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**АНГЛИЙСКИЙ ЯЗЫК
БИЗНЕС-КУРС
(Business English)**

Учебное пособие для студентов вузов

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UNIT 1. The small business scene

BUSINESS TERMS

owner	собственник, владелец
operator	амер. владелец предприятия
franchise	франшиза (страх.)
distribute goods	распространять (распределять) товары

wholesaling	оптовая торговля
manufacturing	производство
total assets	общая стоимость имущества, сумма баланса
net worth	стоимость имущества за вычетом обязательств, собственный капитал (предприятия)
gross profits	валовая прибыль
net profits	чистая прибыль
payroll	платежная ведомость
net receipts	чистая выручка, чистые доходы, чистые денежные поступления
total sales	общий объем продаж, товарооборот
returns	возмещение
allowances	начисления (сумма накладных расходов)
keep records	вести учет
tax	налог
bank loan	банковская ссуда
business premises	1. торговое помещение; 2. помещение фирмы
labour force	рабочая сила
business failure	коммерческий крах
profit	прибыль
assets	активы; фонды; средства
liabilities	пассивы; обязательства
earnings	1. заработок <i>pl.</i> ; 2. доход, прибыль, поступление
advertising agency	рекламное агентство
warehouse	склад; оптовый магазин
tangible	материальный
intangible	нематериальный
notes receivable	<i>амер.</i> векселя к получению
cash	наличность
inventory	товарно-материальные запасы
equipment	оборудование
real estate	недвижимость
retail business	розничная торговля
surplus	1. излишек, избыток; 2. нераспределенная прибыль
total receipts	общая сумма поступлений
bookkeeping	бухгалтерский учет
merchandise	товары
money borrowed	деньги, взятые займы
in bulk orders	заказ в большом количестве
dismiss	увольнять
joint venture	совместное предприятие

The vast majority of small firms concentrate on selling material products, although an increasing number of firms provide a service. Although an increasing number operate in local markets, services, too, are exported. In recent years there has been a great increase in the export of services, such as management consulting, medical, and technological services.

The existence of a strong, healthy small business community has always been recognized as the best way to preserve competition, prevent monopolistic control of any industries, and thus assure the population of the benefits of competition through better prices and quality products. **Incentives**¹ have been provided to assist small firms. The government of the US created the Small Business Administration (SBA) in 1954 to provide financial, management, and **procurement assistance**² for small firms.

There are some facts that illustrate the importance of small business. According to the Small Business Administration:

- 99% of all businesses in the US can be classified as small;

- 43% of **the gross national product**³ is contributed by small business;

- while large business has been cutting back employment, small business has been creating new jobs;

- many of new products and services in the US are created by small businesses.

Numerous definitions of the term "small business" exist. A small business is one which is independently owned and operated and not dominant in its field of operation. A small business is one which possesses at least two of the following four characteristics: 1) management of the firm is independent. Usually the managers are also the owners; 2) capital is **supplied**⁴ and the **ownership**⁵ is held by an individual or a small group; 3) the area of operation is mainly local, with the workers and owners living in one home community. However, the markets need not be local; 4) the relative size of the firm within its industry must be small when compared with the biggest units in its field. Of the characteristics cited, most scholars believe that the fourth, relative size, is the most important.

The SBA traditionally uses the following criteria for defining small business: **retailing**⁶ (sales volume), service (sales volume), **wholesaling**⁷ (sales volume), **manufacturing**⁸ (number of employees).

The following is a list of terms that can be used to describe a business. Each term tells something about the size of a business.

- Total assets**⁹ – all that a business owns.

- Net worth**¹⁰ – business assets less what is owed.

- Gross profits**¹¹ – money left from sales after all expenses (except taxes) have been paid.

- Net profits**¹² – what is left from gross profit after business income taxes are paid.

- Employees – total number of workers and managers listed on the **payroll**¹³.

- Income – **net receipts**¹⁴, the **total sales**¹⁵ less **returns**¹⁶, **allowances**¹⁷, and discounts.

It is necessary **to keep records**¹⁸ of a business for tax purposes and as a measure of growth. Some businesses fail because they are improperly expanded. Other businesses are unsuccessful because they expand too quickly and cannot handle problems that come with rapid growth. Many businesses remain small and provide excellent income throughout their lifetime.

Business operations are subject to review by local, state, and federal authorities. These reviews insure that rules and regulations are being obeyed and standards maintained. Some of the operations subject to review are listed here.

Income. Business income must be reported for income tax purposes. Other reasons for reporting business income include providing information for **bank loans**¹⁹, attracting investors, making equitable distribution

because of color, race, sex, religion, or national origin.

Liability and compensation. Employers are required to carry insurance and provide adequate compensation for workers injured on the job and customers injured on the business premises.

Notes: 1. стимул, побудительный мотив; 2. материально-техническая помощь; 3. валовой национальный продукт; 4. снабжать, поставлять; 5. собственность; 6. розничная торговля; 7. оптовая торговля; 8. производство; 9. общая стоимость имущества, сумма баланса; 10. стоимость имущества за вычетом обязательств, собственный капитал (предприятия); 11. валовая прибыль; 12. чистая прибыль; 13. платежная ведомость; 14. чистая выручка, чистые доходы, чистые денежные поступления; 15. общий объем продаж, товарооборот; 16. возмещение; 17. начисление (напр. сумма накладных расходов); 18. вести учёт; 19. банковская ссуда; 20. партнерство

COMPREHENSION

1. Answer the following questions.

- 1) How do people become owners and operators of small business firms?
- 2) What are the aims of establishing small firms?
- 3) What has always been recognized as the best way to preserve competition, prevent monopolistic control of any industries?
- 4) What facts illustrate the importance of small business?
- 5) Can you define a small business?
- 6) What is the most important characteristic of a small business?
- 7) What criteria are used for defining small business?
- 8) What terms describe the size of a business?
- 9) What operations of a small business are subject to review?

2. In each of the following select the word or phrase that best completes the statement or answers the question.

- 1) A fact that demonstrates the role of small business in the United States is that...
 - a. 95% of labour force is employed by small businesses.
 - b. 20% of businesses are small.
 - c. 43% of all businesses are small according to the definition of the Small Business Administration.
 - d. 51% of all businesses are small according to the definition of the Small Business Administration.
- 2) Which statement is not true in relation to business success?
 - a. As the population expands, there is a greater need for small businesses.
 - b. People with more education and experience usually have a better chance of success.
 - c. There is little or no risk in operating a small business if you have adequate capital.
 - d. The chances of business failure are reduced if you get sufficient and adequate training.
- 3) All of the following measure business size except

- 6) Which of the following is not a level of trade proficiency?
 - a. apprentice
 - b. master
 - c. foreman
 - d. senior
- 7) It is necessary to keep accurate business records
 - a. for tax purposes
 - b. to determine business size
 - c. to determine earnings
 - d. for all of these reasons
- 8) The fastest growing type of business is
 - a. manufacturing
 - b. farming
 - c. franchising
 - d. fishing
- 9) Which of the following is true?
 - a. There are more small businesses than large businesses.
 - b. There are more people employed in large businesses.
 - c. There are more large businesses than small businesses.
 - d. None of these statements is true.
- 10) Regulations are necessary because they
 - a. help politically powerful big business
 - b. make business practices more equitable and fair
 - c. give government officials power
 - d. create jobs
- 11) Which of the following would probably not be self-employed?
 - a. attorney
 - b. airline pilot
 - c. artist
 - d. plumber
- 12) Which one of the following is a distributive kind of business?
 - a. radio station
 - b. advertising agency
 - c. canning factory
 - d. warehouse

WORD STUDY

3. Match the words with their definitions.

loan, partnership, assets, retailing, payroll, sales, gross profit, net worth, net profit, profit

- 1) The entire resources of a person or business, tangible and intangible, such as accounts and notes receivable, cash, inventory, equipment, real estate, good will, *etc.*
- 2) The act of operating a retail business.
- 3) The capital investment an individual or partners have in a business after the liabilities have been subtracted from the assets, that is, the capital value of the business.
- 4) A surplus that remains after the cost of goods is subtracted from the total receipts.
- 5) A surplus after all the expenses have been paid, including operating expenses such as heat, light, rent, and wages, but excluding taxes.
- 6) A list of employees who are paid periodically by a firm, along with other information; also includes

4. Supply the sentences with required words, if necessary change their grammatical forms.

manufacturing, keep records, ownership, incentive, product, returns and allowances, supply, gross national product, wholesaling, assistance

- 1) The chemical in the ... was too harsh for her, and she lost most of her hair.
- 2) Most large towns are ... with electricity.
- 3) She persuaded the Cabinet to agree to 1.2 million pounds ... for the industry.
- 4) Money is being used as an
- 5) ... includes the sale, and all activities directly related to the sale, of products or services to those who are buying for business use.
- 6) With the introduction of the computer, large manufacturers applied the electronic advances to the ... process.
- 7) The law of warranties also applies to
- 8) Remember that the time business owners spend on takes the owners away from other aspects of their business.
- 9) Transfer of ... is probably not the most important aspect of privatization.
- 10) is the basic measure of the total output of goods and services in the economy.

5. Complete each sentence with the correct form of the word in capital letters. In some cases you will have to make a negative by using the prefix *il-* or *un-*.

1. *employ*

- 1) In an area of high ... people are desperate to find jobs.
- 2) Every ... of the firm is entitled to a 10% discount.
- 3) Her ... gets very angry if she uses the phone too much.
- 4) I'm looking for temporary ... during the summer holidays.

2. *engage*

- 1) The line is ... so I'll have to try again later.
- 2) Cancel all my ... for the rest of the day, please.

3. *finance*

- 1) Her ... adviser is convinced the project will be a success.
- 2) If the company is ... sound we might consider taking it over.

4. *grow*

- 1) There is a ... awareness of the need to improve productivity.
- 2) The government is worried about the ... in public expenditure.

5. *legal*

- 1) It's ... to sell such goods without a proper permit.
- 2) They questioned the ... of the company's action.

6. *possess*

- 1) I had in my ... a portion of money.
- 2) I am a proud ... of two kiosks in Plekhanov Street.

- 2) Our company is virtually ... abroad.
- 3) She's obviously very ... as far as marketing is concerned.

10. *establish*

- 1) There he had set out to ... his own business.
- 2) The ... of legal minimum pay is one of the objectives.

11. *existence*

- 1) These institutions do not come into .. except as a result of state policy.
- 2) We have to find ways of making the ... system work better.
- 3) Numerous definitions of the term "small business"....

GRAMMAR FOCUS

6. Complete each of the sentences by using the past form of one of the verbs on the left and combining it with one of the words on the right. Use each verb once only. Some words on the right are used more than once.

<i>give</i>	<i>rely</i>	<i>back</i>	<i>in</i>
<i>lay</i>	<i>bring</i>	<i>on</i>	<i>to</i>
<i>leave</i>	<i>stick</i>	<i>forward</i>	<i>off</i>
<i>pay</i>		<i>out</i>	

- 1) They ... the meeting ... from Friday 7th to Monday 3rd.
- 2) Unfortunately we ... a supplier who was not able to supply us with the components he had promised.
- 3) They ... to consumer pressure and redesigned the packet.
- 4) In his speech he ... the most important detail. How much is it all going to cost?
- 5) Last year Firmin's ... half their workforce because of a lack of orders.
- 6) He ... his original demand. We couldn't get him to change his mind.
- 7) They ... the money they had borrowed only after we had threatened to take them to court.

7. Combine a noun from the list on the left with a preposition from the list on the right to complete each sentence. You must use each noun once only, but each preposition can be used more than once.

<i>congratulations</i>	<i>intention</i>	<i>in</i>
<i>emphasis</i>	<i>point</i>	<i>of</i>
<i>experience</i>	<i>result</i>	<i>on</i>
<i>increase</i>		

- 1) We need to put more ... improving staff morale rather than buying more equipment.
- 2) Have you had any ... this type of work?

Now complete the following sentences with the correct preposition.

- 1) They put a lot of money ... the project.
- 2) The project had to be put ... due to production delays.
- 3) Once we had got ... the joint venture, it was very difficult to get ... of it.
- 4) Companies are often unwilling to give ... their independence.
- 5) I'd like to take ... your offer of collaboration.
- 6) The company was put ... by the size of the investment. They decided instead to go ... partnership with a local firm.
- 7) They made ... for their lack of financial investment by doing a lot of the ground work.
- 8) We could only pull ... of the joint venture if they gave ... their position in the market.

DISCUSSION

1. How does the Committee for Economic Development measure a small business?
2. Does the U.S. government support small business firms? How?
3. Can you name an example of a manufacturing firm? A wholesaling firm? A retailing firm? A firm in the field of finance?
4. Prepare a list of 5 different business firms. Explain how you would classify each of these firms as small, medium, or large according to the size measurement of the Small Business Administration.

WRITING

1. Write a summary of the text.
2. Write a short essay on why you agree or disagree with the state ment that a strong small business community is in the best interest of all citizens.

UNIT 2. Advantages and disadvantages of running a small firm

BUSINESS TERMS

become giants	становиться гигантами
distinct advantage	отчетливое (заметное) преимущество
have much flexibility	иметь гибкость
make decisions	принимать решения
beauty parlor	косметический салон
interior-decorating firms	фирмы по внутреннему оформлению интерьера
daily operations	ежедневное ведение хозяйственной деятельности
supervise	контролировать, наблюдать
real estate	недвижимость
render	оказать (помощь)
offset	возмещать (компенсировать)
overheads	накладные расходы
less efficiently on the job	менее эффективно на работе

tax burdens	бремя налогового обложения
good will	"гудвилл", условная стоимость репутации и деловых связей
lack of time	нехватка времени
handle multiple assignment	управлять (осуществлять контроль) многочисленными заданиями
lack of research facilities	нехватка средств на исследование
overcome with positive planning	преодолеть путем позитивного планирования
reveal opportunities for success	раскрыть возможности для успеха
be contemplated	быть задуманным
be undertaken	быть предпринятым
an outlet for one's creativity	выход для чьего-либо творчества
rewards	поощрение, вознаграждение
guarantee	гарантировать
causes of failure	причины провала
retailing	розничная торговля
rely on the inherent advantages	полагаться на собственные преимущества
competent management	компетентное управление
achieve success	достичь успеха
decrease employment	уменьшить безработицу
insurance company	страховая компания
license	лицензия, официальное разрешение
facilities	денежные средства; возможности
consumerism	консюмеризм
law of supply and demand	закон спроса и предложения
expenses incurred	понесенные расходы
vendor	продавец
distribution	распределение
supply a retailer	снабжать розничного торговца
suffer from the recession	страдать от спада

TEXT

Small firms actually have advantages over large firms in many cases. One advantage of small firms is that they often grow into large firms. Many of today's small firms will become giants in tomorrow's business world.

Some of the situations in which small firms have distinct advantages are the following:

1. When new products or ideas are being tried. Small firms have much flexibility. Decisions can be made and implemented quickly.

2. When the personal attention of the owner is essential to **daily operations**¹. If the owner's presence is important to the growth of the business, it will be more successful if the business is small enough for one person to **supervise**².

3. Where personal services, either professional or skilled, are dominant. Examples of this include beauty parlors, **real estate**³ offices, interior-decorating firms, TV repair shops. Medical and dental services are also usually

advantage of being close to employees. They know problems from daily conversations and can adjust employment to a person's abilities better because of this close association. As a result, they are usually able **to maintain**¹² better morale and efficiency in the firm, which is important in any business.

Disadvantages of small firms:

Small firms are often said to labor under such disadvantages as the inability to secure competent employees, the inability **to cope with**¹³ monopolistic practices, the inability to finance **expansion**¹⁴ when it has been proved to be practicable, **tax burdens**¹⁵, limited **vendor goodwill**¹⁶, discriminatory practices by large shopping-center developers, **lack**¹⁷ of time for the small proprietor **to handle**¹⁸ multiple assignment, lack of **research facilities**¹⁹, and the problems of making a new firm or product known in its market.

Many of the disadvantages of small firms could be overcome with positive planning. An ill-conceived business, whether large or small, has little chance of success if its operation has not been properly planned. Good research in the planning stage can reveal opportunities for success. It can also indicate when a business that is contemplated should not be undertaken.

The **rewards**²⁰ for successful small firm ownership can be significant. The personal satisfaction will vary with the individual owner. Good profits, satisfying employment, being one's own boss, community status, family pride and tradition, and having an outlet for one's creativity are some of them.

But these rewards are never automatic or guaranteed. Success makes many demands upon the operator of the firm. The requirements for successful ownership of small business firms can be summarized as follows: personal characteristics, good customer relations and knowledge of **consumerism**²¹, good community relations, business ethics and social responsibility, compliance with government regulations. But sound business knowledge and willingness to work hard stand at the head of any list. Knowing the causes of failure can protect the owner against them.

The individual firm has benefited from having these and other advantages. In addition to the types of firms cited, small firms in such fields as construction, wholesaling, retailing, and the service industries have faced up well to their larger firm competition. Insurance and small finance firms have also been very successful. The profitable firms have not relied on the inherent advantages of small firms as such, but have combined these advantages with alert and competent management to achieve their success.

Notes: 1. ежедневное ведение хозяйственной деятельности; 2. контролировать, наблюдать; инспектировать; 3. недвижимость; 4. оказывать (помощь); 5. возмещать, компенсировать; 6. накладные расходы; 7. эффективность; производительность; 8. превышать; превосходить; 9. спрос; 10. расходы на транспортировку; 11. приспособливать; 12. поддерживать; 13. справиться; 14. расширение, рост; 15. бремя налогового обложения; 16. гудвилл фирмы; 17. недостаток, нехватка, отсутствие; 18. управлять, осуществлять контроль; 19. средства на исследование; 20. поощрение, вознаграждение; 21. консьюмеризм.

COMPREHENSION

1. Answer the following questions.

- 1) Why are small firms more preferable when new products or ideas are being used?
- 2) Why do small firms have advantages when the personal attention of the owner is essential to daily

2. In each of the following select the word or phrase that best completes the statement or answers the question.

1) An advantage of small businesses over big businesses is that small businesses

- a. are more flexible
- b. have fewer problems
- c. are less regulated
- d. are all of the above

2) Which of the following would be classified as working for some one else?

- a. physician in private practice
- b. dairy farmer
- c. retail sales clerk
- d. attorney

3) Big business, some people believe,

- a. is unethical
- b. strangles small business
- c. has more political power
- d. does all of the above

4) A list of skills in order of difficulty or rank is called

- a. a rank list
- b. a guild record
- c. a hierarchy
- d. a table of skills

5) Small businesses when compared to big businesses

- a. are more likely to succeed
- b. employ more workers
- c. are a greater risk
- d. usually require less capital to start

6) Future innovations in technology will

- a. create opportunities for small businesses.
- b. put small businesses out of business.
- c. decrease employment in some industries.
- d. all of the above.

7) Which of the following products can be sold in vending machines?

- a. hot soup and sandwiches
- b. stockings
- c. insurance policies
- d. all of these

8) Which of the following is a performance test?

- a. driving (road) test
- b. IQ test
- c. blood test
- d. written driver's test

9) Which of the following is a repair business that services businesses?

- a. watchmaker
- b. TV repair shop
- c. office machine repair
- d. dentist

10) Which of the following is not a financial business?

- a. credit union
- b. insurance company
- c. investment banker
- d. company that prints paper money

11) If you opened a hamburger stand, you would probably need a

- a. license
- b. lemonade stand
- c. variance or permit
- d. all of these

12) What businesses are most people likely to have been involved with while still in school?

- a. paper route
- b. lemonade stand
- c. babysitting
- d. all of these

WORD STUDY

3. Match the words with their definitions.

efficiency, facilities, demand, costs, expansion, overheads, consumerism, reward, goodwill, tax

- 1) A need for or a desire for a commodity, together with the ability to pay for it, as in the law of supply and demand.
- 2) A consumer protest against the perceived injustices in exchange relationships and efforts to remedy those injustices.
- 3) The expenses incurred in producing goods or services during the period.
- 4) Regular and essential expenses such as rent and the cost of telephones, stationery, etc.
- 5) The quality of being able to do a task successfully and without wasting time or energy.
- 6) The process of becoming greater in size, number, or amount.
- 7) An amount of money that you have to pay to the government so that it can pay for public services.
- 8) The popularity and good reputation of a successful business that forms part of its financial worth.
- 9) Something that you are given, for example because you have behaved well, worked hard, or provided a service to the community.
- 10) The equipment, buildings, services, etc that are provided for a particular activity or purpose.

4. Supply the sentences with the missing words.

render, lack, facility, offset, estate, maintain, cope with, adjust, handle, vendor, exceed

- 1) He divided his ... among his four brothers.
- 2) We would never have secured our independence without the aid you
- 3) They argued that their wage increases would be ... by higher prices.
- 4) Sales ... all expectations.
- 5) We should ... our approach.
- 6) I need the money to ... me for at least the next month until I start a job.
- 7) We must try to ... our own failure.
- 8) The streets were crowded with ... and buyers.
- 9) ... of proper funding is making our job more difficult.
- 10) He ... all the major accounts.
- 11) They ask for a 6 million pound loan ... as working capital.

5. Complete each sentence with the correct form of *make* or *do*.

- 1) There's a rumour going round that Pelly's are going to ... a bid for Squash International.
- 2) Please ... your best to get these typed documents before 5 o'clock.
- 3) Who shall I ... the cheque out to?
- 4) If we don't get some orders soon we'll have to ... some of our workers redundant.
- 5) I'm afraid you'll have to ... without the other photocopier until we can get the part we need from the suppliers.

- 14) Increasing production will ... even more demands on machinery which is already breaking down at an alarming rate.
- 15) They could ... with some computer paper in the wages office.
- 16) We've ... away with the old system of clocking in.
- 17) A customer has ... a complaint about one of our salespeople.
- 18) In fact, Gravers have ... us a favour by launching their product first.

When you have checked your answers, write down each expression with *do* or *make* to help you to remember them.

GRAMMAR FOCUS

6. As you read about business in newspapers and magazines, notice how often the passive form is used in sentences such as:

*Grove Developments **have been chosen** to build the new sports center.*

It is important that you know the past participle form of every verb you learn as this will help you understand and make sentences in which the passive is used. In this exercise you have to complete each sentence by using the correct form of one of the following verbs. Use each verb once only.

<i>build</i>	<i>sell</i>
<i>make</i>	<i>spend</i>
<i>overcome</i>	<i>take over</i>
<i>say</i>	<i>win</i>

- 1) More than 6 million tins of beans are ... every week.
- 2) They were ... by an American company last year.
- 3) No attempt was ... to explain the inconsistency in the figures.
- 4) Kent Industries are ... to be thinking of expanding overseas.
- 5) Once initial problems had been ... the re-organisation went like clock work.
- 6) Their new factory will be ... on the outskirts of the town.
- 7) The contract was ... in the face of strong competition.
- 8) Over \$3 million was ... on advertising last year.

7. Combine an adjective from the list on the left with a preposition from the list on the right to complete each sentence. You must use each adjective once only, but each preposition can be used more than once.

<i>relevant</i>	<i>capable</i>	<i>of</i>
<i>proud</i>	<i>well-known</i>	<i>on</i>
<i>aware</i>	<i>accustomed</i>	<i>to</i>
<i>acceptable</i>	<i>dependent</i>	<i>for</i>

- 1) I'm not ... any regulations that should prevent us from exporting to those countries.
- 2) We need somebody who is ... understanding German.
- 3) That's an interesting point but it isn't really ... our discussion.

- 2) We are involved in ... the stages of wine production and distribution.
- 3) We have studied ... step in the distribution process.
- 4) We studied ... of the major wine producers. ... of them has some advantages.
- 5) You asked me if we can supply ... retailer in the north of England. In fact, we can reach ... one within a thirty mile radius of Newcastle.
- 6) We are involved in ... aspect of wine distribution.
- 7) ... major wine producers have suffered from the recession.

DISCUSSION

1. Do you know of a business firm where the personal attention of the owner is important to the firm's success?
2. Do you think that small firms can keep competent employees? How?
3. Why is it that not all Americans believe they would be successful owners and managers of their own business?
4. Which two rewards of success would you place first if you had your own small business?
5. Would you include preownership experience in your list of requirements for successful management?

WRITING

1. Write a description of a small firm with which you are familiar where the personal attention of the owner is considered important by its customers. Explain why this is important.
2. Prepare a short paper explaining your impressions of the chief disadvantages of small firms. Explain how you believe these disadvantages can be overcome.

UNIT 6. Choosing a legal form of organization

BUSINESS TERMS

new endeavour	новая попытка
consequences	последствия
single proprietorship	единоличное владение
be available	имеющийся в распоряжении, в наличии
affect the decision	воздействовать (влиять) на решения
raise capital	добывать капитал
subsequent years	последующие годы
available investment funds	имеющиеся в наличии инвестиционные фонды
in the eyes of the law	в глазах закона
subject to taxation	подлежащий налогообложению
losses incurred	несомые убытки
assume a risk	брать на себя риск
provide smth	снабжать, обеспечивать
legal restrictions	юридические ограничения

advance drawings	выдача аванса
agreed ratio	согласованное соотношение (пропорция)
legal status	правовой статус
consent	согласие
transact business	вести дела
conduct business	вести дела, руководить предприятием
sue	предъявлять иск (возбуждать дело против кого-либо)
entity	экономическая единица
capital stock	акционерный капитал
transfer of ownership	передача собственности
applicability	применимость
profit sharing	участие в прибылях
list one's stock with the New York Stock Exchange	зарегистрировать чьи-либо акции на Нью-Йоркской фондовой бирже
borrow against your stock	занимать под акции
sum due	причитающаяся сумма
borrower	заемщик
lender	кредитор, заимодавец
repayment of the loan	погашение ссуды
bankruptcy	банкротство
intestacy	отсутствие завещания
bear all the risk	нести весь риск
claim money	требовать деньги
consequences of computer revolution	последствия компьютерной революции
assume responsibility	брать ответственность на себя
make an arrangement	оформить договоренность
apply economic sanctions	применять экономические санкции
basis for consent	основа для согласия
provide smb with smth	обеспечивать кого-либо чем-либо
take out	предпринять, придумать
cover against damage	страховать убытки, покрывать
take on extra staff	нанимать дополнительный штат
transport costs	транспортные расходы
take into consideration	принимать во внимание
make a loss	возмещать убытки
take off	увеличиться
take home	приносить домой чистый заработок; <i>home pay</i> чистый заработок
take steps	предпринимать меры (шаги)
lose market share	терять долю рынка
take the chair	председательствовать
take down	записывать
take over	поглощать
settle an account	оплатить счет

be confident in	быть уверенным
be relevant to	быть уместным (относящимся к)
insolvent	неплатежеспособный
make redundant	увольнять
convenient location	удобное месторасположение
permanent solutions	постоянные (точные) решения
significant effect	значительный эффект
efficient way	эффективный способ

T E X T

New firm planners do some serious thinking about what legal form to choose for their new **endeavour**¹. This means determining what the status of the business will be in the eyes of the law. The choice has very important **consequences**².

Three legal forms (1. **single proprietorship**³, 2. partnership, 3. corporation) are **available**⁴ to small firms. In all cases, all three choices should be looked at carefully. Some of the factors that should **affect**⁵ the decision include plans for expansion, product or service being sold, needs for **raising**⁶ capital now and in subsequent years, liability characteristics of the planned firm, the proprietor's available investment funds, need for continued life of the firm, alternatives for bringing desired people into the firm, and legal requirements of the particular locality.

The sole proprietorship is a business owned and operated by one person. The owner and the business are synonymous in the eyes of the law. All assets in the firm are owned by the proprietor, **subject**⁷ only to the liabilities incurred in its establishment and operation. The proprietor is solely responsible for all personal and business debts and any losses incurred, **assumes**⁸ all the firm's risks, **provides**⁹ most of its capital, and provides its total management. The only requirement for its establishment is that the owner obtain any licenses required by the city, state and start operations.

The proprietorship form has several advantages, such as: 1. Simplicity of organization, 2. Owner's freedom to make all decisions, 3. Owner's enjoyment of all profits, 4. Minimum legal restrictions, 5. Ease of discontinuance, 6. Tax advantages.

Disadvantages of the sole proprietorship: 1. Owner's possible lack of ability and experience, 2. Limited opportunity for employees, 3. Difficulty in raising capital, 4. Limited life of the firm, 5. Unlimited liability of proprietor.

The partnership is usually defined as an association of two or more persons to carry on as co-owners of a business for profit. Partnerships are based upon a partnership agreement, also known as Articles of Copartnership. Without a written agreement, the partnership does not really exist. Many circumstances arise which cannot be **foreseen**¹⁰ and therefore must be anticipated. It should cover all areas of possible disagreement among the partners. It should define the authority and the rights and duties of each partner, and the limits to such authority. It should include an agreement on how profits and losses are to be divided. Partners may make special **arrangements**¹¹ to pay members of the firm for services rendered, **interest**¹² on capital investment, time spent, or **advance drawings**¹³ before the balance of profits is to be divided in an agreed ratio.

Advantages of the partnership: 1. Ease of organization, 2. Combined talents, judgment, and skills, 3. Larger capital available to the firm, 4. Maximization of personal interest in the firm, 5. Definite legal status of the firm, 6. Tax advantages.

A public or open corporation offers its stock to the public. This means that its stock is available to anyone who wants to buy it. The principal owner of a public corporation is the majority stockholder.

Advantages of the corporation: 1. Limited liability, 2. Variety of skills, abilities, and ideas, 3. Easy **transfer**¹⁸ of ownership, 4. Ease of expansion, 5. Unlimited existence, 5. **Applicability**¹⁹ for both large and small firms.

Disadvantages of the corporation: 1. Government regulation, 2. **Profit sharing**²⁰, 3. Complexity and high cost, 4. Lack of freedom of action, 5. Taxes.

Notes: 1. попытка, стремление; 2. следствие; 3. единоличное владение; 4. имеющийся в распоряжении; 5. воздействовать, влиять; 6. занимать (деньги); 7. подвергать (воздействию, влиянию); 8. принимать на себя; 9. снабжать, обеспечивать; 10. предвидеть; 11. договоренность, соглашение, распоряжение; 12. процент; 13. выдача аванса; 14. согласие; 15. преследовать судебным порядком; возбуждать дело против (кого-либо); 16. экономическая единица (напр. фирма), экономический объект; 17. акционерный капитал; 18. передача; 19. применимость; 20. участие в прибылях.

COMPREHENSION

1. Answer the following questions.

- 1) How many legal forms are available to small firms?
- 2) What factors affect the decision to choose legal form of the business?
- 3) What are the legal requirements for starting a business as a sole proprietorship?
- 4) What is the proprietor solely responsible for?
- 5) What is a partnership agreement? What should it include?
- 6) What is the corporation? What types of corporation exist?
- 7) Can you compare the legal forms of business for their advantages and disadvantages?

2. In each of the following, select the word or phrase that best completes the statement or answers the question.

- 1) One advantage of the sole proprietorship form of business organization is that
 - a. it is easy to raise capital
 - b. it has unlimited liability
 - c. there is limited life of the business
 - d. there is no sharing of profit
- 2) The legal form of business organization that has only one owner is known as
 - a. a sole proprietorship
 - b. a partnership
 - c. a cooperative
 - d. a stock company
- 3) One advantage of the corporate form of business organization is that
 - a. the number of government regulations is small
 - b. there is unlimited liability
 - c. there is easy transfer of ownership
 - d. taxes are low

- d. public corporation
- 6) A law firm might easily be organized as a
 - a. partnership
 - b. sole proprietorship
 - c. cooperative
 - d. private corporation
- 7) Two partners operating a small amusement park with high-risk rides should consider changing their current partnership to a
 - a. sole proprietorship
 - b. limited partnership
 - c. private corporation
 - d. cooperative
- 8) If you have formed a small corporation, you can
 - a. sell stock to friends
 - b. list your stock with the New York Stock Exchange
 - c. borrow against your stock
 - d. none of these
- 9) The most common form of business organization for a small business is
 - a. the corporation
 - b. the cooperative
 - c. the sole proprietorship
 - d. the partnership

WORD STUDY

3. Match the words with their definitions.

transfer, sue, capital stock, entity, advance, profit sharing, endeavour, interest, single proprietorship, partnership

- 1) A payment of part of a sum due before receipt of the goods; to pay money before it is due.
- 2) The price paid for the use of money such as by a borrower to a lender of money; the money earned by a lender as a reward for allowing the borrower to use his money and for waiting for the repayment of the loan.
- 3) The entire shares of a joint-stock corporation (company), the holders of which together form the ownership of the concern.
- 4) Association of two or more persons carrying on business together for the purpose of making a profit.
- 5) The passing of a right of ownership from one person or organization to another, by an intentional act by a transferor as a sale or gift, or as a result of operation of law, such as bankruptcy or intestacy.
- 6) An arrangement between the owners of a business and its employees by which an agreed share of the profit is paid to each employee over and above his wages or salary.
- 7) The one and the only owner of a business. He provides all the capital, bears all the risk, and in return receives all the profits. Such a concern is called a one-man business, although the proprietor may employ a number of people.
- 8) An attempt to do a particular thing, especially something new or original.
- 9) A complete, separate thing that is not divided and that is not part of anything else.
- 10) You start a legal case against someone, usually to claim money from them because they have harmed you in some way.

- 7) Computers can ... our lives in different ways.
- 8) The government cannot ... all young people with a job.
- 9) Your gift will be ... to tax.
- 10) Do you ... any problems with the new system?

5. Complete each sentence with the correct form of *take* and a word from the list below. Use each word once only.

<i>call</i>	<i>down</i>	<i>on</i>	<i>seriously</i>
<i>chair</i>	<i>further</i>	<i>Out</i>	<i>steps</i>
<i>charge</i>	<i>home</i>	<i>Over</i>	<i>up</i>
<i>consideration</i>	<i>off</i>	<i>Risk</i>	

- 1) You should ... an additional policy covering you against accidental damage.
- 2) We had to ... extra staff during the holiday season.
- 3) When all the transport costs have been ... into ..., we have in fact made a loss.
- 4) Sales really ... after the product had been mentioned on television.
- 5) A good sales rep can ... over £500 a week.
- 6) If my phone rings, could you ... the ... for me?
- 7) We must ... to see that we don't lose our market share as a result of this increased competition.
- 8) If the boss is ill, who'll ... the ... at the meeting?
- 9) He didn't seem to ... the threat of redundancy very ...
- 10) Don't ... this ... Angela. I'm just thinking aloud.
- 11) In 1988 we were ... by a large multi-national company.
- 12) If the account is not settled within seven days, we shall be obliged to ... the matter ...
- 13) Mrs Jenkins has been appointed to ... of our Canterbury branch.
- 14) I'm not sure if there is a market for this kind of product but you don't get anywhere without ... a ... now and again.
- 15) They decided not to ... the option, so we had to look around for other potential purchasers.

Notice once again how important word partnerships are. Write down all the expressions using *take* and other words.

GRAMMAR FOCUS

6. Complete each of the sentences by using the past form of one of the verbs on the left and combining it with one of the words on the right. Use each verb once only. Some words on the right are used more than once.

<i>break</i>	<i>shut</i>	<i>back</i>	<i>off</i>
<i>build</i>	<i>take</i>	<i>down</i>	<i>on</i>
<i>go</i>	<i>hear</i>	<i>up</i>	<i>out</i>
<i>sell</i>	<i>ring</i>	<i>from</i>	

7. Is an "a" or "e" missing from the following words?

confid...nt effici...nt perman...nt relev...nt
conveni...nt insolv...nt redund...nt signific...nt

Now complete the following sentences by using one of the adjectives above. Use each adjective once only.

- 1) I'm ... that we'll reach our target without any difficulty.
- 2) You should be familiar with the regulations ... to your work.
- 3) We must process these orders in a more ... way.
- 4) Unfortunately, the accounts show the company is
- 5) Short-term measures aren't enough. We need a more ... solution.
- 6) The advertising campaign had a ... effect on their sales.
- 7) 100 workers were made ... when the factory closed.
- 8) You couldn't get a more ... location than next to the station.

DISCUSSION

1. Can lack of ability and experience in small firm owners be corrected solely by their adopting another legal form of organization for the business?
2. Evaluate "ease of discontinuance" as an advantage of the proprietorship form of legal organization.
3. Is the owner of a small corporation as "free to make all decisions" as a single proprietor? Explain.

WRITING

1. Write a summary of the text.
2. Demonstrate in writing your understanding of what the term "unlimited liability" means to owners of small firms?

UNIT 8. Advertising and promotion

BUSINESS TERMS

established demand	сформированный спрос
promotion of sales	стимулирование сбыта
publicity	паблисити, реклама
special event sales	продажа в связи с определенным событием
promoted demand	пропагандистский спрос
personal selling	личная продажа
sales promotion campaign	кампания по стимулированию сбыта

	(технической характеристики)
tarnished goodwill	запятнанная репутация
ultimate result	конечный результат
launch a new product	выпустить новый товар
commercial break	рекламная пауза
account for	насчитывать
newspaper circulation	тираж газеты
point-of-sale	место совершения продажи
keep costs down	не увеличивать расходы
put forward a proposal	выдвинуть предложение
be financially sound	быть в хорошем финансовом состоянии
fall in demand	спрос падает
redundancies	излишки
sales increase	увеличение сбыта
fall in share price	падение цены акции

TEXT

The total demand for the goods or services offered by any small firm can be divided into **established demand**¹ and newly created demand, sometimes called **promoted demand**².

Established demand is that volume of sales which comes with out conscious outside promotion by the firm. People buy because they have had positive experiences with the firm's products, find the firm **conveniently**³ placed, or are **attracted**⁴ by the firm's appearance.

Newly created or promoted demand by contrast, is the volume of sales that results from firm's **engaging**⁵ in various types of activities to draw people to the firm. Promoted demand customers, if pleased, can become established customers. Those firms that **supplement**⁶ established demand with promoted demand show much better sales volume and profits. Almost without exception, additional advertising and promotion brings in greater sales volume.

All the activities that go into the development of sales can be grouped under the title promotion of sales. This promotion can use either direct or indirect methods. Every small firm owner should think about using some of the following types of sales promotion.

Direct promotion methods	Indirect promotion methods
1. advertising	1. public relations
2. publicity ⁷	2. customer relations
3. displays	3. customer services
4. special event sales	4. product styling and packaging
5. manufacturer's aids	5. community goodwill ⁸
6. personal selling	
7. sales promotion campaigns	

Advertising can be defined as commercial messages to the public designed to inform potential and established customers and to encourage sales for the advertiser. Advertising can be either institutional (designed to sell the firm's name) or direct-action (designed to sell the firm's product or service).

3. **Omit**¹¹ a regular advertising project for **intermittent**¹² and watch for any change in sales.

4. Check sales results when a new advertisement is placed.

Publicity has always been described as advertising that is not paid for. It includes such things as public news items about the owner of the firm that tend to brighten the firm's image or make friends for the business.

Displays are an on-site method of sales promotion. Products that are not normally considered **impulse items**¹³ are often sold through an effective display in the windows or on the sales floor. Displays enable the merchant to add changes, interest, and brightness to the standard layout, and when well done can do much to increase sales.

Special event sales Special events to directly promote sales have become a well-established **feature**¹⁴ of most consumer goods businesses. The firm's anniversary, the firm's president's birth day, the addition of a new service for customers, the start of the spring and fall seasons, and so on, can all be used as **occasions**¹⁵ to promote sales. Major holidays, of course, are ideal for sales.

Manufacturer's aids are any form of assistance provided by the manufacturer to small wholesalers and retailers for promoting sales. These aids may take the form of national advertising of the products **involved**¹⁶, assignment of trained personnel to demonstrate the use of a product such as cookware in the particular store, provision of attractive window and floor displays, or monetary contributions to an advertising program.

Personal selling means all those activities and characteristics of the individual salesperson which make successful sales. Fundamental to all good personal selling is a thorough knowledge of the merchandise. Personality, human psychology are also important.

The four basic steps in making any sale have been summarized as follows: 1. **Gaining**¹⁷ the prospective customer's attention and interest, 2. Creating desire and overcoming objections, 3. Presenting various solutions, 4. Closing the sale.

Sales promotion campaigns are usually built around a central idea. The campaign may last a day, a week, or even several months. It may be seasonal or associated with a business opening or anniversary, a new product, or the introduction of a new service. The opening of a new department, a new location, or a national or historic commemoration can also be the basis for a campaign.

When the theme is chosen, the campaign itself must be carefully planned. The list that follows outlines a number of important campaign elements: a basic promotion idea or philosophy must be developed, promotion objectives should be drawn up, various elements of the campaign – advertising, display, and public relations should be studied, responsibilities should be assigned to employees, the program of activities should be scheduled, using a calendar and a timetable, individual promotions should be reviewed after the campaign, critiques should be written and filed for the future reference.

Public relations. A firm's public relations determine its image, or popular reputation, in the general community. The nature of its public relations, good or bad, is reflected in the community's attitude and goodwill toward the firm. Good public relations are cumulative net result, which is more easily destroyed than built. It is the responsibility of every person associated with the firm. Every act of the firm's representatives contributes to the overall image of the firm.

Customer relations build sales independently and also contribute to the total image of the firm. Satisfied, happy customers are the best form of advertising and promotion.

Customer services can be a part of both public relations and good customer relations. Many customers want special services and seek out firms that supply them. Examples are air-conditioned stores, night hours for shopping, credit accounts, delivery service, and lines of

a result the circle gets smaller. Failure is the **ulti mate**¹⁹ result.

All the sales promotion methods reflect a **conviction**²⁰ that the customer is the most important part of any successful business. There can be no profit in the absence of sales. Efforts to keep present customers happy and to constantly attract new ones are essential to continued profits and growth.

Notes: 1. сформированный спрос; 2. пропагандистский спрос; 3. удобно; 4. привлекать, пригласить; 5. занимать; 6. дополнять; 7. пропаганда, публичность; 8. доброжелательность общества; 9. про верить; 10. считать; 11. пренебрегать, упускать, пропускать; 12. прерывистый; 13. импульсивные товары; 14. особенность, характеристика; 15. случай, возможность; 16. вовлекать, включать; 17. добиваться, достигать; 18. пятнать, порочить; 19. конечный, окончательный; 20. убежденность, уверенность.

COMPREHENSION

1. Answer the following questions.

- 1) How would you describe established demand as contracted with promoted demand?
- 2) What is promotion of sales? What types of sales promotion do you know?
- 3) How would you define advertising?
- 4) What types of media are used in advertising?
- 5) What do we mean by checking the effectiveness of advertising? What are some of the methods by which this can be done?
- 6) What goods are often sold through an effective display in the windows or on the sales floor?
- 7) What occasions can be used as special event sales?
- 8) What are the four basic steps in successful selling?
- 9) What are important campaign elements?
- 10) What do public relations determine?
- 11) What are the best forms of advertising and promotion?
- 12) Can you give examples of special customer services?
- 13) What is the most important part of any successful business?
- 14) What efforts are essential to continued profits and growth?

2. In each of the following, select the word or phrase that best completes the sentence or answers the question.

- 1) When designing an advertising layout, you should use
 - a. large headlines since big print is easy to read
 - b. as many ideas as possible since space is expensive
 - c. a series of elements which draw attention to a regular pattern
 - d. startling proportions so that the advertising attracts attention
- 2) Which one of the following departments usually has the responsibility in a company for the development of a favourable community image for the business?
 - a. the advertising department
 - b. the personnel department

- d. take advantage of all of these opportunities
- 5) Which one of the following elements of an advertising layout would be a problem for you if you could not draw or sketch?
 - a. headline
 - b. copy
 - c. illustration
 - d. media
- 6) Which one of the following policy recommendations offers poor advertising advice?
 - a. The advertiser should spend as much as the budget will allow
 - b. The advertiser should periodically evaluate the advertising dollar for effectiveness.
 - c. The advertiser should vary media from time to time to reach different markets
 - d. The advertiser should read the results of research and polls of buying habits in the area.
- 7) A method of sales promotion used in supermarkets is
 - a. trading stamps
 - b. games of chance
 - c. coupons
 - d. all of these
- 8) Dependent customers are usually
 - a. impatient
 - b. skeptical
 - c. nervous
 - d. undecided

WORD STUDY

3. Match the words with their definitions.

intermittent, check, demand, goodwill, feature, gain, item, omit, publicity, count

- 1) The wants of buyers in the market.
- 2) To get or obtain something wanted.
- 3) The business of attracting public attention and of encouraging general feelings of goodwill towards a product or service in order to sell it.
- 4) A single article or class of articles in a list, account, inventory, etc.
- 5) The advantage possessed by an established business over a new business. The attractive force that brings in customers.
- 6) Make sure that smth or smb is correct, safe, making progress.
- 7) Say all numbers one after another up to a particular number.
- 8) Do not include smth in an activity or piece of work, deliberately or accidentally.
- 9) Smth happening or appearing occasionally or at regular intervals rather than constantly or continuously.
- 10) A particular part of smth or characteristic that it has, which you notice because it seems important or interesting.

4. Supply the sentences with the missing words.

tarnish, conviction, conveniently, supplement, involve, attract, ultimate, occasion, engage

- 1) The amount of fuel is displayed ... on a gauge.
- 2) I tried desperately to ... his attention.
- 3) It was considered inappropriate for a former President to ... in commerce.
- 4) They had to get a job to ... the family income.

5. Choose the best alternative to complete the sentence. Look up any words you don't know.

- 1) With effective advertising a company can become a ... name.
a. house b. household c. housewife's d. home
- 2) We need an effective campaign to ... our new product range.
a. fire b. set out c. set off d. launch
- 3) During the commercial ... , there was an advertisement for a new women's magazine.
a. break b. breakage c. pause d. interval
- 4) The first thing an ad must do is ... the reader's eye.
a. trap b. catch c. find d. reach
- 5) We need a name for the product which will ... to teenagers.
a. draw b. attract c. succeed d. appeal
- 6) They decided to do a mail ... to get people interested in their holiday homes.
a. shot b. shoot c. trial d. list
- 7) All advertisers must obey the industry's
a. practice code c. practical code
b. code of practice d. code word
- 8) Advertising on television is very expensive during ... viewing hours.
a. peak b. high c. audience d. big
- 9) We did a lot of research to ensure that the advertisement would appeal to the ... audience.
a. aim b. arrival c. goal d. target
- 10) Newspaper advertising ... for 45% of the total.
a. accounted b. counted c. comprised d. came
- 11) Advertisers look at each newspaper's ... figures before deciding where to place their advertisements.
a. circular b. population c. circulation d. revenue
- 12) As part of our service we provide ... display material.
a. selling point c. appointed
b. point of sale d. salesmanship
- 13) If you advertise at airports, you have a ... audience.
a. captured b. slave c. captivated d. captive
- 14) She does the art work while I write the ... for each advertisement.
a. copy b. copies c. copyright d. media

GRAMMAR FOCUS

6. Complete each of the sentences by using the past form of one of the verbs on the left and combining it with one of the words on the right. Use each verb once only. Some words on the right are used more than once.

- 6) She an interesting proposal at the meeting.
- 7) They ... the offer ... for a week before making a decision.
- 8) After ringing up three times I finally to head office.

7. As you study English, notice how some adverbs form common partnerships with other words, for example:

*Each product is **thoroughly tested**. This process is **widely used**.*

If you want to use English in a natural way, you should note down and learn expressions like these.

From the following list choose a suitable adverb to complete each sentence. Use each adverb once only.

absolutely conveniently eventually financially
satisfactorily specially widely

- 1) Our new office is ... located in the middle of the town.
- 2) I hope the negotiations will be concluded
- 3) This credit card is ... accepted so I take it everywhere.
- 4) Make sure you're ... insured when you go to the States.
- 5) The accountant had to check that the company was ... sound.
- 6) You have been ... selected to try out our latest product.
- 7) I'm sure the Government's policy will ... cause a recession.
- 8) Get this software ... free when you buy one of our computers.

8. Look at the following sentences:

*Each price the company might charge will **lead to** a different level of demand.*
*The same price increase **results in** a large drop in demand.*

Now complete the sentences below matching cause with effect

- 1) Price increases can ... to
- 2) A sales decrease may ... in
- 3) Doubling of the advertising budget should ... to
- 4) A gradual decline in the market sector has ... in
- 5) A reduction in staff salaries will ... to

EFFECT

staff motivation falls
fall in demand
redundancies
sales increase
share price drop

WRITING

1. Write a summary of the text.
2. Do you know of a product you or your family prefer because of its packaging and styling? Explain in a short essay such a case and why you prefer it.

UNIT 9. Pricing policies

BUSINESS TERMS

charge price	назначать цену
apply in a particular case	обращаться в особом случае
clientele	клиентура
competitor price policies	ценовая политика конкурентов
market strategy	рыночная стратегия
loss leader	товар, продаваемый в убыток
price lining	шкала цен
target return pricing	назначение цен, обеспечивающих получение целевой нормы прибыли
retail the product on the price	продавать товар в розницу по цене
policy of setting price	политика установления цен
reflect in price policy	отражать в ценовой политике
affluent people	состоятельные люди
protect the quality image	защищать имидж качества
profit margin	маржинальный доход
novelties	новинки
combat the increase of chain	бороться с увеличением конкуренции
store competition	между сетью магазинов
alter prices	изменить цены
overall demand	общий спрос
elastic demand	эластичный спрос
specialty goods	товары особого спроса
luxury items	предметы роскоши
desired percentage return on investment	желаемая процентная прибыль от инвестиций
total fixed cost	совокупные постоянные издержки
markdown	снижение цены
damaged merchandise	поврежденный товар
discounts	скидки
cover expenses	покрывать расходы
assure fair profit	гарантировать справедливую прибыль
attract customers	привлекать покупателей
markup	наценка
arrive at a selling price	получить по продажной цене
clear profit	чистая прибыль
multiply the selling price	умножить продажную цену

TEXT

Factors affecting individual prices. The prices that any firm can charge for its merchandise are subject to many influences. Some or all of the following considerations may apply in a particular case: 1. Fair trade laws, 2. Nationally advertised prices, 3. Desired customer **clientele**¹, 4. Competitor price policies, 5. **Market strategy**², 6. Manufacturers' suggested prices, 7. Type of merchandise handled, 8. Policy on **loss leaders**³, 9. Seasonal nature of sales, 10. Demand factor for certain products, 11. **Price lining**⁴, 12. **Target return pricing**⁵.

A word about each of these factors will introduce us to the total scene of setting prices. Fair trade laws still exist in many states. These laws allow the manufacturer of a product to make agreements with dealers who retail the product on the price at which it can be sold to the public. Nationally advertised prices must be **recognized**⁶ by small firms as at least an upper limit to the prices they place on items so advertised. Competitor prices on similar lines or merchandise with similar quality must be recognized when active competition **exists**⁷ between firms. Market strategy is a policy of setting prices and quality in a range not served by competitors. Where a special clientele is served, its buying habits can be **reflected**⁸ in price policy. For example, if **affluent**⁹ people want special services and special merchandise, they are willing to pay for them. In other cases, the desired clientele may be price-conscious and price policy will be directed to serve them.

Manufacturers' suggested prices are designed by the manufacturers to **protect**¹⁰ the quality image of their products and to protect **profit margins**¹¹ for the individual retailer. Price policy is significantly affected by the type of merchandise. **Novelties**¹² or special-interest items normally carry higher markups.

Loss leaders (products sold below cost) are still illegal in some states whose laws reflect an earlier attempt by independent firms to **combat**¹³ the increase of **chain store competition**¹⁴ seasonal nature of sales can affect pricing policy by making it possible to **alter**¹⁵ prices with the high and low seasons of sales volume. The nature of overall demand is likewise a consideration in setting individual prices. Elastic demand suggests lower prices. Specialty goods, such as luxury items and style merchandise, carry higher prices. Price lining is a policy of keeping merchandise in fairly well-defined price ranges. Dresses at \$19.95, \$24.95, and \$29.95 would be an example.

Target return pricing involves adding a desired percentage return on investment or a specific dollar amount return to total fixed costs in setting retail prices

Setting initial prices. Initial prices on merchandise must cover all these items: 1. **Markdowns**¹⁶, 2. Shortages, 3. Damaged merchandise, 4. Employee discounts, 5. Operating expenses, 6. Cost of goods sold, 7. Profits.

When a business owner decides what price to charge for different items and services offered, some kind of method should be used. Poor pricing may end up costing the owner customers and profits. Two basic questions must be answered: 1. Are prices high enough to cover expenses and **assure**¹⁷ a **fair profit**¹⁸?, 2. Are prices low enough to meet or undersell the competition and attract customers?

Markup¹⁹. The term markup refers to the amount which a proprietor adds to the cost of an item in order to arrive at a selling price. The selling price may be expressed in a simple formula: cost price plus markup equals selling price.

If a particular product costs a proprietor \$1.00, it may be sold to the customer for \$1.50. The markup

$$\begin{array}{rclcl} \text{cost price} & + 50 \% & \text{markup} & = & \text{selling price} \\ \$1.00 & & \$0.50 & & \$1.50 \end{array}$$

2. Markup based on selling price:

$$\begin{array}{rclcl} \text{selling price} & - 33 \frac{1}{3} \% & \text{markup} & = & \text{cost price} \\ \$1.50 & & \$0.50 & & \$1.00 \end{array}$$

In theory, for every dollar taken in over the counter, the merchant should know how much is clear profits, how much goes for merchandise, and how much goes for expenses. When a customer gives a merchant \$1 for an item, then sales dollar might look like this:

	Rent 1
	Heat 2
	Light 1
	Wages 20
Cost of	Insurance 1
Merchandise 70	Profit 5

Of course, a merchant does not actually analyze every dollar. But when \$1 is multiplied by 10,000 at the end of a six month business period, the effects are important.

Mark down. It is not as difficult to figure as markup. Mark down is simply an amount or percentage cut from the original selling price. For example, if men's shirts are not selling at \$16.95, they might sell for \$14.95. The dollar value of the markdown is \$2.00 and the percentage, found by dividing the markdown by the selling price, is 11.8%. To mark down an item 25%, simply multiply the selling price by 25%, or divide the selling price by 4 and subtract to find the new selling price.

Notes: 1. клиентура; 2. рыночная стратегия; 3. товар, продаваемый в убыток (для привлечения покупателей); 4. шкала цен; категория цен; 5. назначение цен, обеспечивающих получение «целевой» нормы прибыли; 6. признавать; 7. существовать; 8. отражать; 9. богатый; 10. защищать; 11. коэффициент при бытности, коэффициент доходности (*отношение чистой прибыли к чистой выручке*); 12. новинка; 13. бороться; 14. конкуренция между сетью магазинов; 15. изменять, менять; 16. маркдаун, снижение цены, величина скидки (с первоначально установленной цены); 17. гарантировать, обес печивать; 18. справедливая прибыль; 19. розничная наценка; 20. подсчитывать, оценивать; исчислять

COMPREHENSION

1. Answer the following questions.

- 1) Which of the factors affecting individual prices are of primary importance from your point of view?
- 2) What does market strategy mean as a price policy?
- 3) What is a loss leader?
- 4) What items are of importance for setting initial prices?
- 5) What is a markup?
- 6) What are the ways of figuring markup?

- d. Elastic demand suggests lower prices.
- 3) Manufacturers' suggested prices are designed by
 - a. retailers
 - b. wholesalers
 - c. middlemen
 - d. manufacturers
 - 4) Initial prices on merchandise must cover
 - a. operating expenses
 - b. shortages
 - c. cost of goods sold
 - d. all of the above
 - 5) The selling price may be expressed in a formula
 - a. cost price – mark-up = selling price
 - b. cost price + operating expenses = selling price
 - c. initial price + mark-downs = selling price
 - d. cost price + mark-up = selling price
 - 6) The pricing strategy helps to determine if the business
 - a. receives enough income
 - b. makes an adequate profit
 - c. receives enough money to pay the expenses
 - d. all of the above
 - 7) What things must you take into consideration in setting the price on your goods and services?
 - a. how does the price of your products compare with your competitors?
 - b. how must a basic promotion idea or philosophy be developed?
 - c. how should advertising, display, and public relations be studied?
 - d. how should responsibilities be assigned to employees?
 - 8) Which of the following is the definition of discount?
 - a. charge quoted as a per cent
 - b. a minimum, an amount below which commissions are reduced
 - c. an amount deducted from the total of a bill for any of several reasons
 - d. a planned percentage mark-up on cost to cover overheads
 - 9) The typical mark-ups on manufacturers' prices are for:
 - a. tobacco products
 - b. bakery products
 - c. greeting cards
 - d. perfumes

WORD STUDY

3. Match the words with their definitions.

strategy, clientele, mark-down, loss leader, profit margin, mark-up, chain store, target

- 1) All the people who use the services of a particular firm.
- 2) The percentage of the wholesale or cost price added to produce the retail or selling price.
- 3) A deduction in the price of goods to encourage sales.
- 4) One of a number of similar shops belonging to the same company.
- 5) A plan of future action which, in a company, is usually decided by senior management.
- 6) A product sold at a loss to encourage trade.

- 5) The schools were fighting endlessly to ... truancy.
- 6) He could resign if he wanted and ... himself of £156,000 a year pension.
- 7) This doesn't ... the fact that the problem has got to be dealt with.
- 8) They both come from relatively ... backgrounds.
- 9) He must have made a ... amount of money.
- 10) The five year boy demonstrated the ability to read, write and do simple

5. What are the synonyms (from the text) of the following words?

to influence	to defend
producer	benefit
to permit	to fight
rival	to change
primary	major

6. Find words in the text to complete the following expressions.

the prices are subject...	demand factor...
they are willing...	to make agreements...
products sold below...	a desired percentage return...
the selling price may be...	most businesses deal...
when \$1 is multiplied...	divide the selling price...

GRAMMAR FOCUS

7. Complete the following sentences by putting the bracketed verb into the right tense.

- 1) We (to find) that if a firm has sales of \$100,000 and gross margin of \$40,000, it (to have) an average markup on total sales of 40 percent.
- 2) In the UK, price increases (to restrict) by the operation of Price Code from 1972 to 1979.
- 3) Critics of price control (to argue) that if profits are restricted the level of investment (to reduce).
- 4) It is possible that free markets with minimum state intervention (to encourage) competition.
- 5) The economic organization of every human society (to characterize) by certain social costs and certain social benefits.
- 6) Public goods (to produce) and (to consume) in great "lumps" and the users can't (to charge) through the pricing system.
- 7) Firms (to supply) goods and services motivated by their desire for profits.
- 8) The important point to notice is that the price mechanism under perfect conditions (to operate) automatically.

8. Complete the following sentences with one of the prepositions

of in to forth from

- 1) A factory plans to sell 10,000 units ... its product ... the coming year.

9. Complete the following sentences by putting *it, they, there* with an appropriate form of the verb:

- 1) ... (to argue) that a market economy responds more quickly to changing economic conditions in world markets.
- 2) Overall inflation remained subdued despite exchange rate effects. ... (to be) several offsetting factors.
- 3) ... (to continue) to be considerable diversity in economic activity across regions in 1993.
- 4) ... (to be) also a significant pickup in export receipts.
- 5) ... (to be) also a response to a lesser need for working capital.
- 6) Although long-term rates came down at the beginning of 1944, ... (to remain) high relative to current inflation.
- 7) Broader price measures also indicate that inflation rate remained very low. ... (to be) about 0.7 percent compared to 1.6 percent in 1992.
- 8) Nevertheless, ... (to be) substantial increases in spending on some goods such as household appliances, furniture and clothing.

DISCUSSION

1. What factors determine the pricing policy?
2. Express your opinion on the nature and computation of markup.
3. Do you agree with the statement "Buyers and sellers are said to be price takers in the sense that all prices are market-determined"?

WRITING

1. Write a summary of the text.
2. "Monopoly power is the ability of a firm to control its prices". Do you support this statement? Give your arguments in writing.

UNIT 10. Selling on credit

BUSINESS TERMS

set an upper limit to the amount	установить верхний предел на сумму
finance business transaction without reminder	финансировать сделки без напоминания
pay on schedule	платить по графику
eventual losses	возможные (конечные) потери
equal payment	равные платежи
remit total price	перечислить общую цену
pick the credit customer	выбрать клиента для кредитования
collection agency	агентство, занимающееся сбором денег
reasons for nonpayment	причины для неуплат
revolving account	автоматически возобновляемый счет

TEXT

There are few axioms in the world of business, but one of them is "if you sell on credit you will increase sales, even to the same customers to whom you previously sold for cash only". This alluring proposition has great appeal to small business firms. Sales are the foundation of profits, and anything that will help to increase sales commands the attention of competent business owners.

Trade credit is credit extended from one business firm to another. Consumer credit is credit given by retailers to their customers, who are the final users of the products or services sold. Sales by manufacturers and wholesalers are almost always made on a credit basis. Retail sales on credit are about half of the total retail sales in the country.

Our business world could not operate without credit. There is not enough currency and coin in the country to finance business transactions carried on every day. Total bank deposits exceed the actual money in the country several times over. The key is credit extended throughout the economy. A good credit standing is essential to business success. Business owners must look for good credit standing of firms or individuals to whom they grant credit.

There are at least four basic types of consumer credit accounts.

Open accounts¹ are ordinary **charge accounts**². With this type of account the customer charges all purchases throughout the month and is expected to pay the total charges when a **statement**³ is sent by the firm. Most firms send out statements monthly, but full payment each month is not insisted upon.

Revolving accounts⁴. It would appear that revolving accounts were designed for customers who live with external **indebtedness**⁵. The firm sets an upper limit to the amount that may be charged, and any purchases below that limit are automatically approved for credit sale. The customer must then pay a certain amount or a specified percentage of the total charges at the end of each month.

Installment accounts⁶ were specifically designed to make possible the sale on credit of larger purchases. The customer makes a **down payment**⁷, preferably at least 20 % of the total purchase price, and the balance is spread over a monthly payment plan. Good business practice limits such payments to not more than 3 years. Many installment accounts are for a shorter period. Carrying charges are added to **the amount due**⁸, usually up to 1 percent per month.

Budget accounts⁹ are designed to handle payments that ordinarily fall between short-term open accounts and longer-term installment accounts. No down payment is required, and customers are normally given 3 months to remit the total price in equal payments. Customers are expected to make payments without reminders in the form of statements from the seller.

Credit customers who do not pay on schedule cause the firm several problems. The best course of action when accounts become overdue is to minimize the eventual losses by taking the following steps:

- Send a second statement 60 days from purchase. This could include a note **to the effect that**¹⁰ "Perhaps our first statement was not received or was mislaid. We know you would not want your credit status impaired".

- Telephone the customer or send a telegram in 70 days, asking the reasons for nonpayment.

- Send a third statement in 75 days. Include a note to the effect that "Your credit status is at stake. We are forced to turn over accounts 75 days old to our collection agency or attorney".

- Send a registered letter in 80 days, including a certified copy of the statement, saying that the

счёт, счёт потребительского кредита; 10. следующего содержания.

COMPREHENSION

1. Answer the following questions.

- 1) What are the main types of credit?
- 2) What is the difference between trade credit and consumer credit?
- 3) What are the basic types of consumer credit accounts?
- 4) How does a revolving account work?
- 5) Is an installment account different from a revolving account? How?
- 6) When would you recommend use of a budget account?
- 7) What is recommended to handle delinquent accounts?

2. In each of the following, select the word or phrase that best completes the statement or answers the question.

- 1) If after six months a business shows no profit, it will probably
 - a. fail
 - b. succeed
 - c. require a partner
 - d. sell at a profit
- 2) Long-term credit is usually used for
 - a. supplies
 - b. payroll cash
 - c. new equipment
 - d. inventory
- 3) The ability to pay back a loan is called the creditor's
 - a. character
 - b. capacity
 - c. capital
 - d. conditions
- 4) One of the advantages of a business selling goods on credit is a (an)
 - a. increase in working capital
 - b. increase in operating costs
 - c. decrease in steady customers
 - d. increase in sales volume
- 5) One of the disadvantages of a business selling goods on credit is a (an)
 - a. increase in operating costs
 - b. decrease in working capital
 - c. increase in sales volume
 - d. increase in steady customers
- 6) A customer buying a dining-room set would most likely use which one of the following types of credit?
 - a. charge account
 - b. open account
 - c. installment sales account
 - d. cash
- 7) One of the most popular forms of installment credit is the
 - a. bank account
 - b. revolving account
 - c. open account
 - d. charge account
- 8) The first step in collecting from credit customers is to
 - a. inform them of the amount due
 - b. close the account
 - c. take legal action
 - d. repossess the product

WORD STUDY

3. Match the words with their definitions.

indebtedness, down payment, currency, deposit, purchases, charge, statement, certified copy, price, to finance

- 1) Those goods that a business buys with the intention of selling by way of trade, not goods bought for use by the business.
- 2) The rate at which a commodity can be exchanged for another commodity or for money.
- 3) To provide or arrange means of payment.
- 4) A sum owed; debts in general.
- 5) Money or its equivalent deposited with a person or organization, especially a bank, for safe-keeping, or as security, or to bear interest.
- 6) Immediate payment; the first payment under a mortgage or hire-purchase agreement.
- 7) Any kind of money that is in general used as cash; any generally accepted means of payment.
- 8) A loose-leaf sheet supplied by a bank to each customer, giving details of all debits and credits made.
- 9) A copy of a document which has on it a formal declaration signed by an official that it is a true copy.
- 10) A sum of money that has to be paid as a price, especially for services.

4. Supply the sentences with the missing words.

payments, user, customer, price, statement, amount, attorney, advantage, non-payment, accomplish

- 1) She explained the ... of the new system over the old one.
- 2) The early computer ... had to learn to speak the language of the computer.
- 3) We estimate, month by month, the ... of cash that will be needed.
- 4) Was the ... of rent to be optional?
- 5) He later became a prominent
- 6) How were they able to ... so much so quickly?
- 7) There were two ... in the shop at the moment I came.
- 8) I get a bank ... at the start of every month.
- 9) Oil ... are stable for the first time in years.
- 10) He was in prison for ... of fines.

5. Choose the best alternative to complete the sentence.

- 1) As soon as an item of stock falls below its minimum ... , the computer automatically re-orders.
a. standard b. level c. grade d. position
- 2) Often a discount is offered as an ... to get a customer to pay promptly.
a. investment b. incentive c. interim d. inventory
- 3) Remember that was only an The final cost could be higher.

- 7) They've pulled down the old market and built shopping
 a. premises b. precinct c. franchise d. retailer
- 8) When ordering, please quote the
 a. numbered catalogue c. figure
 b. catalogue d. catalogue number
- 9) I've just received an ... note telling me that the goods have been dispatched.
 a. advice b. advise c. invoice d. advisory
- 10) Every month account customers are sent a
 a. final demand c. request
 b. statement d. stocktaking
- 11) In the UK, VAT (value added tax) is a tax on goods and
 a. services b. servants c. stockings d. stockists
- 12) If they don't ... their account we'll take them to court.
 a. set up b. pay up c. settle d. pay for
- 13) By mistake we have undercharged so we'll have to send her a ... note for the amount.
 a. debt b. credit c. debit d. creditworthy
- 14) If you take the sweater back to the shop they'll want to see the ... to show you bought it there.
 a. receipt b. reception c. permit d. quotation
- 15) It's a ... market at the moment so you should be able to pick some up at a reasonable price.
 a. open b. free c. buyer's d. seller's

6. Forms of selling. Match each selling technique to its definition.

- | | |
|-------------------------|--|
| 1. door-to-door selling | a) In return for payment and a share of sales revenue, an organization licenses its (well-known) name to be used by food outlets, retailers, and others. Hamburgers, pizza, and clothing are often sold under this system. |
| 2. franchising | b) Famous for its foot-in-the-door approach, everything from encyclopedias through vacuum cleaners to brushes used to be sold in this way. Now less common, as people are not at home during the day, or if they are, may not answer the doorbell. |
| 3. inertia selling | c) You choose things in a catalogue (or catalog in American English) and order by post, phone, or fax. Clothes have long been sold in this way (somehow they never look as good as in the catalogue), but now every thing from computers to wine is. |

6. telesales or
telemarketing

previous contact, this is known as 'cold-calling'. Alternatively, you may phone an organization in order to buy something in a catalogue you have received from them. Anything from insurance to computer service may be sold in this way.

f) Insurance cover against such things as sickness and unemployment, to cover loan repayments is sold using this technique: you have specifically to say that do not want this insurance when filling in the loan application. Banks rely on customers not opting out in this way in order to sell the insurance.

GRAMMAR FOCUS

7. Complete the sentences with one of the following:

much many few little fewer less

- 1) ... people realize how ... tax they could avoid paying if they studied the tax laws.
- 2) ... people believe they pay too ... tax.
- 3) There is too ... time and too ... problems to talk about irrelevant issues.
- 4) There isn't ... evidence to support these figures.
- 5) You'll pay much ... tax in the Cayman Islands than most places.
- 6) Very ... tax authorities have clear plans for corporation tax in the future.
- 7) There are ... opportunities to avoid tax nowadays.
- 8) ... companies operate the FIFO method nowadays.

8. Complete the following sentences with one of the following prepositions:

over at during since for in ago

- 1) ... the last few months, sales have been disappointing.
- 2) We have been expecting an upturn ... the beginning of the last year.
- 3) ... the end of last year, there was a sudden down turn.
- 4) He was appointed finance director two years ... and ... then he has reduced the staff by 200.
- 5) We went through a difficult period ... the middle of April.
- 6) We have raised prices in line with inflation ... three years.
- 7) The dips of the price index happened ... April and July.

9. Change the following sentences from active to passive or vice versa.

DISCUSSION

1. How would you explain the statement "The world operates on credit"?
2. What are the advantages to small firm owners of selling on customers' credit cards? What are the disadvantages?
3. Do you believe the statement that "a firm will sell more merchandise, even to its present customers, if credit accounts are made available"? How do you explain this?
4. What kind of policy would you establish to handle delinquent accounts? Why?

WRITING

1. Write a summary of the text.
2. Express in writing your vision of the role of selling on credit nowadays and its prospects.

UNIT 11. Risks and how to deal with them

BUSINESS TERMS

damage	повреждения, ущерб
injury	вред
loss	убыток
absorb losses from risks	покрывать убытки от рисков
subject	подвергаться
inventory	товарно-материальные запасы
theft	воровство, кража
flood	наводнение
hurricane	ураган
liability to employees	обязательство перед служащими
safety	безопасность
liability to the public	ответственность перед общественностью
be liable for	быть обязанным возместить вред; быть ответственным за что-либо
apply to	касаться, применить
retail establishment	предприятие розничной торговли
excessive loss	чрезмерный убыток
bad debts	безнадежные долги
extend credit	продлевать кредит
collect accounts receivable	взыскивать счета к получению
loss through dishonest employees	убыток от нечестных служащих
securities	ценные бумаги
cope with	справиться с чем-либо
financial hardship	финансовые затруднения
cause	служить поводом, вызывать

losses incurred	понесенные потери
shift the risk to smb	переложить риск на кого-либо
quote	назначать цену, котировать
commodity exchange	товарная биржа
keep informed	держат в курсе
price trend	тенденция цен
adverse trend	неблагоприятная тенденция
be aware of	знать, сознавать
appeal to	обратиться к; прибегнуть, апеллировать (обращаться за советом, поддержкой)
handle	справиться, справляться
reserve fund	резервный фонд, резервный капитал
deal in futures	сделки на срок (фьючерсные сделки)
insure	страховать
statute law	статутное право, право, выраженное в законодательных актах
pay off	полностью рассчитаться, оплатить
assume responsibility	взять на себя ответственность
outsell	продавать больше, чем конкуренты
erosion	разрушение, эрозия
take the market share from smb	отнять долю рынка от кого-либо
bring forward	перенести на более ранний срок
extend payback period	продлевать период окупаемости
average rate of return	средний коэффициент окупаемости
breakeven point	точка критического объема производства
sales target	плановое задание по реализации продукции

TEXT

Risk can be defined as the chance of **damage**¹, injury, or loss. Every business firm operates with daily risks, and the small firm is no exception. The small firm is characteristically less able to absorb losses from risks. These facts make it very important that every small firm understands the risks to which it is subject. Once these are known, a policy can be established on how best to **handle**² the risks so as to keep losses to a minimum.

Risks faced by the small firm:

– **damage to property**. The property of most small firms is represented by its **inventory**³ and its building if it is owned by the firm. The building and the inventory are constantly subject to the risks of damage and loss from fire, theft, floods, hurricanes, and **riots**⁴.

– **liability**⁵ to employees. All employers are responsible for the health and safety of employees while they are performing their duties for the firm. Legislation giving employers such responsibility has been one of the greatest developments in social responsibility in recent years.

– **liability to the public**. This type of risk is often illustrated by the proverbial slip on a

coped with.

- **financial hardship**. Financial hardship has probably caused more small firms to go out of business than any other single risk. It is especially sad to see a firm with otherwise excellent prospects suffer because the lack of liquidity has been allowed to dominate its financial condition.

- **marketing risks**. Marketing risks cover such things as having an inventory of merchandise suddenly fall in value because the market price has dropped. Having a location lose its value is also a marketing risk. In the sale of style merchandise, situations occur when **the style**⁸ has fallen out of favor and the remaining merchandise on the owner's shelves has lost most of its value.

When the existing risks are known, business owners may turn their attention to the matter of what to do about them. They will realize that some risks are easier to control than others. In all cases good management will do some of the following:

- Remove the cause.

- Create **self-insurance**⁹. Under a self-insurance plan, a specified amount is **set aside**¹⁰ in a reserve fund each year to be available to cover any losses incurred.

- Purchase Outside Insurance. An **insurance policy**¹¹ shifts the risk to the insurance company. Insurance can be purchased from established insurance firms to cover many of the risks listed here. These are considered normal business risks. In addition, Lloyd's of London will insure almost any nonbusiness risk – for a price.

- Practice **hedging**¹². Any small firm that buys quantities of products quoted on the nation's well-established commodity exchanges should know about hedging and should practice it to protect normal profits. Hedging is often misunderstood as a device to make profits, but it is only to protect normal profits.

- Good management. Good planning and good management are probably the best protection against most of the other risks that have been considered. For instance, good management will keep itself informed of price trends; good accounting records and study of operations against a budget will warn of any developing adverse trends. The risk of financial hardship can best be coped with by proper financial planning and financial management.

Notes: 1. ущерб, убыток; 2. управлять, осуществлять контроль; 3. товарные запасы; 4. беспорядки; 5. ответственность; 6. дебиторы по расчётам; 7. ценные бумаги; 8. вид, модель; 9. самострахование; 10. оставлять; 11. страховой полис; 12. хеджирование, страхование от потерь.

COMPREHENSION

1. Answer the following questions.

- 1) How can risks be defined?
- 2) What risks are faced by the small firms?
- 3) What is the best way to protect a business against the risk of financial hardship?
- 4) What can be done to handle the risks?
- 5) What are the most effective ways of keeping losses to a minimum?
- 6) What is meant by "shifting the risk" as a means of coping with possible loss?

2. In each of the following, select the word or phrase that best completes the statement or answers the question.

- b. expensive d. well-done
- 4) Losses through dishonest employees can be in the form of
 - a. cash c. securities
 - b. merchandise d. all of these
- 5) When business owners are aware of the existing risks they may
 - a. appeal to the insurance company
 - b. pay their attention to the matter of how to handle them
 - c. run their business successfully
- 6) A self-insurance plan is
 - a. a plan to cope with losses
 - b. a capital spending plan
 - c. a specified amount set aside in a reserve fund each year
- 7) Fire Insurance is property insurance that covers risks of
 - a. the damage of water c. the damage of smoke
 - b. fire d. all of these
- 8) Hedging is a device to
 - a. run business c. make profits
 - b. protect profits d. keep accounting records

WORD STUDY

3. Match the words with their definitions.

inventory, property, account receivable, hedging, profit, damage, legislation, expensive, securities, self-insurance

- 1) The difference between the price received for a product and the amounts paid as rewards to the factors of production.
- 2) An operation adopted by merchants and others in the commodity markets who deal in futures to protect themselves against risk of loss, caused by future changes in price.
- 3) Any thing that has value and can be owned, including things having substance, such as land, money, etc.
- 4) Investments generally, especially stocks, shares and bonds which are bought as investments.
- 5) The accumulation of a fund of money as a reserve to provide for possible losses in the future that could easily have been insured with in insurance company.
- 6) Stocks held by a business for sale to its customers; a detailed list of things.
- 7) Dear; costing much money; needing great expense; high priced.
- 8) Laws, especially statute laws, i.e. Acts of Parliament in Britain, Acts of Congress in USA.
- 9) A sum of money due to be received from a customer in the ordinary course of trade but not yet paid.
- 10) Harm; loss of value caused by being broken or spoiled.

4. Supply the sentences with the missing words

10) The government ... barely thirteen percent of this money for health and education.

5. What are the opposites from the text of the following words?

maximum	illegal	rarely
exclude	carelessly	ability
cheap	bad	favourable
disadvantage	many	decrease
wrong	withdraw	failure

6. What are the synonyms from the text of the following words?

venture	regularly	obligation
kind	significance	bonds
for example	unfavourable	ruin
raise	qualified	entire
function	fix	boundary

7. Which key word is missing from these extracts (singular or plural).

a) ... transfer is paying losses with funds that originate outside the organization. By purchasing insurance, companies transfer the ... of loss to an insurance firm, which agrees to pay for certain types of losses. In exchange, the insurance firm collects a fee known as a premium. Proper ... management nearly always requires a combination of at least one ...-control technique and at least one ...-financing technique.

b) In ... management, it is useful to distinguish between insurable and uninsurable Outside insurers are not eager to promise that they will pay for losses unless there is some reasonable expectation that they won't have to. Most (but not all) pure ... are insurable; in general, speculative ... are not insurable.

GRAMMAR FOCUS

8. Complete the following sentences with an appropriate modal verb.

- 1) Entrance is forbidden. You ... not enter.
- 2) Success is possible. We ... be successful.
- 3) Participation is compulsory. We ... to take part.
- 4) Permission is given. You ... take the afternoon off.
- 5) Success is probable. We ... succeed.
- 6) He has the ability. He ... win the competition.
- 7) Participation is voluntary. We ... to go to the reception.
- 8) Failure is impossible. We ... fail.
- 9) Permission is not given. You ... leave the building.

9. Put the following sentences into the past

10. Complete the following sentences by putting the verbs in the right form.

- 1) If the project (fail), we (lose) a lot of money.
- 2) We (can) extend the payback period if we (adopt) an ARR method (Average rate of return).
- 3) We (get) a truer picture if we (take) into account present values of money.
- 4) We (not invest) unless we (foresee) a realistic chance of long-term profits.
- 5) As long as the project (be financed) from outside sources, we (have to) ensure a much higher rate of return.
- 6) If we (lose) money in the first two years, we (start) to doubt the viability of the project.
- 7) Unless we (be committed) to the project long-term, we (not carry) it through.
- 8) Breakeven point (come) a year earlier if we (manage) to reach these sales targets.

DISCUSSION

1. When is self-insurance a practical idea?
2. Should you protect against all risks by buying insurance?
3. If you were the owner of a business that was subject to all risks listed in the text, which ones would you try to eliminate, which ones would you be willing to absorb, and which ones would you transfer to an insurance company?

WRITING

1. Write a summary of the text.
2. Express in writing your opinion on the role/significance of good management in coping with risks.

UNIT 13. Franchising

BUSINESS TERMS

failure rate	частота отказов
set down	устанавливать
straight-product-distribution franchise	франшиза, предусматривающая непосредственное распределение продукции
appliance shop	магазин бытовой техники
product-license franchise	франшиза на лицензионный выпуск продукции
trade-name franchise	франшиза на торговый знак
exercise control over smth	осуществлять контроль за чем-либо
undertake	предпринимать
with due consideration	с надлежащим рассмотрением
transfer	перечислять (сумму); переводить деньги
retain	удерживать, сохранять
quality control	контроль качества

proper consideration	тщательное рассмотрение
clause	условия, пункт, статья
sales quota	квота на продажу
termination agreement	соглашение об истечении срока; прекращение соглашения
standardized product	нормированный продукт
standardized procedure	стандартная методика
unlawful	незаконный, противоправный
insolvency	неплатежеспособность
obtain income	получать доход
obtain profit	извлекать выгоду
formal license	официальное разрешение
permanent control	постоянный контроль
take strike action	бастовать
approximate balance	приблизительный баланс (сальдо)
recruit	нанимать на работу
rocket	внезапно, резко повышаться
real value	действительная стоимость
estimate	оценивать, составлять смету
shifting standards	переменные стандарты (гибкие)
appraisal method	метод оценки, аттестации
personal bias	личное пристрастие
distort rating	искажать оценку
rate harshly	грубо оценивать
rating standards	тарификационные стандарты

TEXT

Good planning, financing and management are essential to any type of small firm. This is true whether the firm is a **franchisee**¹, a newly created firm, or an established firm under new ownership. That franchisees have a lower **failure**² rate than other new small businesses is due in most cases to the managerial assistance provided by the **franchisors**³. Failures can occur in any type of small firm when management does not apply continued good practice in the operation of the firm.

Franchising became very popular in the decade of the 1970s, and this growth has continued in the 1980s. Franchising is basically a system for distributing products or services through associated resellers. The **franchise**⁴ gives rights to the franchisee to perform or use something that is the property of the franchisor. The parent company is the franchisor. The small business owner who buys a franchise is the franchisee.

The objective of franchisees is to achieve efficient and profitable distribution of a product or service within a specified area. Both parties **contribute**⁵ resources. The franchisor contributes a **trademark**⁶, a reputation, known products, managerial know-how, procedures, and perhaps equipment. The franchisee invests capital in the purchase of the franchise and provides the management of the operation in accordance with rules set down by the franchisor. Marketing procedures may be specified, and a common identity is established.

Most franchises can be classified into one of the three categories that follow:

– straight-product-distribution franchises. Under this type of franchise, which is the

Franchising offers its maximum advantages when undertaken with due consideration for the interests of the franchisee as well as the franchisor. The following table lists advantages to both parties.

To the franchisor	To the franchisee
1. Expanded distribution without increased capital investment.	1. Sound management procedures, training, and, decision-making assistance made available by franchisor.
2. Marketing and distribution costs shared by franchisee.	2. Reestablished promotion and advertising programs provided.
3. Some operating costs may be transferred to franchisee.	3. Being part of large system of retailers ⁹ .
4. Flat fees ⁹ often collected each month from franchisee.	4. Possible financial aid for part of purchase price at low interest.
5. Retains quality control of product via franchise agreement.	5. Credit available in buying inventory and supplies.

Some disadvantages of franchise also exist. These include the following:

To the franchisor	To the franchisee
1. Long distance control over franchisees.	1. Usually gives up much freedom in management decisions.
2. Expenses ¹¹ of training supervisory personnel and keeping them on the road.	2. Obligatory purchases from franchisor, even if better prices are available elsewhere.
	3. Profits always shared with franchisor.
	4. Franchises have become very expensive.

Despite the great growth and popularity of franchising in recent years, it should be noted that not all franchises have been successful. Great care should always precede any decision to buy a franchise.

It is obvious that franchising has taken an important place in the small business field in this country. Many American franchisors have extended their franchises around the world. This significant development, when handled with proper consideration for both parties, can provide real advantages to both franchisor and franchisee.

Notes: 1. торговое предприятие, пользующееся правом торговать продуктами промышленного предприятия на льготных условиях; 2. банкротство, несостоятельность; 3. компания, имеющая патент на деятельность; 4. франшиза, особое право, особый контракт; 5. вносить, предоставлять; 6. торговая марка; 7. отвечать, исполнять; 8. сорт, качество, торговая марка; 9. одинаковая плата; 10. розничный торговец; 11. расходы.

6) What is a trade-mark franchise?

2. In each of the following, select the word or phrase which best completes the statement or answers the question.

- 1) A franchised business is owned by
 - a. government
 - b. franchisor
 - c. stockholders
 - d. franchisee
- 2) A franchise business does not have to be
 - a. large
 - b. a fast-food operation
 - c. expensive
 - d. all of these
- 3) Franchises include all of the following kinds of business except
 - a. retailing
 - b. wholesaling
 - c. government services
 - d. manufacturing
- 4) Franchises will probably
 - a. increase in number
 - b. decrease in number
 - c. remain the same
 - d. be made illegal
- 5) Which one of the following would most likely not be a franchised business?
 - a. radio station
 - b. auto dealership
 - c. gas and electric company
 - d. gas station
- 6) The right to grant a franchise agreement is reserved to the
 - a. parent company
 - b. franchisee
 - c. vendor
 - d. license
- 7) Franchise fees are
 - a. paid to the franchisor
 - b. based on sales volume
 - c. based on the size of the territory
 - d. could be any or all of these
- 8) There are franchise agreements that have clauses covering
 - a. sales quotas
 - b. termination agreements
 - c. purchasing and use of products
 - d. all of these topics
- 9) A franchise is a good way for a person to
 - a. get business experience
 - b. get started in business with limited capital
 - c. get rich
 - d. meet competition
- 10) One of the disadvantages of owning a franchise business is that
 - a. the parent companies have standardized products and procedures
 - b. a franchise business requires less cash to start
 - c. the franchise may have a better chance of succeeding
 - d. the owner cannot sell other companies' products

- 4) Lack of success; inability to pay debts; insolvency, bankruptcy.
- 5) To get something especially by working.
- 6) The act of using money to obtain income or profits; money invested.
- 7) An arrangement by which a monopoly producer gives another producer or trader by formal licence the exclusive right to manufacture, or sell the products in a certain area.
- 8) The price paid for something.
- 9) The right to hold a thing entirely as one's own, including complete and permanent control over it.
- 10) Paying a profit; producing an income; useful.

4. Supply the sentences with the missing words.

know-how, shares, in accordance with, to comply with, distribution, contribution, supply, available, exist, to share

- 1) There are a growing number of women who want ... some of the traditional male roles.
- 2) New products must ... certain standards.
- 3) The United Kingdom had to make a ... of £1 000 million to the EU budget.
- 4) They are almost totally dependent on Western
- 5) A week ago the firm's ... jumped from 10 percent to 114 percent.
- 6) Education is carried out ... the principles of the school.
- 7) More information becomes ... through the use of computers.
- 8) Unions took strike action to stop the production and ... of the local newspaper.
- 9) Economic stability can only be reached if demand and ... are in approximate balance.
- 10) Communities who live by hunting and gathering still

5. Find words in the text to complete the following expressions

under new ...	supply their products in ...
a lower failure ...	offers its maximum ...
a system of distributing ...	possible financial ...
the parent company is ...	freedom in management ...

6. Complete the list below

Noun	Adjective	Verb
<i>profitability</i>	<i>profitable</i>	<i>profit</i>
efficiency		
health		
propriety		
operation		
finance		
productivity		
management		

The latest trend in ... has been diversification in the variety of products and services offered. Today, over 2000 companies offer ... ranging from day-care centers and health clubs to dental clinics, video-tape rental outlets, and funeral parlors. By and large, most are service operations.

b) The best way to protect yourself from a poor ... investment is to study the opportunity very carefully before you commit your self. Since 1978, the Federal Trade Commission has required ... to disclose information about their operations to prospective By studying this information, you can determine the financial condition of the ... and ascertain whether it has been involved in law suits with ...

Another good source of information about a ... is other Find out what they think of the opportunity. If they had it to do over again, would they still invest? That's the bottom line.

GRAMMAR FOCUS

8. Complete the following sentences by putting the verbs into either the *Present Perfect* or *Past Simple*.

- 1) We (reach) our targets last year.
- 2) Sales (fall) since the beginning of June.
- 3) Contracts (be signed) but work (not begin) yet.
- 4) The marketing department (recruit) two new assistants so far this year.
- 5) We (start) the advertising campaign last month and since then sales (rocket).
- 6) Turnover (rise) dramatically since we (be founded).
- 7) We (expect) a fall in profits last year as our costs nearly (double).
- 8) We (sell) already more units this year than we (do) in the whole last year.

9. Choose from the modal verbs below in order to complete the dialogue

must may can have to could should

A: Surely your brands... be worth more than that?

B: Well, it's very difficult to say. They ... well be. However, we prefer to put it on the conservation side.

A: I ... say I find these figures hard to believe. After all, a company that wanted to create a brand would ... pay a fortune in advertising alone.

B: Yes, that's true, but you ... not put a figure on brand creation – it depends on so many factors.

A: I agree, but we ... calculate from a historical basis.

B: That's not the point. The real value is the long-term potential profit. How ... you estimate them?

A: Well, you ... have annual sales forecasts?

B: Of course, but if we are going to value them in the balance sheet, we ... have a longer-term perspective.

A: In my opinion what you ... do it... take ten years' potential net income.

10. Complete the following sentences, using an appropriate verb of speaking and preposition, where necessary (*speak, tell, talk, say*).

- 1) He ... us that some managers rate each subordinate by different standards.
- 2) He ... his ...

DISCUSSION

1. The three basic methods of becoming a small firm owner are:
 - 1) To buy a franchise.
 - 2) To buy an established business.
 - 3) To create a new business firm.

What method would you choose and why?

2. Look through the list of advantages and disadvantages for both parties and give your analyses of this problem.

WRITING

1. Write a summary of the text.
2. "Franchises need planning too". Do you support this statement? Give your arguments in writing.

UNIT 14. Small business and the law

BUSINESS TERMS

be aware of one's rights and responsibilities	знать свои права и обязанности
business law	торговое право, право предпринимательской деятельности
insurance	страхование
be enforced by the court	приводить в исполнение судом
meet certain requirements	отвечать определенным требованиям
consideration	возмещение
competency	компетенция, правомочность
subject matter	предмет
remedy	средство
unqualified acceptance	неквалифицированный акцепт
accept the offer	принять предложение
binding contract	контракт, имеющий обязательную силу
lease	аренда, договор об аренде
tenant	наниматель, арендатор
short-term lease	краткосрочная аренда
optional term lease	аренда с правом выбора срока
term lease	аренда на срок
percentage lease	аренда с правом получения процента прибыли
installment sales contract	контракт на продажу в рассрочку
be delivered	быть доставленным
hold certain land	владеть определенной землей
against harm, damage or loss	против вреда, ущерба или потери
in return for the payment	в возмещение уплаченной суммы

prime duty	первостепенная обязанность
respect client's confidentiality	уважать конфиденциальность клиента
follow the code	следовать кодексу (нормам, принципам)
slight drop in orders	небольшое падение в заказах
low profit margin	низкий маржинальный доход
grow rapidly	быстро расти
unstable market	нестабильный рынок

TEXT

Understanding business law takes many years. No one expects a small business owner to get a law degree or to have a complete understanding of legal concepts related to business ownership and operation. Because you will deal with numerous people, products and companies, you should be aware of your rights and responsibilities. Common sense and caution are essential in business. A general understanding of business law and **insurance**¹ go hand in hand with good business management.

C o n t r a c t s . Agreements which a business owner makes in the course of carrying on a business may be called contracts. A contract is a legal agreement between two or more parties in which each has rights and **obligations**². Contracts may be enforced by the courts if they meet certain requirements. A contract must have the following characteristics to be legal: mutual agreement, **consideration**³, form, **competency**⁴ and legal **subject matter**⁵.

Since contracts can be enforced by law, it is important that people understand them. When an individual fails to honor a contract, the other parties to the contract can legally require that the contract be fulfilled or a satisfactory **remedy**⁵ be provided.

For an agreement to be mutual, there must be a clear, definite, and serious offer and an unqualified **acceptance**⁷. If there is to be mutual agreement, there is no need for a true meeting of the minds. This means that the parties involved need not be thinking of the same thing. If a merchant offers to sell some goods for \$55 and a customer accepts the offer, it does not really matter that the merchant intended to say \$75. There is a binding contract at \$55 if the party can prove the offer was made and accepted. This can be done by producing witnesses and documents. The subject matter of a contract must be stated in definite terms.

Parties to a contract must receive something of value and give something of value in return. This something of value is called consideration. The consideration may be cash, goods or a service, or it may even be a particular action.

A contract is made if there is an offer and acceptance, consideration, competent parties, and legal subject matter. The contract may be written or oral. A contract for the sale or transfer of land or real property must be in writing. Contracts which take more than one year to perform usually must be in writing. This includes **leases**⁸ of more than one year.

A competent party is one who has legal capacity to enter into a contract. A person must be of legal age and sane in order to be considered competent.

T h e l e a s e . Because of the greater capital required to own real property, most small business owners start out by renting or leasing business space. When an owner decides to rent, an agreement is made with the landlord specifying the amount of rent to be paid and other conditions. The conditions agreed upon, when put into written form and signed by both **tenant**⁹ and landlord, make up the lease.

is known as **an optional term lease**¹¹.

Leases may be classified according to the manner in which rent is paid. The **term lease**¹² is a popular type of lease. It states the amount of rent to be paid for a specified time. Other types give the landlord a percentage of business income instead of a rent. This is called a **percentage lease**¹³. Sometimes the rental agreement is a combination of the term lease and the percentage lease. With this agreement, the landlord receives a fixed rent in addition to a percentage of business income.

Notes: 1. страхование; 2. обязательство; 3. возмещение, компенсация; 4. компетенция, правомочность; 5. предмет; 6. средство; 7. акцепт, согласие на оплату денежных и товарных документов; 8. аренда, договор об аренде; 9. наниматель, арендатор; 10. владение на правах аренды; 11. аренда с правом выбора срока; 12. аренда на срок; 13. аренда с правом получения процента прибыли.

COMPREHENSION

1. Answer the following questions.

- 1) What legal agreements are known to you?
- 2) What characteristics must a contract have to be legal?
- 3) What is consideration?
- 4) What is the procedure to conclude a contract?
- 5) When is the lease made up?
- 6) What types of lease are outlined in the text? Say some words about each one.

2. In each of the following, select the word or phrase that best completes the statement or answers the question.

- 1) A buyer owns the goods purchased in an installment sales contract when the
 - a. sales contract is signed by both parties
 - b. goods are delivered
 - c. last payment is made
 - d. sale is recorded in the county clerk's office
- 2) The type of lease best suited for a new business is a
 - a. percentage lease
 - b. long-term-lease
 - c. renewable short-term lease
 - d. combination of fixed rent and percentage lease
- 3) Agreements which are made in the course of carrying on a business may be called
 - a. policies
 - b. obligations
 - c. contracts
 - d. checks
- 4) The consideration of the contract is
 - a. cash
 - b. service
 - c. goods
 - d. all of these

- 7) A short-term lease with the option of renewing at the same rent is known as
 - a. a term lease
 - b. a percentage lease
 - c. an optional term lease
 - d. an offshore lease
- 8) Sometimes the rental agreement is a combination of
 - a. the short-term lease and the long-term lease
 - b. the term lease and the percentage lease
 - c. the optional term lease and the percentage lease

WORD STUDY

3. Match the words with their definitions.

insurance, contract, acceptance, lease, tenant, option, merchant, consideration, rent, landlord

- 1) The right, need, or ability to choose between two or more alternative courses of action.
- 2) A person or organization having the right to hold certain land or buildings, usually under a lease.
- 3) The business of insuring lives and property against harm, damage or loss in return for the payment of a sum of money according to the degree of risk.
- 4) The right of a person or organization to hold certain land or buildings under a lease.
- 5) The act of accepting, taking what is offered or given.
- 6) A trader who buys and sells goods or commodities in large quantities, usually at his own cost.
- 7) The owner of a property who allows a tenant to use his land or house in return for payment of rent, usually as stated formally in the lease.
- 8) Money paid for the use of land considered as a factor of production.
- 9) Something of material value given by a party to a contract in return for some duty taken upon himself by the other party.
- 10) An agreement in writing by which one person gives another the right to use property usually for a fixed number of years.

4. Supply the sentences with the missing words.

lease, tenancy, insurance, agreement, competence, owner, accepted, goods, do well, renew

- 1) I hoped that we might ... our business partnership.
- 2) ... about these decisions is extremely difficult.
- 3) These measures are believed to be a good ... against disorder.
- 4) Such an unwieldy banking system is unable to deliver the ...
- 5) We didn't ... in our business last two months.
- 6) The ... had expired and would not be renewed.
- 7) He will be expected to show ... in the methods of market survey.
- 8) The average American car ... drives 10,000 miles per year.
- 9) The Postmaster-General ... the tender of the English Marconi Company.
- 10) Once they took up the ... they couldn't be evicted.

	transfer	
		legal
to accept		
	success	
to deliver		

6. Complete the phrase by matching the word/expression on the left with its best association on the right.

- | | |
|--------------------|------------------|
| 1) to break into | a. on the ground |
| 2) to learn from | b. your mistakes |
| 3) to look | c. a feel for |
| 4) to rely less | d. a market |
| 5) to have a | e. budget |
| 6) conservative | f. a presence |
| 7) to establish | g. in detail |
| 8) someone | h. customers |
| 9) it counts | i. on agents |
| 10) a much reduced | j. for a lot |

7. Which key word is missing from these extracts (singular or plural form).

a) One of the most pervasive ways that government affects business is through the legal system. The ... protects both individuals and businesses against those who threaten society. It also spells out accepted ways of performing many essential business functions – along with the penalties for failure to comply. In other words, like the average person, companies must obey the ... or face the consequence. Although this fact limits a company's free dom, it also provides protection from wrongdoers.

b) ... is not static; it develops in response to changing conditions and social standards. The U.S. Constitution and the Bill of Rights are the foundation for the ..., but they are general documents. ... offering specific answers to specific problems are constantly embellishing the basic principles of our society.

... originate in various ways: through legislative action (statutory ...), through administrative rulings (administrative ...), and through customs and judicial precedents (common ...). To one degree or another, all three forms of law affect businesses.

GRAMMAR FOCUS

8. Use the modal verbs *must*, *have to*, *should* to complete the sentences below.

- 1) It is compulsory to obey the law. You ... obey the law.
- 2) It is not a legal duty to report fraud. You ... report fraud.
- 3) It is a moral obligation to report fraud. You ... report fraud.

- 4) As you can see on this graph, I (plot) domestic and export sales.
- 5) Export sales (fluctuate) pretty widely.
- 6) We yet (see) the full effect of the declining dollar.
- 7) Last quarter we (see) one of the best results.
- 8) We already (notice) a slight drop in orders.
- 9) The low profit margins (be reflected) in last year's figures.
- 10) We (receive) two big orders so far this quarter.

10. Complete the following sentences with

too both either neither

- 1) I think this company is going to bust. – I do
- 2) He didn't think the results were good. I didn't
- 3) ... of us had interest in Parkroll. We ... lost a lot of money.
- 4) ... companies grew rapidly. ... controlled their growth.
- 5) Which company are you going to invest in? – ..., I don't really mind.
- 6) Which company are you going to invest in? – ..., they are ... in unstable markets.

DISCUSSION

1. Discuss the conditions of a contract which make it legal.
2. In what situations a business owner should consult a lawyer?

WRITING

1. Write a summary of the text.
2. Write a short report on the problem "Controlling legal forms of business organizations through corporate laws is generally accepted everywhere".

UNIT 15. Small business and insurance

BUSINESS TERMS

hold for ransom	держать за выкуп
contribute to a common fund	делать вклад в общий фонд
share risks	делить риск
insurable	подлежащий страхованию
possible financial loss	возможная финансовая потеря
transfer all or in part	передать все или часть
insurance company pool	фонд страховой компании
insurance terms	условия страхования
be valuable to the insurer	представлять ценность для страховщика
constitute an insurable interest	составлять страхуемый интерес

fidelity bonds	гарантия, выдаваемая одним лицом другому против злоупотребления третьим хранителем траста
business life insurance	страхование от простоя производства
special insurance	специальное, отдельное предложение
insurance broker	страховой брокер
insurance agent	страховой агент
sell insurance	продать страховой полис
meet certain standards	отвечать определенным стандартам
blanket policy	полный полис
cover emergencies	покрывать непредвиденные случаи
be forced out of business	быть вынужденным уйти из бизнеса
liability claims	требования задолженности
be underinsured	быть застрахованным полностью
be urged to seek legal advice for business problems	быть вынужденным искать юридического совета по вопросам бизнеса
never be ashamed of asking help	никогда не стыдиться просить о помощи
need help in making decisions	нуждаться в помощи при принятии решения
insurance dividend	(страховой) дивиденд страхового полиса
theft	кража
insurable risk	страхуемый риск
keep an insurable policy in force	держат страховую полис в силе
gambling	спекуляция
protection against loss	защита от потери
face value	номинальная стоимость
stock company	акционерное общество
represent smb in courts of law	представлять кого-либо в суде
the risk of paying for losses in accordance with the condition of an insurance contract	риск уплаты за потери в соответствии с условиями договора страхования
obtain the release of a person	добиться освобождения человека (освободить, получить освобождение)
rivalry	конкуренция
in return for a commission	в обмен за вознаграждение
at a certain fixed price	по определенной фиксированной цене
ignore market segment differences	игнорировать различия сегментов рынка
appeal to most buyers	привлекать большинство покупателей
keep transportation costs low	сохранять (держат) низкими транспортные расходы
single production line	единая производственная линия

TEXT

In ancient times, merchant ships were sometimes captured by pirates and held for **ransom**¹. Merchants began to contribute to a common fund which was used to pay the ransom. After a time, the merchants saw the advantage of extending this system of **sharing**² risks to take care of the loss of cargo from fires and storms, in addition to piracy.

When a person takes out insurance, these same principles of sharing losses are followed.

Competition is a risk to the business owner and can be met by ability, knowledge, and imagination. There are other risks that are not **insurable**³. These include the effects of a business depression, changes in styles and public tastes, and population changes from one part of the city or country to another.

There are risks that are insurable, and a business owner can **guard against**⁴ them. These are risks for which the possible great financial loss can be transferred all or in part to an insurance company **pool**⁵. It should be noted that only the financial loss can be transferred. The annoyance and inconvenience caused by damage, loss of property, or personal injury still remains.

There are several insurance **terms**⁶ which should be known. You must have an insurable interest in something in order to insure it. A financial loss must occur, and only property or relationships which are valuable to the **insurer**⁷ can constitute an insurable interest. For instance you could not insure the life of your competitor. You must be able to prove a loss or the insurance company will become suspicious.

The policy is a contract between the insured and the company. It gives the exact details of the property to be insured, terms of the policy, amount of **premiums**⁸, and other specific information.

The premium is the amount of money which is paid to keep the policy in force. If the period covered by the policy passes and another policy is not issued, the policy is said **to lapse**⁹. Policies insure for only a specified period of time and losses which occur only during that period are covered.

Insurance for your business can be divided into six classes. These classes include liability insurance, property insurance, business interruption insurance, **fidelity bonds**¹⁰ business life insurance, and special insurance.

Insurance is a service which business purchases from either an insurance broker or an insurance agent by paying premiums. An insurance broker is an independent business owner who sells insurance for several different insurance companies. An insurance agent is a representative of usually one insurance company and sells only that company's insurance. Both of these business persons must meet certain standards before they are licensed to sell insurance. As a rule, they can be counted on to give you good service and advice on the types and amounts of insurance needed for your particular business. Insurance companies must be approved by each state in which they sell policies.

When insurance is purchased, it is important that you get the best protection for the money paid. The best value is not always the policy with the lowest premium. Usually, the longer the term of the policy, the lower the premium is each year. A policy for five years would have a lower annual premium than a policy for one year. Businesses save money by purchasing a **blanket policy**¹¹ instead of individual policies. However, these are money-saving practices only if they provide needed insurance.

Most owners of small businesses do not have extra money to cover emergencies. If adequately insured, the proprietor of a small business cannot be forced out of business by a fire or large liability claim. Adequate insurance is important because many business owners are **underinsured**¹².

The insurance policy is a contract between the insured and the insurance company. Therefore, it is important that the buyer read, understand, and fulfill the obligations of the agreement.

COMPREHENSION

1. Answer the following questions.

- 1) What can you say about the history of insurance?
- 2) What principles are followed by insurance?
- 3) What kind of loss can be transferred to an insurance company pool?
- 4) What is an insurance policy?
- 5) What is meant by a policy lapse?

2. In each of the following, select the word or phrase that best completes the statement or answers the question.

- 1) An insurance dividend is
 - a. the amount paid by the policy holder for the policy
 - b. a part of the profit that a stock company returns to its policy holders
 - c. the amount an insurance company pays when there is a loss
 - d. a part of the profit that a mutual company returns to its policy holders
- 2) A contract between the insured and the insurance company is called a
 - a. premium
 - b. policy
 - c. dividend
 - d. lease
- 3) Which one of the following is an insurable risk?
 - a. style changes
 - b. theft
 - c. competition
 - d. economic depression
- 4) The amount paid regularly to keep an insurance policy in force is called a
 - a. binder
 - b. premium
 - c. dividend
 - d. commission
- 5) A policy lapses when
 - a. it is not renewed
 - b. it is extended temporarily
 - c. the premium is not paid on time
 - d. it is terminated by the company
- 6) Which one of the following best describes the philosophy of insurance?
 - a. gambling
 - b. sharing of risks
 - c. protection against loss
 - d. everyone for themselves
- 7) An insurable risk is your
 - a. partner
 - b. merchandise
 - c. spouse
 - d. all of these
- 8) The maximum amount that an insurance company will pay out in the event of a claim is called the
 - a. rate
 - b. premium
 - c. dividend
 - d. face value
- 9) An insurance company that pays dividends to policy holders is a

WORD STUDY

3. Match the words with their definitions.

ransom, competition, depression, pool, insurer, lapse, premium, insurance agent, lawyer, blanket insurance

- 1) A professional person, trained in the law and authorized to advise clients on legal business and represent them in courts of law.
- 2) The party or parties, usually an insurance company who take upon themselves the risk of paying for losses in accordance with the conditions of an insurance contract.
- 3) A price demanded or paid to obtain the release of a person held as a prisoner, or of a valuable object that has been stolen.
- 4) That part of a trade cycle that is marked by a large fall in output, high unemployment, low prices.
- 5) The amount which is paid for a stock or share over and above its nominal or face value; a sum of money paid on a lease in advance of signature and over and above the rent.
- 6) Rivalry between business concerns in the same market.
- 7) A person who introduces insurance business to an insurance company in return for a commission.
- 8) An insurance contract which has not been renewed and is no longer effective.
- 9) An association of producers who agree to share between them the output needed to meet the market demand at a certain fixed price.
- 10) Any insurance that covers a group of different kinds of risk, such as fire, theft, storm, *etc.*

4. Supply the sentences with the missing words

contributed, insurance policy, terms, premium, effect, emergency, to take out, to lapse, save, liability

- 1) Advanced technology has directly ... to the excessive growth of cities.
- 2) This measure would ... the government £185 million.
- 3) He pulled hard, but without any noticeable
- 4) We must find out if there is any ... covering the mortgage.
- 5) He allowed his membership of the union
- 6) Investors were even more willing to pay a ... for companies that offered such a potential for growth.
- 7) I want ... a mortgage.
- 8) They would never surrender this territory, on any ... whatever.
- 9) We have personnel and facilities for any
- 10) There are limitations to the contractors

5. Match the verb with an appropriate preposition.

Verbs

- 1) to put money

Prepositions

- a. with

6. Find the words/expressions in the text to complete the following phrases.

- 1) to contribute to ...
- 2) to take care of ...
- 3) property of value to the insurer can constitute ...
- 4) the policy is ...
- 5) insurance is ... which business purchases
- 6) ... the amount of money paid to keep the policy in force
- 7) insurance companies sell ...
- 8) businesses save money by purchasing ...
- 9) ... insurance is important
- 10) business owners need help in ...

7. The verb *to insure* has many derivatives. Look through the following extract and complete it using one of them.

An ... risk – one that an ... company will cover – generally meets the following requirements:

a) The peril ... against must not be under the control of the This means that ... do not pay for losses that are intentionally caused by the ... caused at the ... direction, or caused with the ... collusion. For example, a fire-... policy excludes loss caused by the ... own arson. It does, however, include loss caused by an employee's arson.

b) Losses must be calculable, and the cost of ... must be economically feasible. To operate profitably, ... companies must have data on the frequency and severity of losses caused by a given peril. If this information covers a long period of time and is based on a large number of cases, ... companies can usually predict accurately how many losses will occur in the future. For example, the number of people who will die each year in the United States has been calculated with great precision, and ... companies use this information to set policyholders' life-... premiums.

GRAMMAR FOCUS

8. Change the following sentences from active to passive or vice versa.

- 1) We might ignore market segment differences.
- 2) A marketing program can be designed to appeal to most buyers.
- 3) You can keep transportation costs low by a single product line.
- 4) Several market segments may be targeted.
- 5) More total sales are created by differentiated marketing.
- 6) A company may broaden its base.
- 7) Many examples of concentrated marketing can be found.
- 8) The segment may be attacked by larger competitors.
- 9) Many factors must be considered when choosing a strategy.
- 10) Down-market products could have been added to the product range.

10. Rewrite the following sentences using the verb in brackets in the correct form. The first one has been done for you.

- 1) There are two types of faulty product: those to be discarded and those to be reworked. (divide into) Faulty products are/can be divided into those to be discarded and those to be reworked.
- 2) Worker involvement and management participation are two of the quality-improvement initiatives. (consist of)
- 3) Both quality and productivity are parts of one single process. (involve)
- 4) A manager makes two kinds of quality-control decision: strategic decisions and tactical decisions. (break down into)
- 5) Steps to plan and improve quality are strategic-quality decision-making. (fall into)
- 6) The types of quality-control procedure are acceptance-sampling and process-control. (make up of)
- 7) Finding a new supplier or overhauling a worn machine may be steps in the control of quality. (consist of)
- 8) Decisions about regular quality inspections are tactical decisions. (involve)

DISCUSSION

1. Determine different types of insurance you will need for your business.
2. Discuss risks that are/aren't insurable.

WRITING

1. Write a summary of the text.
2. Write a short report on the role of insurance service for business.
2. Strategic-quality decision-making falls into planning and improving quality.
3. Quality-control procedure is made up of acceptance-sampling and process-control.
4. The control of quality consists of finding a new supplier or overhauling a worn machine.
5. Tactical decisions involve decisions about regular quality inspections.

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