrimination	17. range
5. elasticity	18. recommended
6. exercise	19. reduction
7. fixing	20. retail
8. freeze	21. rise
9. going	22. selling
10. historical	23. sensitivity
11. index	24. strike
12. list	25. war
13. maintenance	26. wholesale

Ex. 7. Which of the above two-word nouns refers to:

- 1) a basic price before discounts and special offers are made?
- 2) aggressive competition between rivals?
- 3) a price at which retailers buy goods?
- 4) a price recorded in a company's accounts?

- 5) the government's measure of inflation?
- 6) the price at which a producer makes no profit?
- 7) the relationship between a product's price and the quantity bought?
- 8) a price-limit imposed by the government?
- 9) arrangements between competitors not to lower prices?
- 10) the price of opinions?

Unit 9. STOCKS AND SHARES

Ex. 1. Before reading the text learn the following words.

- 1) stocks and shares – акции и облигации
- 2) entitle – давать право
- 3) security issue – выпуск ценных бумаг
- 4) price quoted – зарегистрированный курс, прокотированная цена
- 5) face (nominal) value – нарицательная цена, номинальная стоимость, номинал
- 6) par value – 1) паритет, номинал акции или облигации; 2) паритет валюты
- 7) settlement – расчетный день, последний день ликвидационного периода
- 8) account day – расчетный день, последний день расчетного периода
- 9) rights issue – выпуск новых акций, предлагаемый имеющимся акционерам компании
- 10) bonus issue – «бонусный» выпуск, выпуск бесплатных или льготных акций
- 11) scrip issue – бонусная эмиссия
- 12) stock dividend – дивиденд, выплачиваемый акциями; дивиденд в форме ценных бумаг
- 13) arbitrageur – арбитражер
- 14) speculate – спекулировать; играть на бирже
- 15) equal share – равная доля

Stocks and Shares



The act of issuing shares (GB) or stocks (US) – i. e. offering them for sale to the public – for the first time, is known as floating a company or making a flotation. Companies generally use a bank to underwrite the issue. In return for a fee, the bank guarantees to purchase the

security issue at an agreed price on a certain day, although it hopes to sell it to the public. Newer and smaller companies trade on “over-the-counter” markets, such as the Unlisted Securities Market in London. Successful companies can apply to have their shares traded on the major stock exchanges, but in order to be quoted (GB) or listed (US) there, they have to fulfil a large number of requirements. One of these is to send their shareholders independently-audited annual reports, including the year’s trading results and a statement of the company’s financial position.

Buying a share gives its holder part of the ownership of a company. Shares generally entitle their owners to vote at companies’ General Meetings, to elect company directors, and to receive a proportion of distributed profits in the form of a dividend (or to receive part of the company’s residual value if it goes into bankruptcy). Shareholders can sell their shares at any time on the secondary market, but the market price of a share - the price quoted at any given time on the stock exchange, which reflects how well or badly the company is doing - may differ radically from its nominal, face, or par value.



London Stock Exchange

At the London Stock Exchange share transactions do not have to be settled until the account day or settlement day at the end of a two-week accounting period. This allows speculators to buy shares hoping to resell them at a higher price before they actually pay for them, or to sell shares, hoping to buy them back at a lower price.

If a company wishes to raise more money for expansion it can issue new shares. These are frequently offered to existing shareholders at less than their market price: this is known as a rights issue. Companies may also turn part of their profit into capital by issuing new shares to shareholders instead of paying dividends. This is known as a bonus issue or scrip issue or capitalization issue in Britain, and as a stock dividend or stock split in the US. American corporations are also permitted to reduce the amount of their capital by buying back their own shares, which are then known as treasury stock; in Britain this is generally not allowed, in order to protect companies’ creditors. If a company sells shares at above their par value, this amount is recorded in financial statements as share premium (GB) or paid-in surplus (US).

The Financial Times-Stock Exchange (FT-SE) 100 Share Index (known as the "Footsie") records the average value of the 100 leading British shares, and is updated every minute during trading. The most important US index is the Dow Jones Industrial Average.

Ex. 2. Decide whether the statements are “true” or “false” according to the text.

1. A company can only be floated once.
2. Banks underwrite share issues when they want to buy the shares.
3. It is easier for a company to be quoted on an unlisted securities market than on a major stock exchange.
4. Unlisted companies do not publish annual reports.
5. The market price of a share is never the same as its nominal value.
6. On the London Stock Exchange it is possible to make a profit without ever paying anyone any money.
7. If a company issues new shares, it has to offer them to existing share holders at a reduced price.
8. A scrip issue can be an alternative to paying a dividend.
9. American corporations with large amounts of cash can spend it by buying their own shares.
10. Companies do not have to sell their shares at their nominal value.

Ex. 3. Give English equivalents of the following Russian words and word combinations.

Образование акционерного общества, гарантировать выпуск, обусловленная (согласованная) цена; внебиржевой рынок ценных бумаг; ежегодный отчет; распределенная прибыль; расчетный день (ликвидационный день); лицо, играющее на бирже; выпуск новых акций; превратить часть прибыли в капитал; «бонусный» выпуск; казначейские ценные бумаги; надбавка к курсу акций; играть на бирже; активный платежный баланс.

Ex. 4. Add appropriate words from the text to these sentences.

1. Offering shares to the public for the first time is called ... a company.
2. A company offering shares usually uses a merchant bank to ... the issue.
3. The major British companies are ... on the London Stock Exchange.
4. In London, share transactions have to be ... every two weeks.
5. The value written on a share is its
6. The value listed in the newspapers is its

Ex. 5. Complete the sentences using the words given below.

arbitrageurs, bears, bulls, insiders, market-makers, shareholders, stags, stockbrokers

1. People who buy stocks and shares are called ... in Britain, and stockholders in the USA (although most of the shares of all leading companies are held by institutional investors such as pension funds and insurance companies).

2. People who buy securities expecting their price so they can resell them before the next settlement day are known as

3. People who sell shares hoping to buy them back at a lower price before the next settlement day are called

4. People who buy new share issues, hoping to resell them at a profit (if the issue is over-subscribed) are known as... .

5. Shareholders place their orders with, and sometimes seek advice from ..., who are members of the Stock Exchange, but who can work anywhere with a telephone and a computer screen connected to the Stock Exchange.

6. Brokers in turn buy shares from and sell them to ..., who are wholesalers in stocks and shares, and who guarantee to make a market at all times with brokers.

7. ... are people who occupy a position of trust within an organization and possess information not known to the public; buying or selling shares when in possession of such information that affects their price is illegal.

8. ... are people who buy stakes in companies involved (or expected to be involved) in takeover bids.

Ex. 6. Complete the following sentences with the appropriate form of *rise*, *raise* or *arise*. Remember that

rise is an irregular, intransitive verb: rise-rose-risen.

Raise is a regular, transitive verb: raise-raised-raised.

Arise is an irregular, intransitive verb: arise-arose-arisen.

1. A cash-flow crisis has

2. Last year we issued bonus shares and ... \$2 million.

3. Prices have already ... 4 % since January, and I think they're going to ... at the same rate until the end of the year.

4. Retail prices ... by 7 % last year.

5. She ... her children all on her own while working part-time.

6. The Federal Reserve will probably ... interest rates by 0.5 %.

7. The problem ... from the lack of quality control.

8. We didn't expect those difficulties to ... with the new product.

Ex. 7. Read the text using the dictionary and answer the following questions.

1. How many votes to its owner does each share of common stock entitle?

2. What is a corporation controlled by?
3. Who runs the corporation on a day-to-day basis?
4. Can managers make decisions without the board's approval?
5. Can shareholders vote by proxy?
6. What does it mean to vote by proxy?
7. What serves as checks on management's jurisdiction?
8. What is the most effective check on management discretion?
9. What is takeover?
10. What is a tender offer?
11. Does the acquiring investor replace corporation's management?
12. Where can you buy the common stock of most large corporations?
13. What is a closely held corporation?

Common Stock as Ownership Shares



Common Stock, also known as equity securities or equities, represent ownership shares in a corporation. Each share of common stock entitles its owner to one vote on any matters of corporate governance put to a vote at the corporation's annual meeting and to a share in the financial benefits of ownership (e.g., the right to any dividends that the corporation may wish to distribute).

A corporation is controlled by a board of directors elected by the shareholders. The board, which meets only a few times each year, selects managers who run the corporation on a day-to-day basis. Managers have the authority to make most business decisions without the board's approval. The board's mandate is to oversee the management to ensure that it acts in the interest of shareholders.

The members of the board are elected at the annual meeting. Shareholders who do not attend the annual meeting can vote by proxy, empowering another party to vote in their name. Management usually solicits the proxies of shareholders and normally gets a vast majority of these proxy votes. Occasionally, however, a group of shareholders intent on unseating the current management or altering its policies will wage a proxy fight to gain the voting rights of shareholders not attending the annual meeting. Thus, while management usually has considerable discretion to run the firm as it sees fit, without daily oversight from the equity holders who actually own the firm,

both oversight from the board and the possibility of a proxy fight serve as checks on management's jurisdiction.

In practice, where ownership is greatly diffused in widely held corporations, management controls are less stringent than in theory. In proxy fights, management defends its board member allies at corporate expense, while the outsiders must finance the fight from their own pockets.

The most effective check on management's discretion may be the possibility of a corporate takeover; that is, an outside investor who believes the firm is mismanaged will attempt to acquire the firm. Usually, this is accomplished with a tender offer, which is an offer made to stockholders to purchase their shares at a stipulated price, usually substantially above the current market price. If the tender is successful, the acquiring investor can purchase enough shares to obtain control of the firm and can replace its management.

The common stock of most large corporations can be bought or sold freely on one or more of the stock exchanges. A corporation whose stock is not publicly traded is said to be closely held. In most closely held corporations, the owners of the firm also take an active role in its management. Takeovers generally are not an issue.

Ex. 8. Put each of the following words in its correct place in the text.

reinvest	claim	liabilities
liquidation	claimants	assets
common stock	income taxes	creditors
stockholders		

The two most important characteristics of (1)... as an investment are its residual claim and limited (2)... features.

Residual claim means (3)... are the last in line of all those who have a claim on (4) ... and income of the corporation. In a (5)... of the firm's assets the shareholders have (6) ... to what is left after paying all other (7) ... such as the tax authorities, employees, suppliers, bondholders and other (8)... .

In a going concern, shareholders have claim to the part of operating income left after interest and (9) ... have been paid. Management can either pay this residual as cash dividends to shareholders or (10) ... it in the business to increase the value of the shares.

personal assets	failure	obligations
worthless stock	bankruptcy	liability

Limited liabilities mean that the most shareholders can lose in event of (11) ... of the corporation is their original investment. Shareholders are not like owners of unincorporated businesses, whose creditors can lay claim to the (12)... of the owner-house, car, furniture. In the event of the firm's (13) ..., corporate stockholders at worst have (14) They are not personally liable for the firm's (15)...: their (16)... is limited.

Ex. 9. Open the brackets and translate the words and word combinations into English.

Preferred stock has features similar to both (акционерный капитал) and (долг). Like a (долговое обязательство), it promises to pay to its holder a fixed stream of (дивидендов) each year. In this sense, (привилегированная акция) is similar to an infinite – maturity bond, that is perpetuity. It also resembles a bond in that it does not give (держатель акций) voting power regarding the firm's management.

(Привилегированная акция) is an equity (капиталовложения), however, in the sense that (несостоятельность, неудача) to pay the dividend due does not set off corporate (банкротство). Instead, preferred dividends are cumulative; that is, (невыплаченные) dividends cumulate and must be paid in full before any dividends may be (выплачены) to holders of (обычных акций).

(Привилегированная акция) also differs from bonds in terms of its (налоговый) treatment for the firm. Because preferred stock payments are treated as dividends rather than as (процент) on debt, they are not tax-deductible (издержки) for the firm.

Ex. 10. Give Russian equivalents of the following English words and word combinations.

To vote on matters of corporate governance, financial benefit, to run the corporation on a day-to-day basis, to make business decisions, to vote by proxy, to empower another party to vote in their name, to unseat the current management, to wage a proxy fight; to gain voting rights, daily oversight, at corporate expense, corporate takeover, outside investor, to purchase shares at a stipulated price, above the market price, closely held corporations, to have claim on the assets, to pay other claimants, to increase the value of the shares, preferred stock, a fixed stream of dividends, to give voting power, dividend due, cumulative dividends, tax treatment.

Ex. 11. Read and translate the following article.

The dot.com bubble



1. At the height of the high-tech stocks goldrush, private investors were piling money into internet and technology companies. In many cases, these were little known businesses that had been in existence for only a few months.

Nevertheless, investors were hungry for stocks, with many buying large holdings simply on the basis of wildly optimistic internet bulletin boards tips.

2. Then in March and April 2000 share prices crashed. A lucky minority had got out in the nick of time, but the majority of dot-com investors suffered substantial paper losses. Looking back at the frenzy that led up to the crash, it now seems amazing that so many were taken in by the glitter of fool's gold, and were willing to part with their cash so readily. Dot-com shares doubtless seemed to many to be a casino where they couldn't lose, but as the old saying goes, "If it seems too good to be true, it probably is".

3. London Stock Exchange figures show how cheap online share-trading services caused net-based share-dealing to rocket in the months leading up to the crash. The average number of transactions ballooned to 134,000 a day in January, and hit a peak of 157,000 a day in March – just days before the first signs of disaster.

4. Many of the new share-dealing services were struggling to cope with the demand, and some had to close their doors to new customers. There were numerous complaints from investors having to wait on the phone for an hour or more to get through to a broker.

5. Following the crash, high-tech stocks continued to be traded, of course. But many investors, nursing burnt fingers, pulled out of the market altogether. Others scaled down their trading. The result was a dramatic drop in trading volumes. In the May following the crash, transactions were down to around 100,000 a day, with subsequent months mostly seeing further declines in the number of shares changing hands. In other words, there was a full-blown slump.

6. Although the party was over for private investors, online share-dealing services mostly continued to be profitable, with many new companies joining the already crowded market.

7. However, despite the fact that there was still money to be made, shares in the sector fared poorly, and in late 2000 some were standing at just a tenth of their value prior to the crash – comparable losses to those seen by the dotcoms whose shares they had once been trading so frenetically.

8. In the years following one of the most talked-about crashes in recent history, some investors who hung on to their shares have partially recouped their losses, particularly when smaller companies have been bought out by larger ones. In the majority of cases, though, the recovery has been modest, and accompanied by a strong sense of caution in investors. In general it can be said that the bubble has well and truly burst.

A. Choose the definition which is closest to the meaning in the article.

1. gold-rush (**paragraph 1**)

a. lots of people investing b. lots of people making money

2. online bulletin board tips (**paragraph 1**)

a. advice from internet services b. information about internet services

3. share prices crashed (**paragraph 2**)

a. share prices fell dramatically b. share prices stopped rising

4. paper losses (**paragraph 2**)

a. losses of banknotes b. losses of money which never really existed

5. fool's gold (**paragraph 2**)

a. good profits for stupid people b. something worth much less than many people believed

B. Find words in the article with the same meaning as the following.

6. only available on the internet (**paragraph 3**) n _____
b _____

7. reduced (**paragraph 5**) s _____ d _____

8. being bought and sold (**paragraph 5**) c _____
h _____

9. taken over (**paragraph 8**) b _____ o _____

C. Complete the definitions.

10. *Investors piled money into the market* means that people ...

a. invested cautiously b. invested heavily c. invested all their money

11. *People parted with their cash readily* means that people were...

a. able to spend money b. spending too fast c. happy to spend their money

12. *Small investors got their fingers burnt* means that small investors...
- a. were unhappy b. were cheated c. lost money
13. *There was a drop in stock exchange trading volumes* means that ...
- a. fewer shares were traded b. more shares were traded c. many shares went down in value
14. *Many investors pulled out of the market altogether* means that many investors...
- a. sold all their shares b. stopped buying shares c. sold their shares at the same time
15. *In financial terms, the party's over* means that it's no longer possible to...
- a. enjoy making money b. make money easily c. lose more money
16. *Investors have partially recouped their losses* means that investors have got...
- a. all their money back b. most of their money back c. some of their money back

Unit 10. FINANCIAL STATEMENTS

Ex. 1. Before reading the text learn the following words.

- 1) accounts payable – счета кредиторов
- 2) accounts receivable – счет дебиторов (дебиторская задолженность)
- 3) financial statements – финансовый отчет
- 4) taxation – налогообложение, взимание налогов
- 5) retain profit – удерживать прибыль
- 6) subsidiary – дочерняя компания, дочерняя фирма
- 7) shareholder – держатель акций, акционер
- 8) annual report – годовой отчет



Companies are required by law to give their shareholders certain financial information. Most companies include three financial statements in their annual reports.

The profit and loss account shows revenue and expenditure. It gives figures for total sales or turnover (the amount of business done by the company during the year), and for costs and overheads. The first figure should be greater than the second: there should generally be a profit - an excess of income over expenditure. Part of the profit is paid to the government in taxation, part is usually distributed to shareholders as a dividend, and part is retained by the company to finance further growth, to repay debts, to allow for future losses, and so on.

The balance sheet shows the financial situation of the company on a particular date, generally the last day of its financial year. It lists the company's assets, its liabilities, and shareholders' funds. A business's assets consist of its cash investments and property (buildings, machines, and so on), and debtors - amounts of money owed by customers for goods or services purchased on credit. Liabilities consist of all the money that a company will have to pay to someone else, such as taxes, debts, interest and mortgage payments, as well as money owed to suppliers for purchases made on credit, which are grouped together on the balance sheet as creditors. Negative items on financial statements such as creditors, taxation, and dividends paid are usually printed in brackets thus: (5200).

The basic accounting equation, in accordance with the principle of double-entry bookkeeping, is that $\text{Assets} = \text{Liabilities} + \text{Owners' (or Shareholders') Equity}$. This can, of course, also be written as $\text{Assets} - \text{Liabilities} = \text{Equity}$. An alternative term for Shareholders' Equity is Net Assets. This includes share capital (money received from the issue of shares), sometimes share premium (money realized by selling shares at above their nominal value), and the company's reserves, including the year's retained profits. A company's market capitalization - the total value of its shares at any given moment, equals to the number of shares times their market price - is generally higher than shareholders' equity or net assets, because items such as goodwill are not recorded under net assets.

A third financial statement has several names: the source and application of funds statement, the sources and uses of funds statement, the funds flow statement, the cash flow statement, the movements of funds statement, or in the USA the statement of changes in financial position. As all these alternative names suggest, this statement shows the flow of cash in and out of the business between balance sheet dates. Sources of funds include trading profits, depreciation provisions, borrowing, the sale of assets, and the issu-

ing of shares. Applications of funds include the purchase of fixed or financial assets, the payment of dividends and the repayment of loans, and, in a bad year, trading losses.

If a company has a majority interest in other companies, the balance sheets and profit and loss accounts of the parent company and the subsidiaries are normally combined in consolidated accounts.

Ex. 2. Are the following statements “true” or “false”?

1. Company profits are generally divided into three ways.
2. Balance sheets show a company’s financial situation on 31 December.
3. The totals in balance sheets generally include sums of money that have not yet been paid.
4. Assets are what you own; liabilities are what you owe.
5. Ideally, managers would like financial statements to contain no times in brackets.
6. Limited companies cannot make a loss because assets always equal shareholders’ equity.
7. Company’s shares are often worth more than its assets.
8. The two sides of funds flow statements show trading profits and losses.
9. Depreciation is a source rather than a use of funds.
10. A consolidated account is a combination of a balance sheet and a profit and loss account.

Ex. 3. Answer the following questions.

1. What do companies usually include in their report?
2. What is a profit?
3. How is a profit usually divided?
4. What does the balance sheet list?
5. What is a liability?
6. What is “Net Assets”?
7. What do sources of funds include?
8. Where is the flow of cash in and out of the business shown?

Ex. 4. Match up the following British and American terms.

- | British | American |
|-----------------------|------------------------|
| 1. creditors | a) accounts payable |
| 2. debtors | b) accounts receivable |
| 3. overheads | c) income statement |
| 4. profit and account | d) overhead |
| 5. shareholder | e) paid-in surplus |
| 6. share premium | f) stockholder |

Ex. 5. Choose the correct alternative to complete each sentence.

If a person or business has debts to pay them, this means they have more (1) ... than assets, and they are (2)... . If a (3)... takes the matter to court, the person or company is declared bankrupt. A bankrupt company goes into liquidation or receivership or is wound up. The court appoints a liquidator (or receiver, or administrator) who realises (i.e., sells) the company’s (4) ... in order to repay creditors. A failing business can choose voluntary winding up, in which case it appoints its own liquidator. In America a (5) ... in difficulty can ‘file for Chapter Eleven’ and propose a recovery plan; it is then temporarily protected from its creditors, and given some time to attempt to solve its problems. A failing business that knows it has no reasonable chance of avoiding bankruptcy should stop trading. Continuing to (6) ..., and building up debts with creditors that will never be paid, is called wrongful trading and is illegal. These are limits to limited liability!

1. a) equity b) liability c) liabilities
2. a) illegal b) illiquid c) insolvent
3. a) borrower b) creditor c) debtor
4. a) assets b) debts c) liabilities
5. a) corporation b) partnership c) proprietor
6. a) do business b) earn c) make business

Ex. 6. Complete the following sentences with either “bankrupt” or “bankruptcy”.

1. The company has gone
2. We’re on the verge of... .
3. If they keep spending money like that, they’ll ... the company.
4. I am sorry to say that we are facing
5. There are limits to what an undis-charged ... can do.
6. We’ve got no choice but to declare ourselves



Ex. 7. Complete the text using these words.

capital	cash	issues
dividends	contributed	equity
balance sheet	statements	stock
stockholders	retained	incomes
earnings	investments	

Corporations are established under state or federal laws. These laws may require the company's financial (1) ... to distinguish between the equity created by investments from (2) ... and (3) ... created by the corporation's net (4) ... less any reductions for (5)... . A dividend is a distribution, generally a (6) ... payment, made by a corporation to its stockholders. A cash dividend reduces the assets and the total stockholders' equity is divided into contributed (7)... (also called paid-in capital) and retained (8)... . (9)... capital is created by the stockholders' (10) ... and (11)... earnings are created by the corporation's profitable activities. The components of stockholders' equity are usually shown on a corporate (12) If a corporation (13)... only one kind of stock, it is called common or capital (14)

Ex. 8. Complete the sentences.

A (корпорация) is a separate legal (хозяйственный субъект) chartered under state or federal laws. Unlike (собственность) or partnerships, corporations are legally separated and distinct from their (владельцев).

A corporation's (активы за вычетом задолженности) is divided into units called (акции) of stock and its owners are called shareholders or (акционеры). For example, a corporation that has (выпустила) 1000 shares of stock has divided its equity into 1000 units. A stockholder who (владеет) 500 shares owns 50 % of the shares and 50 % of the (активов за вычетом задолженности). When a corporation (выпускает) only one class of (акций), it is called (обычная) stock or capital stock.

A very important characteristic of a corporation is its status as a separate legal (хозяйственный субъект). This characteristic means that the corporation is responsible for its own acts and its own (долги). This arrangement relieves the stockholders of personal (ответственность) for these acts and (долги). This (ограниченная ответственность) feature is a major advantage of corporations over proprietorships and (партнерство).

Many (некоммерческий) entities are organized as special corporations that have no shares of stock. This arrangement offers the advantages of separate legal status and limited liability. These corporations were exempt from (подходные налоги) if they engage in charitable and educational activities.

Ex. 9. Read the following text and retell it in English.

Differences in Financial Statements

Despite the major legal differences among the three forms of businesses, there are only a few differences in their financial statements.

One difference is in the equity section of the balance sheet. A proprietorship's balance sheet lists the capital balance beside the single owner's name. Partnership balance sheets use the same approach, unless there are too many owners for their names to fit in the available space. The names of a corporation's stockholders are not listed in the balance sheet. Instead, the total stockholders' equity is divided into contributed capital (also called paid-in capital) and retained earnings. Contributed capital is created by the stockholders' investments. Retained earnings are created by the corporation's profitable activities.

Another difference exists in the term used to describe payments by a company to its owners. When an owner of a proprietorship or a partnership receives cash from the company, the payments are called withdrawals. When owners of a corporation receive cash from the company, the payments are called dividends. Withdrawals and dividends are not reported on a company's income statement because they are not expenses incurred to generate revenues.

A more significant difference appears in the financial statement description of amounts paid to the company's managers. Because a corporation is a separate legal entity, salaries paid to its managers are reported as expenses on its income statement. In contrast, if the owner of a single proprietorship is also its manager, no salary expense is reported on the income statement for these services. The same is true for a partnership. This different treatment requires special consideration when analyzing the income statement.

Ex. 10 A. Match the numbers with the phrases.

1) 1,000,000	a. one percent
2) 1,000,000,000	b. a thousand
3) 1,000,000,000,000	c. a trillion
4) 1 %	d. "nought point oh oh one percent"
5) 0.1 %	e. "nought point oh one percent"
6) 0.01 %	f. "nought point one percent"
7) 0.001 %	g. a billion (often written 1bn)
8) >1	h. a million (often written 1m)
9) <1	i. greater than 1
10) ≥1	j. greater than or equal to 1
11) ≤1	k. less than or equal to one
12) 1k	l. less than one

Notes

For American English, change *nought* and *oh* to *zero*: 0.01 = "zero point zero one"

An alternative to "nought point one" is "point one".

In the past the US and the UK had different meanings for *billion* and *trillion*. Occasionally, therefore, in the UK, *billion* may mean [1 plus 12 zeros], and *trillion* may mean [1 + 18 zeros].

B. Match the numbers with the phrases.

1) $3 - 2$	a. the square root of three
2) $3 + 2$	b. three cubed
3) 3×2	c. three divided by two (<i>or</i> three over two)
4) $3 / 2$	d. three minus two
5) 3^2	e. three multiplied by two (<i>or</i> three times two <i>or</i> three by two)
6) 3^3	f. three plus two
7) 3^{10}	g. three squared
8) $\sqrt{3}$	h. three to the power of ten (<i>or</i> three to the tenth)

VOCABULARY

A

account – счет; pl. отчетность; имущество; капитал; фонды
checking ~ – чековый счет, текущий счет
consolidated ~ – свободный баланс, консолидированная отчетность, свободный финансовый отчет
current ~ – *амер.* открытый счет, *англ.* текущий счет
profit and loss ~ – счет прибыли и убытков
savings ~ – срочный счет (в банке)
account day – расчетный день, ликвидационный день
assets активы (баланса), капитал, фонды
financial ~ – 1) финансовое покрытие
2) финансовые активы, финансовые средства
fixed ~ – основной капитал, основные средства, основные фонды
net ~ – нетто-активы
real ~ – недвижимое имущество, недвижимость
application of funds – использование денежных средств

B

bill: 1) счет к оплате; 2) накладная, 3) вексель, 4) трата; 5) *амер.* банкнота
treasury bill – 1) (*англ.*) казначейский вексель
2) (*амер.*) краткосрочный казначейский билет
3) (*амер.*) налоговый сертификат
balance sheet – баланс, балансовый отчет
banker – 1) банкир; 2) банкирская контора, банкирский дом
bond – долговое обязательство, облигация
bond dealing – сделки

C

capital:
share ~ – (выпущенный) акционерный капитал
capitalization – капитализация, превращение в капитал
certificate – сертификат, свидетельство
changes:
statement of ~ – расчет издержек
charter – документ, содержащий согласие государственного органа на создание корпорации
check – контроль

claim – претензия, право на что-то, иск, требования
ownership ~ – имущественный чек
residual ~ – оставшаяся часть требования
claimant – претендент, лицо, заявляющее о своем праве на что-либо
collateral – обеспечение, залог, дополнительное обеспечение
corporation:
closely held ~ – закрытая акционерная корпорация
widely held ~ – открытая акционерная корпорация
costs – расходы, издержки, затраты
creditor – кредитор; фирма, предоставляющая кредит
credit:
installment ~ – кредит с погашением в рассрочку
purchase ~ – кредит на покупку

D

days:

account ~ – расчетный день, ликвидационный день
settlement ~ – расчетный период
debenture – долговое обязательство, облигация акционерной компа-

нии

debenture bond – облигация, не имеющая специального обеспечения
debtor – должник, дебитор; дебетовая часть счета
debts – долг, задолженность
default – не выполнять обязательств, прекращать платежи
deposit – депозит, вклад
to hold ~s – хранить депозиты, вклады
depreciation provision – порядок начисления износа
dividend:
preferred ~ – дивиденды по привилегированным акциям
cumulative ~ – кумулятивный дивиденд
to pass a ~ – не выплачивать дивиденд, пропускать очередную
уплату дивиденда
diffuse – распространяться
discretion – свобода действий, осторожность, осмотрительность
double-entry bookkeeping – бухучет по методу двойной записи
due – сбор, пошлина, налог

E

equity – 1) активы за вычетом задолженности
2) доля акционера в капитале предприятия

limited ~ – ограниченная ответственность
loan – заем
mature loan ~ – заем, подлежащий погашению
outstanding ~ – непогашенная ссуда
mortgage ~ – ипотечная ссуда, ипотечный кредит

M

maturity – наступление срока (выплаты страховой суммы), срок долгового обязательства
mature – подлежать погашению или оплате
market:
over-the-counter – внебиржевой рынок ценных бумаг, рынок незарегистрированных ценных бумаг
merger – поглощение (путем приобретения ценных бумаг или основного капитала), слияние (компаний)
mortgage – залог, заклад, закладная
write ~ – подписаться на закладную
conventional ~ – обычная ипотека (негарантированная государственными учреждениями)

N

note – долговая расписка, простой вексель, извещение, авизо, банковский билет
nominal – номинальный, именной (об акции)

O

offset – зачет, возмещение, компенсация
option – выбор
originator – учредитель
originate – учреждать, инициировать
outstanding – неуплаченный, просроченный
overheads – накладные
oversight – 1) недосмотр, оплошность;
2) надзор, присмотр
owe – задолжать, быть должным, быть в долгу

P

pass-throughs – облигации, выпускаемые правительственными кредитными учреждениями или частными банками и обеспеченные закладными под жилые строения

partnership – товарищество, партнерство
patron – постоянный покупатель
pool – объединение, общий фонд, объединенные запасы
portfolio – портфель (например, ценных бумаг)
premium – 1) премия, надбавка, вознаграждение;
2) премия по срочным вкладам
share ~ – надбавка к курсу акций; премия на акции
price – цена
stipulated ~ – цена, предусмотренная контрактом или соглашением
profit – прибыль
retained ~ – нераспределенная прибыль
proxy – полномочие, доверенность

R

rate – ставка
variable interest ~ – плавающая (колеблющаяся) процентная ставка
fixed interest ~ – фиксированная процентная ставка
real estate – недвижимость
receivership – управление имуществом по доверенности, управление конкурсной массой
refund – 1) возвращать, возмещать, рефинансировать;
2) возврат, возмещение
repay – возвращать (деньги), отдавать долг, погашать заем
retain – удерживать (прибыль от распределения), сохранять (запасы)
revenue – доход, pl. доходные статьи
risk – риск
to shift the ~ – переложить риск

S

savings – сбережения
net ~ – чистые сбережения, накопления
securities – ценные бумаги
mortgage-backed ~ – ценные бумаги, обеспеченные закладными
share – 1) доля, часть; 2) (*амер.*) акция
additional ~ – дополнительные акции
(to) set off – засчитывать (сумму)
statement – отчет
financial ~ – финансовый отчет
cash flow ~ – кассовый отчет о движении денежной наличности

funds flow ~ – отчет об источниках и использовании средств
stock – 1) капитал, фонд; 2) (*амер.*) акционерный капитал, акция;
3) (*англ.*) ценные бумаги

share of ~ – доля акций

common ~ – обычная акция

capital ~ – акционерный капитал

preferred – привилегированные акции (с фиксированным дивидендом)

treasury ~ – казначейские ценные бумаги; акции, выпущенные и затем купленные корпорацией-эмитентом

stockbroker – биржевой брокер

stringent – строгий

subsidiary – дочерняя компания (фирма)

secure – обеспечивать, гарантировать

suffer losses – терпеть убытки, нести потери

surplus – (нераспределенная) прибыль, резервный капитал

paid in ~ – активный платежный баланс

T

takeover – слияние компаний, взятие под свой контроль и управление, отчуждение (собственности в пользу государства)

taxes – налоги

income ~ – подоходный налог

treatment – режим

tax ~ – правила взимания налогов, налоговый режим

turnover – оборот

U

underwrite – гарантировать, взять на себя обязательства

unseat – лишить места, должности

V

value – стоимость

appraised ~ – оценочная стоимость, стоимость по оценке

W

warrant – 1) гарантия, ругательство;

2) полномочие, доверенность;

3) расписка

wage – проводить (кампанию); бороться (за капитал)

wind (wound) up a company – ликвидировать компанию

БИБЛИОГРАФИЧЕСКИЙ СПИСОК

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