МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
ВІННИЦЬКИЙ НАЦІОНАЛЬНИЙ АГРАРНИЙ УНІВЕРСИТЕТ

Кравець Р. А.

Методичні рекомендації до самостійної роботи з дисципліни «Іноземна мова за професійним спрямуванням» для здобувачів третього (освітньо-наукового) рівня вищої освіти галузі знань 07 Управління та адміністрування спеціальності 071 Облік і оподаткування

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Рецензенти:

Зарічанська Н. В. – кандидат педагогічних наук, доцент кафедри іноземних мов Вінницького державного педагогічного університету ім. М. Коцюбинського.

Волошина О. В. – кандидат філологічних наук, доцент кафедри української та іноземних мов Вінницького національного аграрного університету.

Розроблені методичні рекомендації до самостійної роботи з дисципліни «Іноземна мова за професійним спрямуванням» спрямовані на формування іншомовної компетентності здобувачів третього (освітньо-наукового) рівня вищої освіти галузі знань 07 Управління та адміністрування спеціальності 071 Облік і оподаткування у процесі професійної підготовки. Запропоновані завдання передбачають розвиток критичного мислення, вирішення фахових питань, удосконалення іншомовних знань, оволодіння основними навичками й уміннями, необхідними для самостійної роботи з професійно-орієнтованою аутентичною англомовною літературою, ознайомлення з методами і процедури організації обліку, аналізу, контролю, аудиту й оподаткування відповідно до сучасних вимог ведення бізнесу. Подані тексти відображають актуальну термінологію й сприяють опануванню навичок ділового усного та письмового спілкування.

Затверджено на засіданні науково-методичної комісії Вінницького національного аграрного університету (протокол № 2 від 28.08.2024 р.)

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Передмова

Англійська мова є домінантною мовою міжнародних ділових відносин, і володіння нею є необхідною умовою виконання професійних обов’язків для сучасного фахівців з обліку та оподаткування. У методичних рекомендаціях запропоновано практичний підхід до використання англійської мови у сфері обліку, аналізу, контролю, аудиту, оподаткування. Вони охоплюють важливу економічну термінологію й основні інформаційні потреби користувачів облікової інформації в управлінні підприємством. Розроблені з урахуванням потреб як здобувачів третього (освітньо-наукового) рівня вищої освіти галузі знань 07 Управління та адміністрування спеціальності 071 Облік і оподаткування, так і практиків, ці методичні рекомендації будуть доречними також для читачів, чия рідна мова не англійська, але яким потрібно регулярно використовувати англійську мову під час застосування управлінських інформаційних технологій для обліку, аналізу, аудиту та оподаткування в системі прийняття управлінських рішень з метою їх оптимізації. Особливу увагу закцентовано на письмовій та усній комунікації в типових ситуаціях професійної діяльності. Навчальні матеріали охоплюють питання, присвячені розвитку сучасної англійської мови. Розкрито фактори успішного оволодіння нею й відмінності в специфічних і загальних значеннях лексичних одиниць. Порушено питання покращення навичок застосування іноземної мови за професійним спрямуванням. Обґрунтовано важливість ділової англійської мови для повноцінного професійного становлення доктора філософії. Актуалізовано питання ґрунтовного опанування сучасними професійними знаннями та навичками в галузі обліку та оподаткування у поєднанні з вивченням англійської мови за відповідними програмами, адаптованими до умов спеціальності.

Методичні рекомендації можуть бути корисні викладачам англійської мови, науковцям, здобувачам вищої освіти, практикуючим бухгалтерам, економістам, аналітикам з інвестицій та кредитування.

Accounting Process

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

The accounting process refers to the systematic procedure businesses follow to track, record, and report financial transactions. It ensures that an organization's financial statements are accurate and in compliance with legal requirements. The process generally consists of the following steps: identifying transactions, recording transactions (bookkeeping), posting to the ledger, preparing a trial balance, making adjusting entries, preparing financial statements, closing entries, post-closing trial balance, reversing entries (optional), analyzing and interpreting financial statements.

The accounting process begins by identifying and analyzing financial transactions that affect the company's financial position. These transactions include sales, purchases, payments, receipts, etc.

Transactions are recorded in journals using the double-entry accounting system. Each transaction has two sides: a debit and a credit. The main journals include: *sales journal* records sales of goods or services on credit; *purchases journal* records purchases of goods or services on credit; *cash receipts journal* tracks all cash inflows; *cash payments journal* tracks all cash outflows; *general journal* records non-recurring and adjusting entries.

After recording in the journal, transactions are posted to the general ledger, where they are categorized into accounts (e.g., cash, accounts payable, revenue). This process organizes financial data into accounts.

A trial balance is prepared to ensure that the sum of all debits equals the sum of all credits in the ledger. This step checks the mathematical accuracy of the ledger.

Adjusting entries are made at the end of the accounting period to account for revenues earned and expenses incurred, even if no corresponding transactions have been recorded (accruals, deferrals, and depreciation).

Once the trial balance is adjusted, financial statements are prepared: *income statement* reports revenues and expenses over a period to show profit or loss; *balance sheet* provides a snapshot of assets, liabilities, and equity at a specific point in time; *cash flow statement* shows the cash inflows and outflows from operating, investing, and financing activities; *statement of changes in equity* shows changes in owners' equity over the period.

At the end of the accounting period, closing entries are made to reset temporary accounts (revenues, expenses) to zero, transferring their balances to permanent accounts (such as retained earnings).

A final trial balance is prepared after the closing entries to ensure that all debits and credits are balanced for the next period.

Some businesses make reversing entries at the start of the new accounting period to simplify future entries that pertain to accrued expenses or revenues.

The final step involves analyzing the financial statements to make informed business decisions, evaluating profitability, liquidity, and solvency.

This cycle is typically repeated every accounting period (monthly, quarterly, annually). Each step plays a crucial role in ensuring the accuracy, consistency, and transparency of a company's financial reporting.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) representing
b) summarized
c) legitimate
d) accountants
e) means
f) interdependence
g) established
h) international
i) recognized
j) grew

The organization of the accountancy profession dates to January 1853 when eight (1) in Edinburgh, Scotland met for the purpose of seeking recognition of their as a separate and distinct profession. Their discussion of their professional situation resulted in the of the Institute of Chartered Accountants of Edinburgh. Since that time numerous professional accountancy organizations have been (2) the world. The process is going on. The initial membership of the International Federation of Accountants (IFAC) was 63 organizations (3) 49 countries, but within a decade they (4) to 105 organizations from 79 countries. The establishment of the IFAC (5) the need for international coordination of the objectives of Sessional accountancy organizations and (6) of achieving those objectives. Accountancy is an (7) profession. Under the conditions of global (8) of countries through trade, commerce, and cross order investments, the of the IFAC is becoming more important. The size and principles of accountancy vary. Some organizations comprise accountants working in commerce, industry, and government organizations, as well as in public practice (auditing). They consist solely of members in public practice. The main of the accountancy profession may be (9) as follows: to protect the public by ensuring the observance by its members the highest professional and ethical conduct; to promote and increase the knowledge, skills, and proficiency of members of the organization and students; to preserve the professional independence in capacities they may be serving; to maintain the (10) rights of its.

Accounting for Special Transactions

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

Accounting for special transactions refers to the handling of unique or non-routine financial events that do not occur regularly but have significant financial implications for a business. These transactions often require specific accounting treatments to ensure accurate reporting. Here are some common types of special transactions and how they are accounted for.

Accounting for Bad Debts. Bad Debt refers to accounts receivable that are unlikely to be collected. Two primary methods are used: direct write-off method, allowance method.

In case of direct write-off method, the bad debt is written off directly by debiting the Bad Debt Expense account and crediting Accounts Receivable when it becomes clear the amount will not be collected.

We talk about allowance method, when a company estimates the bad debts in advance and records them as an allowance. The entry typically involves debiting Bad Debt Expense and crediting Allowance for Doubtful Accounts.

Accounting for Depreciation. Depreciation is the systematic allocation of the cost of a tangible asset over its useful life. The most common methods include: straight-line method, declining balance method, units of production method.

Straight-Line Method: Depreciation is spread evenly over the asset's useful life.

Declining Balance Method: Depreciation is higher in the earlier years and decreases over time.

Units of Production Method: Depreciation is based on the asset's usage or output rather than time.

Accounting for Amortization is similar to depreciation, but it applies to intangible assets (such as patents, trademarks, and goodwill). It involves spreading the cost of the intangible asset over its useful life. Journal entry example – debit: amortization expense, credit: accumulated amortization

In case of accounting for inventory, special inventory transactions, such as inventory valuation, are handled using specific accounting methods:

FIFO (First-In, First-Out): The first items purchased are the first to be sold, leaving the latest purchases as inventory.

LIFO (Last-In, First-Out): The most recent purchases are considered sold first, which can result in different cost of goods sold and ending inventory values.

Weighted Average Cost: The cost of goods available for sale is averaged, and that average cost is applied to the inventory sold and ending inventory.

Accounting for Prepaid Expenses. Prepaid Expenses are payments made in advance for services or goods that will be received in the future (e.g., rent, insurance). Initially, the expense is recorded as an asset, and then periodically expensed as the benefit is used.

Example Entry – debit: prepaid expense (asset), credit: cash. Over time, entries are made to recognize the expense.

Accounting for Accrued Expenses and Revenues. Accrued Expenses – expenses that have been incurred but not yet paid (e.g., wages payable). These are recorded by making an adjusting entry. Debit: expense. Credit: accrued liability (e.g., wages payable). Accrued revenues: revenues that have been earned but not yet received. These are recorded as receivables. Debit: accounts receivable. Credit: revenue.

Accounting for contingent liabilities. Contingent liabilities are potential obligations that may arise depending on the outcome of future events (e.g., lawsuits, guarantees). These are only recorded if the event is probable and the amount can be reasonably estimated. Debit: contingent liability expense. Credit: contingent liability.

Accounting for Foreign Currency Transactions. When a company engages in transactions denominated in foreign currency, the exchange rate at the transaction date is used for initial recognition. Any subsequent changes in exchange rates result in foreign currency gains or losses, which must be recorded. For example, at the transaction date: record the transaction in the company's functional currency using the spot exchange rate. At settlement: record any gain or loss due to changes in exchange rates.

Entry for foreign exchange gain include debit: accounts payable (if paying a liability), credit: foreign exchange gain (if the exchange rate has decreased)

Accounting for Capital and Operating Leases. Operating Leases: Treated as rental agreements where lease payments are recorded as an expense. No asset or liability is recorded on the balance sheet. Capital Leases: If a lease meets certain criteria (e.g., transfer of ownership, lease term covering a substantial portion of the asset's life), it is treated as a purchase. The asset is capitalized, and a corresponding liability is recorded. Debit: asset (for the leased item), credit: lease liability

Accounting for Dividends. Dividends paid to shareholders are recorded by reducing retained earnings and creating a liability when declared.

Entry when declared:

Debit: Retained Earnings

Credit: Dividends Payable

Entry when paid:

Debit: Dividends Payable

Credit: Cash

Accounting for Gains and Losses on Sale of Assets. When an asset is sold, the difference between the sale price and the asset's book value is recorded as a gain or loss.

Example Entry for a Gain:

Debit: Cash (sale proceeds)

Debit: Accumulated Depreciation (for the sold asset)

Credit: Asset (to remove the asset from the books)

Credit: Gain on Sale of Asset

Accounting for Government Grants. Government grants are recognized when there is reasonable assurance that the conditions will be met and the grants will be received. Grants related to income are credited to income over the periods necessary to match them with the related costs.

These special transactions often require attention to specific accounting standards, like IFRS or GAAP, to ensure they are treated correctly in financial statements.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) accounting	f) internal
b) bookkeeping	g) leads
c) dependent	h) processes
d) external	i) responsible
e) financial	j) satisfy

Accounting information about specific entities helps (1) the needs of all the interested parties. The diversity of interested parties (2) to a logical division in the discipline of accounting: financial accounting and managerial accounting. Financial accounting is concerned with (3) reporting of information to parties outside the firm. In contrast, managerial accounting is primarily concerned with providing information for (4) management.

Bookkeeping is the day-to-day recording of transactions. Financial accounting includes (5), and preparing financial statements for shareholders and creditors. Their ability to understand and have confidence in reports is directly (6) upon standardization of the principles and practices that are used to prepare the reports. Without such standardization, reports of different companies could be hard to understand and even harder to compare organized (7) to bring consistency and structure to financial reporting. In the United States, a private sector group called the Financial Accounting Standards Board is primarily (8) for developing the rules that form the foundation of (9) reporting. With the increase in global trade, the International Accounting Standards Board has been steadily gaining prominence as a global (10) rule setter.

Fundamentals of Cost Accounting

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

Cost accounting is a branch of accounting that focuses on recording, classifying, and analyzing the costs associated with a business's production or service activities. The primary purpose is to help management in budgeting, cost control, and decision-making. Here are the fundamental concepts and principles of cost accounting:

Cost refers to the monetary value of resources used for producing goods or providing services. Costs can be classified into different types, depending on their nature and how they behave in relation to business activities.

Determining the cost of products/services helps in determining the total cost of producing a product or providing a service. Cost control aids in monitoring and controlling costs through various techniques like standard costing and variance analysis. Cost reduction identifies areas where costs can be reduced without affecting quality. Decision making provides data that assists management in making decisions related to pricing, product mix, outsourcing, etc.

Profitability analysis helps in determining the profitability of individual products, departments, or processes. Costs can be categorized based on various factors.

Based on nature:

Direct costs: costs that can be directly traced to a product, department, or project. Examples include raw materials and direct labor.

Indirect costs: costs that cannot be directly traced to a product or service. Examples include factory overhead, administrative expenses, and depreciation.

Based on behavior:

Fixed costs: costs that remain constant regardless of the level of production or sales, such as rent, insurance, and salaries.

Variable costs: costs that vary directly with production volume, like raw materials and direct labor.

Semi-variable costs: costs that have both fixed and variable components, like electricity and maintenance expenses.

Based on function:

Manufacturing costs: costs incurred during the production of goods, including direct materials, direct labor, and manufacturing overhead.

Administrative costs: costs related to the overall management of the business, such as salaries of executives and office expenses.

Selling and distribution costs: costs incurred in marketing, selling, and distributing the product, such as advertising and transportation.

The total cost of production or service is composed of three key elements: direct material cost, direct labor cost, overhead cost.

Direct material cost: the cost of raw materials that are directly used in the production process. These materials can be traced to specific products.

Direct labor cost: the cost of wages paid to workers who are directly involved in producing the product or service.

Overhead cost: all other indirect costs, such as indirect materials, indirect labor, and other factory-related expenses (e.g., utilities, depreciation, maintenance).

Different methods are used to allocate and calculate costs, depending on the nature of the business and its objectives.

Job costing: costs are assigned to specific jobs or batches. This method is suitable for industries where products are made to order, such as construction or consulting.

Process costing: costs are accumulated by processes or departments, and then averaged over units produced. This method is used in mass production industries like chemicals or textiles.

Activity-based costing (ABC): Costs are allocated based on the activities that drive costs, rather than using traditional overhead allocation methods. ABC gives a more accurate view of the actual costs associated with producing a product or service.

Cost allocation is the process of identifying, assigning, and distributing direct costs to specific cost centers (departments or jobs).

Cost apportionment reveals itself as the process of dividing and assigning indirect costs (overheads) to different cost centers or cost objects using a reasonable basis (e.g., square footage for rent or hours worked for labor costs).

Cost accounting employs various techniques to determine costs and control them effectively.

Standard costing: predetermined costs are set for products and services, which are then compared with actual costs to identify variances. Variance analysis helps management understand whether performance is as expected or if corrective action is required.

Marginal costing: also known as variable costing, this technique only includes variable costs in product costing. It helps in short-term decision-making, such as pricing, make-or-buy decisions, and profitability analysis.

Absorption costing: all costs (fixed and variable) are allocated to products or services. This method provides a complete view of total costs and is used in financial reporting.

Budgetary control: involves preparing budgets for future periods and comparing actual performance with budgeted figures to identify and correct variances.

Break-even analysis: helps in determining the level of sales at which total revenue equals total cost, meaning no profit or loss is made. It is useful for understanding the relationship between fixed costs, variable costs, sales volume, and profitability.

Cost-volume-profit (CVP) analysis studies the relationship between cost, sales volume, and profit. It helps businesses understand how changes in cost structures (fixed vs. Variable), sales volume, and price affect profitability.

Key components of CVP analysis:

Contribution margin: the difference between sales and variable costs. This amount contributes to covering fixed costs and generating profit.

Break-even point: the level of sales at which total revenue equals total costs, resulting in zero profit.

Cost control is the process of regulating and maintaining costs within predetermined limits. Techniques include variance analysis, standard costing, and budgetary control.

Cost reduction is considered as the process of identifying and implementing permanent reductions in costs, without affecting the quality of the product or service.

Overheads (indirect costs) are allocated to different departments, products, or jobs using various methods:

Direct labor hours: overhead is allocated based on the number of labor hours worked.

Machine hours: overhead is allocated based on machine usage.

Direct material cost: overhead is allocated based on the amount of materials used.

Cost accounting involves valuing inventory using various methods:

FIFO (First In, First Out): Assumes that the oldest inventory items are sold first.

LIFO (Last In, First Out): Assumes that the newest inventory items are sold first.

Weighted Average Cost: The cost of goods available for sale is divided by the total units available for sale, and the average is applied to units sold and remaining inventory.

Relevant costs are those that will be affected by a decision and will change depending on the chosen course of action. Examples include:

Opportunity Costs: The cost of foregone alternatives.

Incremental Costs: The additional cost incurred from taking a particular decision.

Sunk Costs: Costs that have already been incurred and cannot be recovered. These are not considered in decision-making.

Cost accounting is essential for businesses to control their costs, improve efficiency, and make informed strategic decisions. It provides valuable insights into the cost structure, helping management optimize operations and enhance profitability.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) appropriate	f) clerical
b) ledger	g) pertaining
c) profit	h) money
d) keep	i) activities
e) statement	j) affairs

Book-keeping is the branch of knowledge which tells us how to (1) a record of business transactions. It is often routine and (2) in nature. It is important to note that only those transactions related to business which can be expressed in terms of (3) are recorded. The activities of book-keeping include recording in the journal, posting to the (4) and balancing of accounts. Book-keeping does not present a clear financial picture of the state of (5) of a business. When one has to make a judgment regarding the financial position of the firm, the information contained in these books of accounts has to be analyzed and interpreted. It is with the purpose of giving such information that accounting came into being.

Accounting is considered as a system which collects and processes financial information of a business. This information is reported to the users to enable them to make (6) decisions. When a businessman starts his business (7), he records the day-today transactions in the Journal. From the journal the transactions move further to the ledger where accounts are written up. Here, the combined effect of debit and credit (8) to each account is arrived at in the form of balances. To prove the accuracy of the work done, these balances are transferred to a (9) called trial balance. Preparation of trading and (10) and loss account is the next step. The balancing of profit and loss account gives the net result of the business transactions.

Influence of Company Structure on Accounting

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

Business is a commercial enterprise performing all those functions that govern the production, distribution, and sale of goods and services for the benefit of the buyer and the profit of the seller. Since the beginning of the era of economic progress old ways of running business have been modified, and new forms of business organization have been introduced. This has enabled various branches of industry to adapt to changing conditions and to function more easily, efficiently and profitably, sole proprietorship, partnership, and corporation being the main three forms of business ownership.

A sole proprietorship is a business owned by one person, in which all the profits belong to the owner, the latter being fully responsible for the success and the failure of the business. Unless an activity is specifically prohibited by law, no field of business is closed to an owner. Although advantages for the small business exist in this form, certain drawbacks make it undesirable for larger concerns. In the first place, the single owner is seldom able to invest as much capital as can be obtained by a partnership or a corporation. If single owners are able to invest large amounts of capital, they ran great risk of losing it all because they are personally liable for all the debts of their businesses. It is due to unlimited liability that all the personal assets of the owner, including his home and car, can be sold to settle the debts of the business. Unless the owner has much personal wealth, the business may have difficulty borrowing money in critical times. A sole proprietorship may also have difficulty hiring and keeping good employees, because the business will dissolve when the owner retires or dies.

A partnership is an association of two or more persons who have agreed to combine their financial assets, labour, property, and other resources as well as their abilities and who carry on a business jointly for the purpose of profit. The agreement the partners usually sign to form an association is known as a partnership contract and may include general policies, distribution of profits, responsibilities.

Like the sole proprietorship, the partnership is easy to establish, and its profits are not subjected to federal corporation taxes. Financing is generally easier to obtain because the personal assets of the group are usually larger and the chances of success are higher. The major disadvantage of the partnership is unlimited liability of each partner for the debts of the business; that is complete financial responsibility for losses. Furthermore, partners who wish to retire may find it difficult to recover their investments without dissolving the partnership and ending the business.

A business corporation is an organization created by law that allows people to associate together for the purpose of making profit. Corporations are also known as joint-stock companies because they are jointly owned by different persons who receive shares of stock in exchange for an investment of money in the company. Shares represent fractions of the company's assets such as cash, equipment, real estate, manufactured goods, etc.

Though the corporation is more difficult and expensive to organize than other business forms, it has a number of advantages. First, investors can limit their personal liability to the amount of money they have invested, thus, if the corporation goes bankrupt, they can lose no more than they have put in.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) deficit
b) add
c) appliance
d) balance
e) consumer
f) tangible
g) unprofitable
h) merchandise
i) loaded
j) payments

Just like any business, a country has to keep track of its inflow and outflow of goods, services, and (1). At the end of any given period, each country has to look at its "bottom line" and (2) up its international trade and investments in one way or another. The narrowest measure of a country's trade, the (3) trade balance, looks only at "visible" goods such as video recorders, wine, and motorcycles. Trade in visible goods is commonly referred to as the trade (4) even though it includes only those (5) goods that can actually be (6) on a ship, airplane, or whatever other means of transport to move goods from one country to another. The current account is a better measure of trade, because it includes a country's exports and imports of services, in addition to its visible trade. It may not be obvious, but many countries make a lot of money exporting "invisibles" such as banking, accounting, and tourism. A tourist abroad, for example, "buys" hotel and restaurant services in the same way as a (7) at home would buy an imported (8). Movies and banking services have to be paid for just like bags of rice. The current account tells us which countries have been profitable traders, running a current account surplus with money in the bank at the end of the year, and which countries have been (9) traders, having imported more than they've exported, running a current account (10), or spending more than they've earned.

Assets and Liabilities

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

Difference between assets and liabilities reveals itself in the following: assets give you future financial benefit, and on the other hand, liabilities will give you a future obligation. The proportion of assets to liabilities should always be higher. The difference between assets and liabilities is your equity in the company. We classify these assets and liabilities into different parts. This classification of assets and liabilities helps in arranging assets and liabilities in a proper manner in the balance sheet.

Assets are classified into such categories: fixed assets, current assets, liquid assets, wasting assets, intangible assets, fictitious assets.

Fixed assets are those assets which are not to be sold by the firm and to be used for a long period of time, such types of assets are also known as long-term assets. For example, land and building, plant and machinery, vehicles, equipment, patents, trademarks etc., are examples of fixed assets.

Currents assets are those assets which can be converted into cash easily from the market, generally within a year. For example, cash in hand, cash at bank, trade receivables, inventory, etc.

Liquid assets are those which are already in the form of cash or can easily be convertible into cash and have a negligible effect on the price available in the market. For example, marketable securities, government bonds, certificates of deposits etc.

Wasting assets are the assets that have a useful life and as we use it depreciate with the time and after some time or years, it becomes useless. For example, natural resources such as gas, timber, coal. The value of these assets goes down as we take out the contents. And when we take out these completely, it will become useless.

Intangible assets are the assets which cannot be seen or touched. These are not necessarily useless. For example, goodwill, patents, copyrights, etc.

The assets which are valueless but are shown in the financial statements or the expenses which are treated as assets are known as fictitious assets. For example, preliminary expenses which incur at the time of establishment of the company.

We can classify the liabilities into four categories: long-term, fixed, current and contingent liabilities. Long-term liabilities are those which exists for one or more than one year, for example, a long-term loan from the bank. Liabilities which are paid at the time of termination of the business are known as fixed liabilities, for example, proprietor's capital. Current liabilities or short-term liabilities are those which are to be settled within a year (trade payables, creditors, outstanding expenses). As for contingent liabilities, they are liabilities which are not actual liabilities but these can become the actual liability and it depends on the happening of certain events.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) limited
b) investors
c) ownership
d) initial
e) enterprise
f) liability
g) reflect
h) required
i) shareholders
j) bankrupt

The heart of capitalism is private (1), and a limited liability company allows people to own almost anything – from skyscrapers to television stations - without risking their professional assets should the company go (2). An individual, like Henry Ford, might want to begin a small (3) and personally retain total responsibility and liability, but once it starts to grow, a partnership or a "company" – such as Ford Motor Company – would need to be formed. The key factor in owning any company is the guarantee called limited (4): the owners of a company never have to pay more than they have invested in the company. Their liabilities are (5). When a company goes bankrupt, the owners can never be (6) to pay its unpaid bills. The worst that can happen to investors in a limited liability company is losing their (7) investment if the company rails. By limiting the downside risk for (8), companies are able to attract equity (9) and raise large amounts of funds called equity capital through sales of shares rather than by borrowing money at potentially high interest rates.

The names of companies around the world (10) this guarantee or limited liability. The abbreviations "GmbH" in Germany, "Inc" in the United States, or "Ltd". in most other English-speaking countries indicate that the firm is a limited liability company and investors have nothing more to lose than the money invested in their shares.

Bookkeeping as a Part of the Accounting Cycle

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

For efficient management of any company, a person requires accurate and extensive data concerning payments and receipts, liabilities and assets, depreciation of assets and other information about company status. This information can be obtained from different records, additional funds. Time should also be invested in bookkeeping and accounting system. On the whole, bookkeeping and accounting can be defined as identifying, measuring, recording economic data about business. Bookkeeping is considered as the preliminary phase and part of accounting.

The job of a bookkeeper reveals itself in ensuring the record-keeping aspect of accounting and for providing the information to which accounting principles are applied in the preparation of financial statements. Bookkeeping makes available basic accounting data by systematic recording day-to-day financial information. Such financial information covers income from the sale of products and services, expenses of business operations (the cost of sold goods or services) and overhead expenses (salaries, wages, a rent).

Accounting principles regulate financial events and transactions which are recorded in the bookkeeper's books. The main function of accounting is analysis and interpretation of these records. The numerous financial statements introduced by accountants provide managers with sources for future financial planning and control. They impact the government and investors – other interested parties – equipping them with relevant information about the enterprise.

Full cycle accounting can be broken down into several steps. Depending on how you do your accounting, you may be able to modify or skip some of the steps. Many steps in the accounting cycle are meant for accrual accounting. The double-entry accounting system allows you to cross reference entries for accuracy. If you use accrual accounting, you can follow all the steps in the accounting cycle.

If you use a single-entry accounting system (cash-basis), you can still use the accounting cycle. You will begin the accounting period on a certain date, record entries, and close your books at the end of the period. You do not need to follow the steps that require you to check entries for debits and credits.

There are usually eight steps in accounting cycle processes. However, you can add or subtract certain steps when necessary. Use the steps that help you stay organized and maintain accurate records. The following accounting cycle steps can help you keep financial records.

1. Identify transactions

First, separate your business transactions from all of the transactions you made. You only want to include transactions related to your company in your financial records. For example, you won't record your grocery bill as a business expense in your books.

Use source documents to identify business transactions, such as receipts and invoices. Save these kinds of financial documents to support your records. As you identify business transactions, decide which account they fall under.

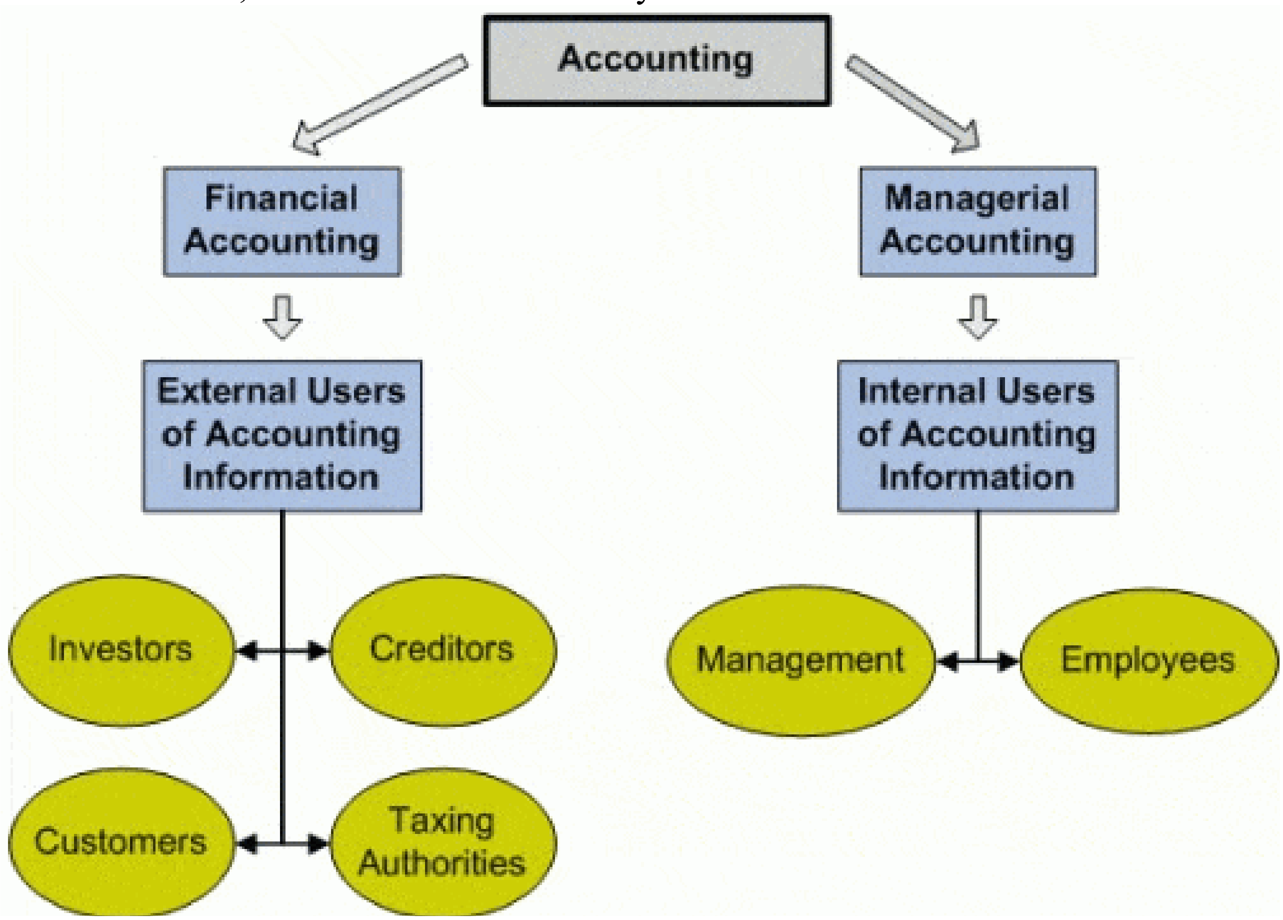

Fig. 1. Subjects of the Accounting Process

2. Record transactions in your journal

The journal is where you initially record business transactions. It is a running list of financial activities, like a checkbook. Track transactions in your journal chronologically as they happen.

Record two entries for each transaction if you use double-entry bookkeeping, Enter a debit for one account and a credit for another. The debit and credit should be equal.

3. Post entries to the general ledger

The general ledger is also known as the book of final entry. General ledger entries are changes made to each account in your books. Using your journal, organize transactions into different accounts. For example, if a customer paid for a product with cash, enter the transaction under the cash account in your books.

4. Unadjusted trial balance

For your books to be accurate, the debit and credit entries must be equal. Use an unadjusted trial balance to test if your debits and credits match.

Make a note of each account balance. Add all the debit balances together and all the credit balances together. If the two totals are not the same, you might have an error in your books. Or, you might need to make adjusting entries.

5. Adjusting entries

At the end of an accounting period, you might have incurred expenses but not paid for them yet. And, you might have earned income but not collected it yet. Use adjusting entries to recognize transactions that have occurred but not been recorded.

For example, you earned interest on a bank account balance. You have not recorded the interest in your books, but it appears on your bank statement. Use an adjusted entry to recognize the interest in your books.

6. Adjusted trial balance

Do an adjusted trial balance after making adjusting entries and before creating financial statements. This step tests to see if the debits and credits match after making adjusting entries.

7. Create financial statements

Once your accounts are up-to-date, create statements. The following are common financial statements for small business: Income statements compare your profits and losses for the period. Balance sheets determine progress by detailing assets, liabilities, and equity. Cash flow statements show money coming into and out of the business. Use your financial statements to measure performance, make improvements, and set goals. You can also use statements to talk with lenders and negotiate terms with vendors.

8. Close your books

The final step in the accounting cycle is to close your accounting books. Closing your books wraps up financial activities for the period. Do tasks like updating accounts payable, reconciling accounts, reviewing your petty cash fund, and counting inventory.

When you close your books, you should get your accounting set up for the next period. Decide which processes are moving your business forward. Create a calendar for completing future tasks. File any financial documents from the last period and get rid of old documents that are no longer useful.

This accounting cycle can help you keep your books organized. Use this flow chart of the accounting cycle as a reference for completing your books.

Record keeping is based on a double-entry system. This means that each transaction is recorded on the basis of its dual influence on the enterprise's financial position. The bookkeeping record of each transaction has to be made in a journal. An accountant should consider interrelated aspects of the transaction, and entries have to be made in different accounts to keep receipts (incomes) and payments (outs) balanced.

A typical account has two sides: on the left side we place the items called debits, while the items on the right side are known as credits.

Consequently, in double-entry bookkeeping, as we see, the same transaction is not entered twice, it only denotes that the same amount of money is debited to one account and credited to another account, each record having its own influence on the whole financial structure of the enterprise. Some accounts are decreased with credits and increased with debits, while other accounts are decreased with debits and increased with credits.

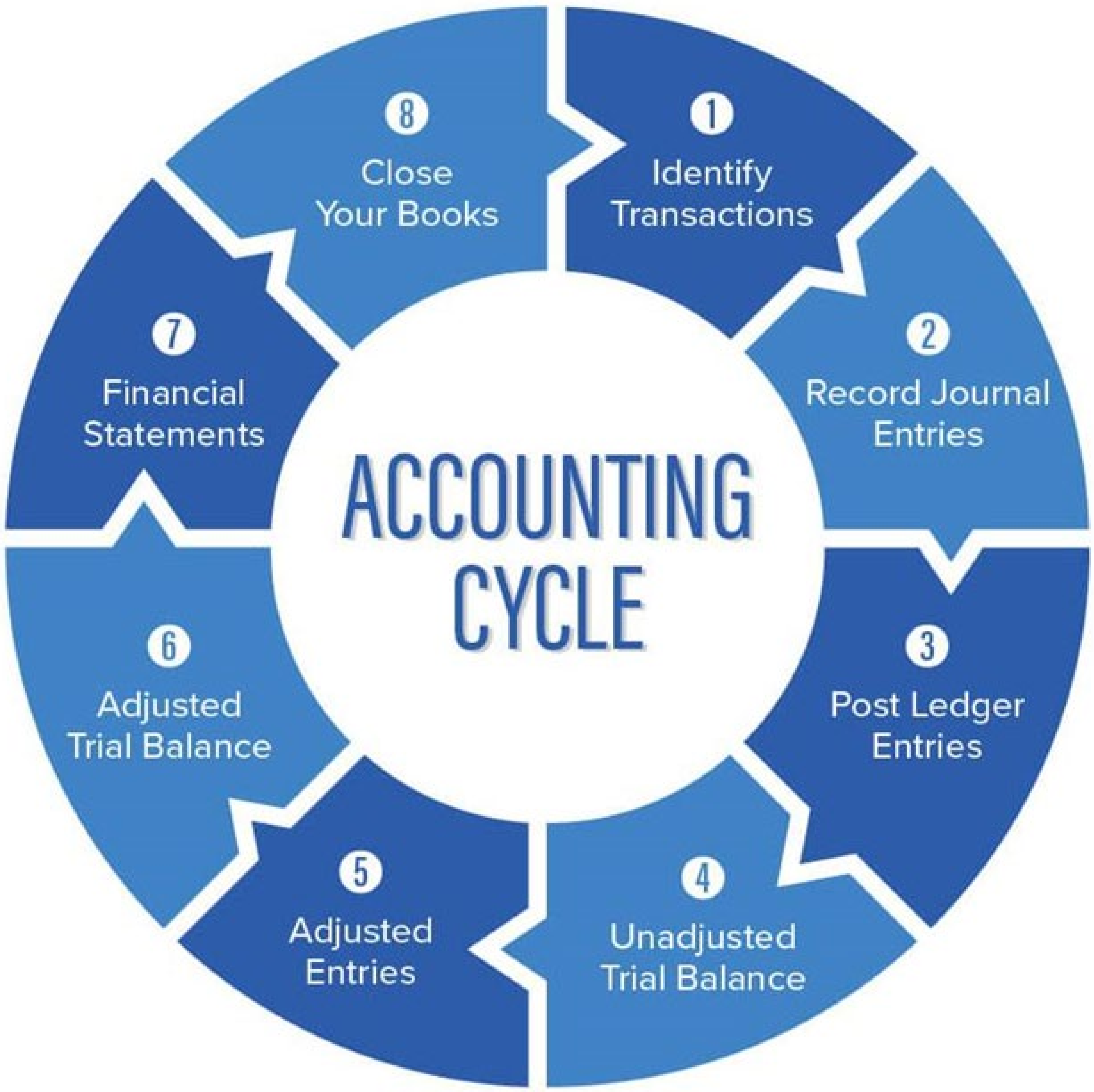

Fig. 2. Accounting Cycle

In the second step the amounts from the different journals are monthly transferred to the enterprise's general ledger. This procedure is called posting. Posting data to the ledgers is followed by listing the balances of all accounts and calculating whether the sum of all the debit balances agrees with the sum of all credit balances. After this procedure, as a rule at the end of the fiscal year, drawing up of a trial balance takes place. The record-keeping accuracy can be checked by making a trial balance. If the trial balance is prepared in a proper way, the bookkeeping portion of the accounting cycle will be successfully completed.

The double-entry system of bookkeeping helps each business to determine the value of every owned item at any time, how much of this value belongs to creditors, the total profit and how much belongs to the business clear of debt. Therefore, the primary advantage of the double-entry system is that its data are complete enough to be used for making right business decisions. Another benefit is that faults are easily detected, as the system is based on equations which always must be in balance.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) account
b) checks
c) corresponds
d) double-entry
e) invoices
f) ledger
g) lodgments
h) posting
i) software
j) summary

In the normal course of business, a document is produced each time a transaction occurs. Sales and purchases usually have (1) or receipts. Deposit slips are produced when (2) are made to a bank account. (3) are written to pay money out of the account. Bookkeeping first involves recording the details of all of these source documents into multi-column journals. For example, all credit sales are recorded in the sales journal; all cash payments are recorded in the cash payments journal. Each column in a journal normally (4) to an account. Most individuals who balance their check-book each month are using such a system, and most personal-finance (5) follows this approach. After a certain period, typically a month, each column in each journal is totaled to give a (6) for that period. Using the rules of (7), these journal summaries are then transferred to their respective accounts in the (8), or account book. For example, the entries in the Sales Journal are taken and a debit entry is made in each customer's account (showing that the customer now owes us money), and a credit entry might be made in the account for "Sale of class 2 widgets" (showing that this activity has generated revenue for us). This process of transferring summaries or individual transactions to the ledger is called (9). Once the posting process is complete, accounts kept using the “T” format undergo balancing, which is simply a process to arrive at the balance of the (10).

Technology and Modern Accounting Tools

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

Every The rise of modern technology has dramatically transformed accounting practices, making them more efficient, accurate, and accessible. From cloud computing to artificial intelligence, technology has improved every facet of accounting, allowing businesses to streamline operations, reduce errors, and gain valuable insights for decision-making. Below are key technologies and modern tools shaping the future of accounting.

Cloud-Based Accounting Software. Cloud accounting allows businesses to access their financial data anywhere, at any time, through internet-enabled devices. This shift has streamlined workflows and improved collaboration among teams.

Benefits:

Real-time access to financial data.

Collaborative capabilities, allowing multiple users to work simultaneously.

Reduced IT costs as there is no need for server maintenance or on-site installations.

Automatic updates and backups, improving security and software performance.

Popular Cloud Accounting Tools:

QuickBooks Online: Widely used for its simple interface and broad functionality like invoicing, payroll, and expense tracking.

Xero: Excellent for small and medium-sized businesses with features for bank reconciliation, inventory management, and multi-currency accounting.

FreshBooks: Known for invoicing, time tracking, and expense management, particularly for freelancers and small businesses.

Artificial Intelligence (AI) and Machine Learning (ML). AI and ML have automated repetitive accounting tasks, reduced errors, and enhanced predictive analysis for financial forecasting and auditing.

Applications:

Automated data entry: AI can extract data from receipts, invoices, and other financial documents.

Predictive analytics: AI-powered tools help forecast cash flows, analyze financial risks, and create more accurate budgets.

Fraud detection: Machine learning algorithms can detect anomalies in transactions, helping prevent fraud.

Tools with AI Features:

Botkeeper: Uses AI to handle bookkeeping, categorizing transactions, and reconciling accounts.

Sage Intacct: Automates complex accounting processes such as financial consolidations and expense management.

Vic.ai: AI-based software that automates invoice processing, data entry, and approvals.

Blockchain Technology provides a decentralized and secure way to record transactions, making it invaluable for auditing, ensuring data integrity, and preventing fraud.

Applications:

Immutable records: Ensures that once financial data is entered, it cannot be altered without a trace, providing audit transparency.

Smart contracts: Automatically enforce contractual obligations when pre-defined conditions are met, reducing paperwork and human intervention.

Fraud prevention: Blockchain's decentralized nature prevents unauthorized modifications to financial records.

Blockchain-Based Tools:

Ethereum: Supports smart contracts and can be used for automated financial agreements.

Libra: A blockchain-based platform offering decentralized financial management solutions.

Robotic Process Automation (RPA) automates repetitive, rule-based accounting tasks, such as invoice processing, reconciliation, and tax preparation, freeing accountants to focus on more strategic work.

Benefits:

Efficiency: Bots handle tasks faster and with fewer errors than humans.

Cost reduction: Automating tasks decreases labor costs and improves productivity.

Error reduction: Minimizes manual errors in routine accounting tasks.

Popular RPA Tools:

UiPath: Automates tasks such as invoice processing and financial reporting.

Automation Anywhere: Streamlines data entry, reconciliation, and payroll processes.

Blue Prism: Focuses on automating accounting tasks to improve efficiency.

Big data and advanced analytics allow accountants to gain deeper insights from large sets of financial data, enabling better decision-making and financial planning.

Applications:

Predictive analytics: Helps businesses forecast future financial performance by analyzing historical data.

Risk assessment: Identifies potential risks by analyzing internal and external financial data.

Performance tracking: Measures profitability and operational efficiency across departments.

Popular Data Analytics Tools:

Power BI: A Microsoft tool that visualizes financial data and provides real-time reporting.

Tableau: Helps accountants analyze and interpret complex data sets with advanced visualization capabilities.

IBM Cognos Analytics: Integrates financial data analytics with comprehensive reporting.

Enterprise Resource Planning (ERP) Systems

ERPs integrate accounting functions with other core business processes such as inventory management, human resources, and sales, providing a unified view of all business operations.

Benefits:

Centralized financial data: All departments share the same financial data, reducing discrepancies and improving accuracy.

Automation: ERP automates various accounting tasks like budgeting, tax calculations, and asset management.

Scalability: Easily adaptable to the growing needs of a business.

Popular ERP Systems:

SAP ERP: A comprehensive solution for financial management, asset accounting, and compliance.

Oracle NetSuite: Cloud-based ERP offering financial management, CRM, and inventory control.

Microsoft Dynamics 365: Scalable ERP with advanced financial reporting and analytics.

Optical Character Recognition (OCR) technology enables the digital capture of financial documents like invoices and receipts, reducing manual data entry.

Applications:

Invoice scanning: Automatically extracts data from paper invoices and enters it into accounting systems.

Expense management: Digitizes receipts, allowing easier expense tracking and reporting.

Document management: Converts financial documents into searchable digital formats for easier storage and retrieval.

Popular OCR Tools:

Adobe Acrobat: Extracts text from scanned financial documents for reporting and accounting purposes.

Expensify: Scans and categorizes receipts automatically for expense tracking.

Zoho Expense: Uses OCR to capture receipts, categorize expenses, and generate reports.

Mobile accounting applications enable business owners and accountants to manage financial tasks on the go, improving flexibility and responsiveness.

Features:

Real-time access: View and update financial reports, track expenses, and manage invoices from a smartphone or tablet.

Expense tracking: Capture receipts and log expenses directly into the system via mobile.

Push notifications: Alert users to unpaid invoices, upcoming deadlines, or cash flow issues.

Popular Mobile Accounting Apps:

Wave: Free accounting app offering invoicing, receipt scanning, and financial tracking.

FreshBooks: Designed for freelancers and small businesses, with features like time tracking, invoicing, and payments.

KashFlow: Simplifies invoicing, payments, and financial reporting for mobile users.

Cybersecurity and Data Security Tools is another site of modern accounting. With the growing reliance on digital systems, data security in accounting has become crucial. Businesses must protect sensitive financial data from breaches and cyberattacks.

Security Features:

Encryption: Financial data is encrypted to prevent unauthorized access.

Two-Factor Authentication (2FA): Adds an extra layer of security for accessing accounting data.

Audit trails: Tracks every access and modification to financial records, ensuring transparency.

Popular Cybersecurity Tools are: McAfee, that offers endpoint protection, encryption, and intrusion detection for financial systems, Norton, that provides malware protection, firewalls, and security solutions tailored to businesses, and Bitdefender, that protects accounting data against ransomware, phishing, and other cyber threats.

Blockchain technology also enables seamless, tamper-proof audit trails, which are crucial for maintaining compliance with regulatory standards. This ensures transparency and reduces the risk of financial fraud.

Thus, technology has drastically reshaped modern accounting by automating mundane tasks, improving accuracy, and enhancing data security. Cloud computing, AI, blockchain, and big data are just some of the advancements driving the accounting profession toward a future of increased efficiency and better decision-making. As these tools evolve, accountants can focus more on strategic roles, offering more value to their organizations.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) property
b) creditors
c) liabilities
d) claims
e) placed
f) entrepreneur’s
g) buildings
h) necessary
i) shareholders
j) snapshot

If a simple coconut juice stand on a Samoan island beach were treated as a company, its balance sheet would consist of the following: its assets would be made up of the coconuts and the materials (1) to make and sell juice plus any cash on hand. If anything had been borrowed to set up the operation, these debts would have to be listed as (2). Whatever was left over after subtracting the debts from the assets would become the budding young (3) stockholder's equity.

All of the assets and liabilities of a company – even one as small as a coconut stand in the South Pacific-can be added up to see what the company owes and what it owns. A balance sheet is this summary, a (4) of a company's position at a given point in time.

A balance sheet is made up of two lists, (5) side by side. On the left the company lists everything it owns, such as cash and "fixed assets" called (6), plant, and equipment, which include everything from (7) and trucks to tools, pencils, and copy machines. This list is labeled assets. On the other side, the company lists its liabilities, consisting of all (8) to the company's assets, from creditors and from the company's owners. The lists end up being exactly equal-whatever assets are not claimed by the company's (9) belong to the owners. When the company`s (10) sit down to see what they really own, they look at the lists on both sides of the balance sheet.

The Role of Accounting in Tax Filing Encouragement

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

Accounting plays a critical role in encouraging timely and accurate tax filing by providing individuals and businesses with the necessary financial data, compliance tools, and advisory support to navigate complex tax laws. Effective accounting practices not only ensure that tax filings are accurate but also help taxpayers maximize deductions, avoid penalties, and maintain compliance with tax regulations.

Here are key ways in which accounting supports and encourages tax filing:

1. Ensuring Accurate Record-Keeping

Accurate and organized financial records are essential for preparing tax returns. Accountants ensure that all income, expenses, deductions, and credits are properly documented and categorized.

Detailed Documentation: Accountants maintain comprehensive financial records, including invoices, receipts, payroll data, and business transactions. This reduces the risk of errors or omissions in tax filings.

Transaction Tracking: Accounting software allows for easy tracking of all financial transactions, ensuring that taxpayers have access to up-to-date financial information when filing returns.

2. Tax Compliance and Planning

Accountants ensure that businesses and individuals comply with tax laws and regulations, minimizing the risk of penalties and audits.

Tax Law Knowledge: Accountants stay updated on tax laws, rules, and deadlines. They can guide clients through the requirements of local, state, and federal tax authorities.

Compliance: By ensuring that financial statements and tax returns adhere to legal requirements, accountants reduce the risk of penalties, audits, and interest payments due to non-compliance.

3. Maximizing Deductions and Credits

One of the most valuable services accountants provide is identifying potential deductions and credits that can reduce tax liability.

Expense Categorization: Accountants categorize business and personal expenses, ensuring that taxpayers can take advantage of all applicable deductions, such as business expenses, charitable donations, and home office costs.

Credits and Incentives: Accountants help businesses and individuals identify tax credits, such as R&D credits, energy credits, or education credits, which can lower tax liabilities.

4. Tax Filing Support

Accountants assist directly in the preparation and submission of tax returns, ensuring that filings are accurate and timely.

Electronic Filing: Accountants use tax software to file tax returns electronically, ensuring that the process is efficient, reducing paperwork, and lowering the risk of errors.

Form Preparation: Accountants handle the preparation of various tax forms, such as income tax returns (1040, 1120, etc.), ensuring all required information is included and correctly reported.

Tax Deadline Reminders: Accountants provide clients with reminders of upcoming tax filing deadlines, helping them avoid late fees and penalties.

5. Tax Planning and Advisory Services

Proactive tax planning helps taxpayers minimize their future tax liabilities by strategizing throughout the year.

Year-Round Tax Planning: Accountants help businesses and individuals make strategic financial decisions throughout the year, such as adjusting tax withholding or setting up retirement accounts to reduce taxable income.

Long-Term Tax Strategies: Accountants advise clients on long-term strategies, such as business structuring, capital investments, or estate planning, that can reduce tax burdens over time.

6. Audit Support and Representation

In the event of a tax audit, accountants play a key role in representing taxpayers before the tax authorities.

Audit Preparedness: Accountants help businesses and individuals prepare for audits by maintaining detailed financial records and ensuring tax returns are filed accurately.

Representation: Accountants can represent clients during IRS audits or other tax authority inquiries, providing expertise in defending the accuracy of the tax returns filed.

7. Promoting Tax Filing Awareness and Education

Accountants educate their clients on the importance of timely and accurate tax filing and the consequences of failing to do so.

Client Education: Accountants inform clients about the latest tax regulations and changes that may affect their tax liabilities.

Encouraging Compliance: By highlighting the penalties for late or inaccurate filings, accountants encourage clients to prioritize timely tax filing.

Workshops and Resources: Many accounting firms offer workshops, seminars, or online resources to educate individuals and businesses on best practices for tax filing.

8. Utilization of Tax Filing Technology

Accounting professionals leverage modern tax filing technologies to simplify the process for their clients.

Automation: With tax software and AI-driven tools, accountants can automate the process of gathering and categorizing financial data, reducing the burden of manual tax preparation.

Error Detection: Tax software tools can automatically check for inconsistencies or missing data in tax returns, reducing errors that could lead to penalties or audits.

Integration with Accounting Software: Many tax software solutions integrate directly with accounting software, allowing for a seamless transfer of financial data when preparing tax returns.

Thus, accountants play a pivotal role in encouraging and facilitating tax filing by providing expert guidance, ensuring compliance with tax laws, maximizing deductions, and simplifying the entire process. By maintaining accurate records, offering advisory services, and leveraging technology, accountants help individuals and businesses reduce their tax burdens while avoiding penalties and ensuring timely filings.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) change
b) goes
c) high
d) low
e) merchants
f) regressive
g) revenue
h) tax
i) taxation
j) total

A proportional tax is one that imposes the same percentage rate of (1) on everyone, no matter what their income. Even when income (2) up, the per cent of total income paid in taxes does not (3). A progressive tax is one that imposes a higher percentage rate of taxation of people with (4) incomes than on those with (5) incomes. A (6) tax is one that imposes a higher percentage rate of taxation on low incomes than on high incomes. For example, a person with a yearly income of $10,000 may spend $3,000 on food, clothing and medicine, while a person with a yearly income of $100,000 may spend $20,000 on the same essentials. If the state sales (7), which is a regressive tax, were 4 per cent, the person with the lower income would pay a lesser amount in dollars but a higher percentage of (8) income.

A sales tax is a general tax levied on consumer purchases of nearly all products. It is added to the final price paid by the consumer. For the most part, sales taxes are collected by individual (9) at the time of the sale and are turned over weekly or monthly to the proper government agency. Most states allow merchants to keep a small portion of what they collect to compensate for their time and book-keeping costs. The sales tax generally is a very effective means of getting (10) for states and cities.

Gross Domestic Product

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

The first step toward understanding macroeconomics is to measure the size of a country's overall economy by its gross domestic product (GDP), which is the value of all final goods and services produced in a current year. The measurement of GDP involves counting up the production of millions of various goods and services – watches, smart phones, laptops, cars, buses, trains, aircrafts, music downloads, steel, apples, peaches, plums, roses, university educations, and all other new goods and services produced in the given year – and summing them into a total dollar value. This task is straightforward: take the quantity of everything produced, multiply it by the price at which each product sold, and add up the total.

In 2020 the US GDP totaled $19.48 trillion (24,08% of the world GDP) with the growth 2,27% and reached $59,939 per Capita.

Every market transaction which enters into GDP has to encompass both a buyer and a seller. We can measure the GDP of an economy either by the total dollar value of what is produced, or by the total dollar value of what is purchased in the economy.

Thus, the size of a nation's economy is commonly expressed as its gross domestic product, which measures the value of the output of all goods and services produced within the country in a year. GDP is measured by taking the quantities of all goods and services produced, multiplying them by their prices, and summing the total. Since GDP measures what is bought and sold in the economy, it can be measured either by the sum of what is purchased in the economy or what is produced.

We can divide demand into investment, consumption, government, imports and exports. In turn, the produced things fall into durable and nondurable goods, services, inventories, structures. To avoid double counting, GDP counts only final output of goods and services, not the production of intermediate goods or the value of labour in the chain of production.

The nominal value of an economic statistic is the commonly announced value. The real value is the value after adjusting for changes in inflation. To convert nominal economic data from several different years into real, inflation adjusted data, the starting point is to choose a base year arbitrarily and then use a price index to convert the measurements so that they are measured in the money prevailing in the base year.

Over the long term the US real GDP have increased dramatically. At the same time, GDP has not enlarged the same amount each year. The speeding up and slowing down of GDP growth represents the business cycle. When GDP declines significantly, a recession occurs. A longer and deeper decline is a depression. Recessions begin at the peak of the business cycle and end at the trough.

In order to compare different nations' GDPs, we need to convert their currencies to a common currency. One of the ways to do that is with the exchange rate, which is the price of one nation's currency in terms of another. Once GDPs are expressed in common currency, we can compare each country's GDP per capita by dividing GDP by population. Nations with large populations have large GDPs, but GDP alone can be a misleading indicator of the nation's wealth. A better measure is GDP per capita.

GDP is an indicator of a society's standard of living, but it is only a rough indicator. GDP does not directly take account of leisure, environmental quality, levels of health and education, activities conducted outside the market, changes in inequality of income, increases in variety, increases in technology, or the (positive or negative) value that society may place on certain types of output.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) accounted
b) line
c) relevant
d) annual
e) rules
f) implying
g) reflected
h) worth
i) judge
j) based

The price of a company's shares is based on two things: what the company is (1) and what it can provide in earnings in the years to come. A company's earnings, like a fruit tree's (2) production of apples or oranges, is usually (3) for at the end of each year of activity. A company's share price is (4) on its earnings, usually in the form of a ratio, called the price / earning (p/e) ratio. When a company's earnings rise, its share prices usually rises, keeping its p/e ratio in (5) with other companies within its industry. A company with a price /earnings ratio of 10/1, for example, has a share price that is ten times the amount the company earns per year, (6) that the stock would pay for itself in ten years' time. The problem in comparing p/e ratios from country to country is that each country has its own accounting (7): earnings may be understated in one country and overstated in another. It is hard to (8) a company's value when the measuring sticks are not the same. Instead of asking, "Is the price too high?", it may be (9) to ask, "Are the reported earnings too low". In Japan, different accounting rules allow many Japanese companies to report fewer earnings then would be accounted for the European or North American standards. For example, many of the Japanese holdings of other companies are not included in their reported earnings. The 5 percent stake that Mitsubishi Trust may hold in Kirin Breweries would be (10) in its price per share, but not in its earnings statement. Japanese price/earnings ratios, therefore, often look high by Western standards.

The Role of the Market in Our Life

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

Markets bring together buyers and sellers of goods and services. In some cases, such as a local fruit stall, buyers and sellers meet physically. In other cases, such as the stock market, business can be transacted over the telephone and computer.

A market is a shorthand expression for the process by which households' decisions about consumption of alternative goods, firms' decisions about what and how to produce, and workers' decisions about how much and for whom to work are all reconciled by adjustment of prices.

Prices of goods and of resources, such as labour, machinery and land, adjust to ensure that scarce resources are used to produce those goods and services that society demands.

Much of economics is devoted to the study of how markets and prices enable society to solve the problems of what, how, and for whom to produce. Suppose you buy a hamburger for your lunch. What does this have to do with markets and prices? You chose the cafe because it was fast, convenient and cheap. Given your desire to eat, and your limited resources, the low hamburger price told you that this was a good way to satisfy your appetite. You probably prefer steak but that is more expensive. The price of steak is high enough to ensure that society answers the "for whom" question about lunchtime steaks in favour of someone else.

Now think about the seller's viewpoint. The cafe owner is in the business because, given the price of hamburger meat, the rent and the wages that must be paid, it is still possible to sell hamburgers at a profit. If rents were higher, it might be more profitable to sell hamburgers in a cheaper area or to switch to luxury lunches for rich executives on expense accounts. The student behind the counter is working there because it is a suitable part-time job which pays a bit of money. If the wage were much lower, it would hardly be worth working at all. Conversely, the job is unskilled and there are plenty of students looking for such work, so owners of cafes do not have to offer very high wages.

Prices are guiding your decision to buy a hamburger, the owner's decision to sell hamburgers, and the student's decision to take the job. Society allocates resources – meat, buildings and labour – into hamburger production through the price system.

If nobody liked hamburgers, the owner could not sell enough at a price that covered the cost of running the cafe and society would devote no resources to hamburger production. People's desire to eat hamburgers guides resources into hamburger production. However, if cattle contracted a disease, thereby reducing the economy's ability to produce meat products, competition to purchase more scarce supplies of beef would bid up the price of beef, hamburger producers would be forced to raise prices, and consumers would buy more cheese sandwiches for lunch. Adjustments in prices would encourage society to reallocate resources to reflect the increased scarcity of cattle.

There were several markets involved in your purchase of a hamburger. You and the cafe owner were part of the market for lunches. The student behind the counter was part of the local labour market. The cafe owner was part of the local wholesale meat market and the local market for rented buildings. These descriptions of markets are not very precise. Were you part of the market for lunches, the market for prepared food, or the market for sandwiches to which you would have turned if hamburgers had been more expensive? That is why we have adopted a very general definition of markets which emphasizes that they are arrangements through which prices influence the allocation of scarce resources.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) summed
b) recording
c) economic
d) profit
e) development
f) divided
g) extent
h) assets
i) calculation
j) transactions

The accounting system in any given country is one of the key elements of the (1) system. It is determined to a significant (2) by the level and direction of the economic system's (3). The most important theoretical concept of the Anglo-American accounting may be (4) up as follows: the subject of accounting is the (5) of the financial results of an economic entity's business activity.

Accounting is used to describe the (6) entered into by all kinds of organizations. Accounting can be (7) into three phases: capture, processing and communication of financial information. The first phase, the process of capturing financial information and

(8) it, is called book-keeping. Accounting, in the true sense of the word, extends far beyond the actual making of records. It includes their analysis and interpretation, it shows the relationship between the financial results and events which have created them.

Accounting can show the managers or owners of a business whether or not the business is operating at a (9), whether or not the business will be able to meet its commitments as they fall due. Accounting is based on the accounting equation, which states that a firm's (10) must equal its liabilities plus its owners' equity. Assets and liabilities, profits or losses are listed in financial statements. The two main types of financial statements are the balance sheet and the income statement (profit and loss account).

Markets and Monopolies

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

Whenever people who are willing to sell a commodity contact people who are willing to buy it, a market for that commodity is created. Buyers and sellers may meet in person, or they may communicate in some other way: by letter, by telephone or through their agents. In a perfect market, communications are easy, buyers and sellers are numerous and competition is completely free. However, there are no really perfect markets, and each commodity market is the subject to special conditions. It can be said however that the price ruling in a market indicates the point where supply and demand meet.

Although in a perfect market competition is unrestricted and sellers are numerous, free competition and large numbers of sellers are not always available in the real world. In some markets there may only be one seller or a very limited number of sellers. Such situation is called a "monopoly", and may arise from a variety of different causes.

State planning and central control of the economy often mean that a state government has the monopoly of important goods and services. Some countries have state monopolies in basic commodities like steel and transport, while other countries have monopolies in such comparatively unimportant commodities as matches. Most national authorities monopolize the postal services within their borders. A different kind of monopoly arises when a country, through geographical and geological circumstances, has control over major natural resources or important services, as for example with Canadian nickel and the Egyptian ownership of the Suez Canal. Such monopolies can be called natural monopolies. They are very different from legal monopolies, where the law of a country permits certain producers, authors and inventors a full monopoly over the sale of their own products.

These three types of monopoly are distinct from the sole trading opportunities which take place because certain companies have obtained complete control over particular commodities. This action is often called "cornering the market" and is illegal in many countries. In the USA anti-trust laws operate to restrict such activities, while in Britain the Monopolies Commission examines all special arrangements and mergers which might lead to undesirable monopolies.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) charged
b) corresponding
c) customers
d) general
e) liabilities
f) payable
g) receivable
h) separately
i) transferred
j) values

Journals are recorded in the (1) journal daybook. A journal is a formal and chronological record of financial transactions before their (2) are accounted for in the general ledger as debits and credits.

A ledger is a record of accounts. These accounts are recorded (3), showing their beginning/ending balance. A journal lists financial transactions in chronological order, without showing their balance but showing how much is going to be (4) in each account. A ledger takes each financial transaction from the journal and records it into the (5) account for every transaction listed. The ledger also sums up the total of every account, which is (6) into the balance sheet and the income statement. There are three different kinds of ledgers that deal with book-keeping:

Sales ledger, which deals mostly with the accounts (7) account. This ledger consists of the records of the financial transactions made by (8) to the business.

Purchase ledger is the record of the purchasing transactions a company does; it goes hand in hand with the Accounts (9) account.

General ledger, representing the original five, main accounts: assets, (10), equity, income, and expenses.

National Income Accounting

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

Gross domestic product measures the output produced by factors of production located in the domestic economy regardless of who owns these factors. GDP measures the value of output produced within the economy. Most of this output will be produced by domestic factors of production but there are some exceptions. Suppose Datsun or Peugeot builds a car factory in the UK. They employ UK workers and use machines made in the

UK. Their output is part of GDP for the UK. However, the company's profits are owned by shareholders in Japan or France. Hence the value of the factory's output cannot be expected to be the same as the value of incomes earned by UK households. Initially we shall simply suppose that we are discussing a country with no links with the rest of the world. Shortly, we shall introduce the rest of the world and show that it is precisely the issue of how to treat payments of profits and other income to foreigners that explains why we have to distinguish GDP from the concept of GNP, which we introduced earlier. When an economy has no transactions with the rest of the world we say that it is a closed economy.

We start by recognizing that transactions do not take place exclusively between a single firm and a single household. Firms hire labour services from households, but they buy raw materials and machinery from other firms. If we include the value of the output of cars in GDP we do not want also to include the value of the steel sold to the car producer which is already in the value of the car.

To avoid double counting, we use the concept of value added. Value added is the increase in the value of goods as a result of the production process. Value added is calculated by deducting from the value of the firm's output the cost of the input goods that were used up in the act of producing that output.

Closely related to the concept of value added is the distinction between final goods and intermediate goods.

Final goods are goods purchased by the ultimate user. They are either consumer goods purchased by households or capital goods such as machinery which are purchased by firms. Intermediate goods are partly finished goods which form inputs to another firm's production process and are used up in that process.

Thus, ice cream is a final good but steel is an intermediate good which some other firm uses as an input to its production process. In classifying capital goods as final goods we suppose they are not used up in subsequent production, we suppose that they do not depreciate or wear out.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) accountancy
b) accounting
c) artificially
d) current
e) errors
f) external
g) government
h) internal
i) statements
j) stocks

Auditing means examining a company's systems of control and the accuracy or exactness of its records, looking for (1) or possible fraud: where the company may have deliberately given false information. An (2) audit is carried out by a company's own accountants. An (3) audit is done by auditors who are not employees of the company. The external audit examines the truth and fairness of financial (4). It tries to prevent what is called ‘creative accounting', which means recording transactions and values in a way that produces a false result - usually an (5) high profit. There is always more than one way of presenting accounts. The accounts of British companies have to give a true and fair view of their financial situation. This means that the financial statements must give a correct and reasonable picture of the company's (6) condition.

In most continental European countries, and in Japan, there are laws relating to (7), established by the government. In the US, companies whose (8) are traded on public stock exchanges have to follow rules set by the Securities and Exchange Commission (SEC), a (9) agency. In Britain the rules, which are called standards, have been established by independent organizations such as the Accounting Standards Board (ASB), and by the (10) profession itself.

Revenues, Costs and Profits

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

Revenue is the amount of money a firm earns by selling goods and services in a certain period of time. The costs are the expenses incurred in producing these goods and services during the period. Profits are defined as the excess of revenues over costs. Thus we can assume:

Profits = Revenues – Cost.

Although these ideas are quite simple, in practice the calculation of revenues, costs and profits for a large business is complicated. Otherwise we would not need so many accountants.

People do not always pay their bills immediately. From an economic viewpoint, the right definition of revenues and costs relates to the activities carried out during the year whether or not payments have yet been made. This distinction between economic revenues and costs and actual receipts and payments raises the important concept of cash flow.

A firm’s cash flow is the net amount of money actually received during the period. Profitable firms may still have a poor cash flow, for example when customers are slow to pay their bills.

Part of the problem of running a business is that cash flow at the beginning is bound to be slow. Set up costs must be incurred before revenues start to flow in. That is why firms need financial capital to start the business. If the business prospers, revenues will build up and eventually there will be a healthy cash inflow.

Physical capital is the machinery, equipment, and buildings used in production. Rent-a-Person owns little physical capital. Instead, it rents office space, typewriters, and desks.

In practice, businesses frequently buy physical capital. Economists use “capital” to denote goods not entirely used up in the production process during the period. Buildings and lorries are capital because they can be used again in the next year. Electricity is not a capital good because it is used up entirely during the period. Economists also use the terms “durable goods” or “physical assets” to describe capital goods.

Depreciation is the loss in value resulting from the use of machinery during the period. The cost during the period of using a capital good is the depreciation or loss of value of that good, not its purchase price.

The existence of depreciation again leads to a difference between economic profits and cash flow. When a capital good is first purchased i there is a large cash outflow, much larger than the depreciation cost of using the good during the first year. Profits may be high but cash flow low. However, in subsequent years the firms make no further cash outlay, having already paid for the capital goods, but must still calculate depreciation as an economic cost since the resale value of goods is reduced still further. Cash flow will now be higher than economic profit.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) accounting
b) business
c) involves
d) ledgers
e) performed
f) purchases
g) receipts
h) supplier's
i) transactions
j) trials

Bookkeeping is the recording of financial transactions, and is part of the process of (1) in business. Transactions include purchases, sales, (2), and payments by an individual person or an organization/corporation. There are several standard methods of bookkeeping, such as the single-entry bookkeeping system and the double-entry bookkeeping system, but, while they may be thought of as "real" bookkeeping, any process that (3) the recording of financial transactions is a bookkeeping process.

Bookkeeping is usually (4) by a bookkeeper. A bookkeeper is a person who records the day-to-day financial transactions of (5). He or she is usually responsible for writing the daybooks, which contain records of (6), sales, receipts, and payments. The bookkeeper is responsible for ensuring that all transactions are recorded in the correct daybook, (7) ledger, customer ledger, and general ledger; an accountant can then create reports from the information concerning the financial (8) recorded by the bookkeeper.

The bookkeeper brings the books to the (9) balance stage: an accountant may prepare the income statement and balance sheet using the trial balance and (10) prepared by the bookkeeper.

Trade and Multinational Business

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

The sale of goods and services often takes place on an international basis and is not restricted to local, regional or national markets. Nations import goods which they lack or cannot produce as efficiently as other nations, and they export goods that they can produce more efficiently. This exchange of goods and services in the world, or global market is known as international trade. There are three key benefits to be gained from this exchange.

First of all, international trade makes scarce goods available to nations which desire them. When a nation lacks the resources needed to produce goods domestically, it may import them from another country. For example, Saudi Arabia imports automobiles; the United States – bananas; and Japan – oil.

Secondly, international trade allows a nation to specialize in production of those goods for which it is particularly suited. This often results in increased output, decreased costs, and a higher national standard of living. Natural, technical and human resources help to determine which products a nation will specialize in. Saudi Arabia is able to specialize in petroleum because it has the necessary natural resource; Japan is able to specialize in production of televisions because it has the human resources required to assemble the numerous components by hand; and the United States is able to specialize in the computer industry because it has the technical expertise necessary for design and production.

There are two economic principles which explain how and when specialization is advantageous. According to the theory of absolute advantage, a nation ought to specialize in the goods that it can produce more cheaply than its competitors or in the goods that no other nation is able to produce. According to the theory of comparative advantage, a nation ought to concentrate on the products that it can produce most efficiently and profitably. For example, a nation might produce both grain and wine cheaply, but it specializes in the one which will be more profitable.

The third benefit of international trade is its political effects. Nations which trade together develop common interests and overcome political differences. Economic cooperation has been the foundation for many political alliances.

A company often becomes involved in international trade by exchanging goods or services with another country – importing raw materials it may need for production or exporting finished products to a foreign market. Establishing these trade relationships is the first step in the development of a multinational business. However, at this stage, the corporation's emphasis is still on the domestic market. As trade expands, the corporation's dealings with companies or people outside the "home country" of that corporation, the company begins to view the whole world as a base for production and marketing operations. The next step in the development of a multinational business is focusing on the world market. The company may establish a foreign assembly plant, engage in contract manufacturing, or build a foreign manufacturing company or subsidiary. Therefore, a multinational corporation is primarily based in one country and has production and marketing activities abroad. Since World War II, multinational corporations have grown rapidly. The names of many multinationals have become famous in the world marketplace: IBM, Daimler, Panasonic, Shell, Volkswagen and Pepsi.

Economic, technological social, cultural and political systems vary from country to country. In order to operate successfully, a multinational company should have a basic appreciation and understanding of the foreign business environment.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) activities
b) bookkeeping
c) designed
d) entities
e) established
f) fields
g) management
h) measurement
i) measures
j) summaries

Accounting or accountancy is the measurement, processing and communication of financial information about economic (1). The modern field was (2) by the Italian mathematician Luca Pacioli, in 1494. Accounting, which has been called the “language of business”, (3) the results of an organization's economic activities and conveys this information to a variety of users including investors, creditors, (4), and regulators. Practitioners of accounting are known as accountants. The terms accounting and financial reporting are often used as synonyms.

Accounting can be divided into several (5) including financial accounting, management accounting, auditing, and tax accounting. Accounting information systems are (6) to support accounting functions and related (7). Financial accounting focuses on the reporting of an organization's financial information, including the preparation of financial statements, to external users of the information, such as investors, regulators and suppliers; and management accounting focuses on the (8), analysis and reporting of information for internal use by management. The recording of financial transactions, so that (9) of the financials may be presented in financial reports, is known as bookkeeping, of which double-entry (10) is the most common system.

Foreign Direct Investments

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

Foreign investors have got myriad motivations for seeking to earn profits in another country. But they have primarily two core choices when deciding how to deploy their capital. They can make a portfolio investment, buying bonds or stocks, often with the idea of making a short-term speculative financial gain without becoming actively engaged in the day-to-day running of the enterprise in which they invest. In another case they can choose the long-haul, hands-on approach – investing in an enterprise in another economy with the objective of gaining control or exerting significant influence over management of the firm (which usually involves a stake of at least 10 percent of a company's stock). In the most extreme case, investors may build new facilities from scratch, maintaining full control over operations.

It is the intent of lasting interest that is the crucial constituent of direct investment. A portfolio investor can sell a stock or bond quickly – whether to avoid a loss or cement a gain. Most corporations entering a foreign market through direct investment expect to substantially influence or control the management of the enterprise over the long haul.

Countries may encourage inward direct investment to improve their finances. Firms that set up operations in host countries are subject to local tax laws and often significantly boost the host country's tax revenues. Direct investment can also help a country's balance of payments. Because portfolio investments can be volatile, a country's financial circumstances could worsen if investors suddenly withdrew their funds. Direct investment, on the other hand, is a more stable contributor to a country's financial structure. Direct investors do not wish to take actions to undermine the value or sustainability of their investments.

Other positive effects associated with inward direct investment include increased employment, improved productivity, technology and knowledge transfer, and overall economic growth. Increased competition from foreign firms, whether new or acquired, often forces competitors to increase their productivity so that they don't go out of business. Suppliers and service providers to the direct investment enterprise may also increase their productivity, often because the investor requires higher-volume or higher-quality orders. The increase in volume and variability of products and services in the economy leads to overall improvement in the market's quality and size.

Host countries also benefit from a transfer of knowledge and technology, which often stems from workforce turnover. Incoming firms frequently offer more training opportunities than local employers. This knowledge is later transferred to local companies when trained employees leave the foreign enterprise for local businesses. In addition, there may be some incidental spillover of knowledge through informal networks, when employees exchange ideas and opinions about their workplace practices.

In turn, direct investment may not always be viewed positively from a host country perspective. Because productive companies engage in direct investment, the increased competition they provide may force the least productive local companies out of business. Opponents of direct investment argue that foreign, especially brownfield, investment is a simple ownership transfer that does not generate new jobs. Some critics, moreover, point to the risk of a sudden reversal of the direct investment and a fire sale of assets, drastically reducing their value and, in extreme cases, forcing facilities to close and companies to lay off workers. Direct investment is often restricted in certain companies and industries, such as those involving sensitive high-technology products and in defense-related companies.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) share
b) endowment
c) investors
d) concentrate
e) decisions
f) securities
g) protect
h) bankrupt
i) suffers
j) mistakes

Instead of putting all their eggs in one basket, international (1) often invest in equity funds that spread the risk over a wide range of stocks. Essentially, equity funds allow investors to avoid the risk of losing all their money on one (2) company. The funds consist of a whole group of different (3), such as stocks and stock options, that are bought and sold for the fund by professional fund managers. Many international investors prefer to leave the (4) on foreign equity investment to the highly skilled fund managers who know the individual markets and are better able to avoid costly (5). By buying a (6) in an equity fund, such as Far East fund are a growth stock fund, investors can diversify the risk over a wide range of companies. If any one company in an equity fund goes bankrupt, each investors (7) minimal loss because of the other healthy companies in the fund.

Politically or socially conscious investors such as college (8) funds may prefer to invest in equity funds that correspond to their economic and political goals. A fund investing only in companies that (9) the environment, for example, may be of interest to people who want to accomplish specific socials goals with their money. There are many different equity funds available for their international investor. Growth stock funds invest primarily in stocks of companies that retain their earnings and (10) on rapid growth.

Vertical and Horizontal Direct Investments

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

A number of factors influence a company's decision to engage in direct investment, including analysis of the trade costs with a foreign country. If these costs – including tariffs (taxes on imports), trade barriers such as quotas, and transportation – are higher than the cost, including the costs of production abroad, of establishing presence in the foreign country, the business will maximize its profits through direct investment.

Companies may invest with the idea of producing components which become part of a bigger product. An automaker may invest in a plant to build transmissions that are shipped to a final assembly plant in another country. This so-called vertical direct investment accounts for most of the investment by advanced economies in developing ones. The cost advantages associated with investing in a foreign country – and in many cases performing only a portion of the production process in that country –drive such investment. Abundant or unique natural resources or low labour costs influence the decision to move production overseas and import intermediate or final products from subsidiaries in host economies to the parent company's country (intrafirm trade).

A company may also invest in a foreign country by duplicating there its home country manufacturing processes. This may be done to supply goods or services to a foreign market. That's called horizontal direct investment. In countries with tariffs or other barriers to imports, a foreign firm may find that setting up local operations allows it to circumvent the barriers. Even though trade taxes have been falling over the years, such tariff jumping is still a common way to enter markets where the greatest benefit of direct investment is access to the local market. Another factor driving horizontal direct investment, specifically between advanced economies, is access to a pool of skilled employees and technology. In contrast to vertical direct investment, horizontal direct investment is likely to compete directly with local firms for local market share.

Of course investment need not be purely horizontal or vertical. A foreign subsidiary may provide goods to the parent company and receive services from the headquarters – a clear example of vertical direct investment. But the same subsidiary may also supply the local market, as part of the parent company's horizontal direct investment strategy.

Direct investment takes different shapes and forms. A company may enter a foreign market through so-called greenfield direct investment, in which the direct investor provides funds to build a new factory, distribution facility, or store, for example, to establish its presence in the host country.

But a company might also choose brownfield direct investment. Instead of establishing a new presence the company invests in or takes over an existing local company. Brownfield investment means acquiring existing facilities, suppliers, and operations – and often the brand itself.

That the overwhelming share of direct investment occurs among advanced economies may seem counterintuitive. But given the large size of these economies, it stands to reason that horizontal direct investment in which advanced economies access pools of skilled workers, advanced technology, and large markets in other advanced economies dominates global direct investment.

Data on direct investment can be hard to interpret because of investments in tax havens. The level of investment in these countries is large, but investors tend to have no physical presence there. Given the pass-through nature of these investments, the usual costs and benefits associated with direct investment, other than collection of fees and taxes, do not apply. Foreign direct investors may, as their critics claim, buy out domestic assets, pushing local firms out of business or imposing their policies on governments. But the overall benefits to both host and investing economies from foreign direct investment significantly outweigh the costs. Capital inflows from foreign direct investors help finance a country's spending – on investment, for example – and increase tax revenue, create jobs, and produce other positive spillovers for the host economy.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) consumer
b) employ
c) economy
d) expanding
e) endowments
f) international
g) estate
h) exports
i) imported
j) made

In many ways, all we are a part of the world (1). When we drink our (2) coffee or hot chocolate in the morning, when we use a foreign-made video recorder, or when we travel abroad on holiday, we are participating in the growing world of (3) trade and finance. And it is not only as a (4) of foreign goods and services that we are a part of the world economy. The money that our pension funds or university (5) earn from global investments may actually be paying for our retirement or a new building on campus. Foreign investment in local real (6) and companies can also provide needed jobs for our friends and families. Even the local athlete who has signed a contract to play abroad is part of the (7) global economy.

The world economy is (8) up of all those interactions among people, businesses, and governments that cross international borders, even the illegal ones. We use the world economy to achieve specific political or ecological objectives when we (9) economic sanctions to fight racial segregation or the illegal killing of whales.

Basically, whatever crosses an international border – whether goods, services, or transfers of funds – is a part of the world economy. Food imports, automobile (10), investments abroad, even the trade in services such as movies or tourism contribute to each country's international economic activity.

Corruption in International Business

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

When a large corporation decides to enter a foreign market, it must usually secure a number of licenses, permits, registrations, or other government approvals. Certain types of business may be even impossible or illegal unless the corporation is first able to obtain a change or adjustment to the nation's laws or regulations. Since the power to authorize the foreign corporation's activities is vested in the hands of local politicians and officials, and since corporations have access to large financial resources, it should not be surprising that some corporate executives resort to financial incentives to influence foreign officials. While certain financial incentives, such as promises to invest in local infrastructure, may be legitimate, any form of direct payment to the foreign official that is intended to influence that official's public decisions will cross the line into illegal subornation, also commonly referred to as bribery.

Bribery is one of the archetypal examples of a corporation engaged in unethical behavior. A number of problems can be attributed to business bribery. First, it is obviously illegal – all countries have laws that prohibit the bribery of government officials – so the foreign company engaging in bribery exposes its directors, executives, and employees to grave legal risks. Second, the rules and regulations that are circumvented by bribery often have a legitimate public purpose, so the corporation may be subverting local social interests and/or harming local competitors. Third, the giving of bribes may foment a culture of corruption in the foreign country, which can prove difficult to eradicate. Fourth, in light of laws such as the US Foreign Corrupt Practices Act (FCPA) and the Organization of Economic Cooperation and Development (OECD) Convention on Anti-Bribery (discussed in greater detail below), bribery is illegal not only in the target country, but also in the corporation's home country. Fifth, a corporation that is formally accused or convicted of illicit behavior may suffer a serious public relations backlash.

Despite these considerable disincentives, experts from Transparency International (TI), a leading anticorruption organization based in Berlin, report that worldwide business corruption shows little signs of abating. Governments and intergovernmental organizations have redoubled their efforts to combat the perceived increase in international business corruption. Globalization, which accelerated in the final decades of the twentieth century, is often cited by specialists as contributing to the spread of corruption. Corporations and businesses in every nation have become increasingly dependent on global networks of suppliers, partners, customers, and governments. The increased interaction between parties in different countries has multiplied the opportunities for parties to seek advantage from illicit incentives and payoffs. Although outright bribery is clearly unethical and illegal, there is great deal of behavior that falls into a gray zone that can be difficult to analyze according to a single global standard. When does a business gift become a bribe? What level of business entertainment is “right” or “wrong”? Over the past two decades, governments and regulators have sought to clearly define the types of behavior that are considered unethical and illegal.

Prior to the expansion of international trade in the nineteenth and twentieth centuries, most commerce was local and followed traditional norms and ethical standards. With the expansion of international trade, however, businesses began to operate across cultural and linguistic boundaries. Misunderstandings and transgressions, both intended and unintended, became commonplace. To some extent, perceptions of corruption may derive from cultural differences, because behavior that is considered corrupt in one society may represent a normal business practice in another.

One example can be found in the Chinese concept of guanxi, which refers to the reciprocal obligations and benefits expected from a network of personal connections. A person with a powerful level of guanxi is considered a preferred business partner because such a person can utilize connections to obtain business or government approvals. Guanxi can derive from extended family, school friends and alumni, work colleagues, members of common clubs or organizations, and business associates. Chinese businesspeople seek to cultivate an intricate and extensive web of lifelong guanxi relationships. The key expectation in guanxi networks is reciprocity in the granting of favors; the failure to reciprocate is considered a breach of trust.

Many traditional business practices around the world are rooted in concepts analogous to guanxi, as in the practice of using business gifts or personal connections to speed up transactions both large and small. Ukrainians and Russians use the term blat to refer to the ability to get things done through personal networks or contacts with people of influence. The Japanese have adapted the English word connections to coin a term of their own, konne. In Pakistan, the use of personal sifarish (“recommendation”) refers to the ability to make contact with the right official on the most favorable terms. The French expression for bribe is pot de vin (“jug of wine”), which implies friendly relations. In Urdu and Hindi, petty bribes are known as chai pani (“tea water”). In West Africa the term is dash. The English colloquial term grease and the German schmiergeld (“grease money”) imply a lubrication or easing of resistance to the transaction. In Mozambique, one term for corruption is cabritismo or “goatism,” which is derived from the saying “a goat eats where it is tethered”.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) additional	f) pay
b) arise	g) price
c) constraint	h) succeeds
d) empty	i) useful
e) full-time	j) value

When asked how much a movie costs, most people cite the ticket (1). For an economist, this is only part of the answer: to see a movie takes not only a ticket but also time. The opportunity cost of going to a movie is the (2) of the other things you could have done with the same money and time. If you decide to take time off from work, the opportunity cost of your leisure is the (3) that you would have earned had you worked. Part of the cost of a college education is the income you could have earned by working (4) instead of going to school.

Consider one of our most important resources – time. There are only 24 hours in a day, and we must live our lives under this (5). In weighing the costs and benefits of a decision, it is important to weigh only the costs and benefits that (6) from the decision. Suppose, for example, that you live in New Orleans and that you are weighing the costs and benefits of visiting your mother in Iowa. If business required that you travel to Kansas City anyway, the cost of visiting Mom would be only the (7), or marginal, time and money cost of getting to Iowa from Kansas City. There are numerous examples in which the concept of marginal cost is (8). For an airplane that is about to take off with (9) seats, the marginal cost of an extra passenger is essentially zero; the total cost of the trip is roughly unchanged by the addition of an extra passenger. Thus, setting aside a few seats to be sold at big discounts through www.priceline.com. As long as the airline (10) in filling seats that would otherwise have been empty, doing so is profitable.

International Tax Law

1) Read and translate the text.
2) Write out new words and expressions, learn them by heart.
3) Make a short summary of the text in a written form using the expressions.
4) Discuss the main issues of the topic.

International tax law governs the tax policies of countries as they apply to individuals and entities operating across borders. It addresses issues such as how income earned abroad is taxed, how multinational corporations are taxed on their global profits, and how tax disputes between countries are resolved. Given the increasing globalization of business and investments, international tax law has become a complex and evolving area of law that plays a crucial role in global commerce. Here are key aspects of international tax law.

1. Tax Residency and Jurisdiction

A foundational principle of international tax law is the determination of tax residency, which dictates where individuals and businesses are obligated to pay taxes.

Tax Residency Rules. Tax residency is generally based on where an individual or entity resides or operates. For individuals, tax residency may depend on factors such as where they live, where they spend most of their time, or where they have significant personal ties. For corporations, tax residency may depend on where the company is incorporated or where its management and control are located.

Worldwide vs. Territorial Taxation. Worldwide Taxation: Some countries, like the United States, tax their residents and citizens on their worldwide income, regardless of where the income is earned.

Territorial Taxation. Other countries, like France and Hong Kong, tax income only if it is earned within their borders, meaning that foreign income is typically exempt from domestic taxation.

2. Double taxation occurs when the same income is taxed by more than one country, which can create a financial burden for taxpayers.

Double Taxation Treaties (DTTs): To prevent double taxation, many countries enter into bilateral tax treaties, also known as Double Taxation Agreements (DTAs). These treaties allocate taxing rights between countries and provide mechanisms to avoid or mitigate double taxation, often through tax credits or exemptions.

Tax Credits and Exemptions. Foreign Tax Credit (FTC): A credit that allows taxpayers to reduce their domestic tax liability by the amount of foreign taxes paid on the same income. Exemptions: Some countries provide exemptions for foreign-sourced income, meaning that the income is not taxed domestically if it has already been taxed in a foreign jurisdiction.

3. Transfer pricing refers to the prices charged between related parties, such as subsidiaries of the same multinational corporation, for goods, services, or intellectual property transferred across borders.

Arm’s Length Principle: International tax law requires that transactions between related parties be conducted at "arm’s length," meaning the prices should reflect what unrelated parties would have agreed to in a similar transaction under the same conditions.

OECD Guidelines: The Organization for Economic Co-operation and Development (OECD) provides guidelines on transfer pricing that are widely followed by countries. These guidelines aim to ensure that multinational corporations do not manipulate transfer prices to shift profits to low-tax jurisdictions and reduce their overall tax liabilities.

Documentation Requirements: Many countries require companies to maintain detailed documentation of their transfer pricing practices, justifying that they adhere to the arm’s length standard.

4. Tax Havens and Base Erosion

Tax havens are jurisdictions with low or zero taxes that attract individuals and corporations seeking to reduce their tax liabilities. This can lead to Base Erosion and Profit Shifting (BEPS), where companies shift profits to low-tax jurisdictions, eroding the tax base of higher-tax countries.

OECD BEPS Initiative: The OECD has led a global effort to combat BEPS through a set of international tax standards. The BEPS Action Plan aims to close loopholes that allow companies to shift profits artificially and to ensure that profits are taxed where economic activities and value creation occur.

Common BEPS Strategies. Transfer Mispricing: Manipulating transfer prices to shift profits to low-tax jurisdictions.

Interest Deductions: Using excessive debt in high-tax jurisdictions to create interest deductions that reduce taxable income.

Hybrid Mismatches: Exploiting differences in tax laws between countries to achieve double non-taxation of income.

5. Controlled Foreign Corporations (CFC) Rules are designed to prevent companies from accumulating income in low-tax jurisdictions without paying taxes in their home country. These rules require that income earned by a foreign subsidiary of a company (the CFC) be taxed by the parent company's home country under certain conditions.

Passive Income Targeting: CFC rules often target passive income (e.g., interest, royalties, dividends) that can easily be shifted to low-tax jurisdictions.

Anti-Deferral Mechanisms: CFC rules impose tax on certain types of income earned by foreign subsidiaries, even if the income has not been repatriated to the home country, thereby preventing deferral of tax.

6. A Permanent Establishment (PE) is a fixed place of business through which a company conducts business in another country. The concept of PE is critical because it determines whether a country has the right to tax a foreign company's profits.

Definition of PE: Under most tax treaties, a company is deemed to have a PE if it has a fixed place of business in another country (e.g., a branch, office, or factory) or if it has dependent agents that have authority to conclude contracts on behalf of the company in that country.

Taxing Rights: If a company has a PE in a foreign country, the profits attributable to that PE can be taxed by that country. The concept of PE ensures that companies pay taxes on the economic activities they conduct in a particular jurisdiction.

7. Taxation of Digital Economy

The rise of the digital economy has created new challenges for international tax law, as digital businesses often generate significant profits in countries where they have no physical presence, and thus no PE under traditional rules.

OECD's Pillar One and Pillar Two Proposals:

Pillar One seeks to allocate taxing rights more fairly among countries by ensuring that digital companies pay taxes in the countries where they have users or customers, even without a physical presence.

Pillar Two proposes a global minimum tax to prevent multinational corporations from shifting profits to low-tax jurisdictions.

Digital Services Taxes (DSTs): Some countries, such as France and the UK, have introduced DSTs that specifically target revenues generated by large tech companies from providing digital services, such as online advertising or data sales.

8. Anti-Avoidance Rules. International tax law includes various anti-avoidance rules aimed at preventing taxpayers from using aggressive tax planning strategies to avoid paying taxes. General Anti-Avoidance Rule (GAAR): GAAR is a broad rule that allows tax authorities to disregard transactions that are primarily aimed at avoiding taxes, even if they comply with the letter of the law.

Substance Over Form: This principle allows tax authorities to look beyond the formal structure of a transaction to its economic substance. If a transaction has no real business purpose other than tax avoidance, it may be recharacterized for tax purposes.

9. Tax Information Exchange Agreements (TIEAs)

TIEAs are agreements between countries to exchange information that is relevant to tax enforcement and compliance, helping to combat tax evasion and avoidance.

Automatic Exchange of Information (AEOI): Many countries participate in AEOI initiatives, such as the Common Reporting Standard (CRS) developed by the OECD, which facilitates the automatic exchange of financial account information between tax authorities globally.

FATCA: The Foreign Account Tax Compliance Act (FATCA) is a U.S. law that requires foreign financial institutions to report information on U.S. taxpayers' foreign accounts to the IRS. FATCA has led to similar initiatives in other countries and regions.

Thus, international tax law is a complex and evolving field that seeks to balance the rights of countries to tax income generated within their borders with the need to prevent double taxation and tax avoidance. With globalization and digitalization reshaping economies, international tax laws and treaties continue to adapt, as seen with initiatives like the OECD's BEPS framework and the global minimum tax proposals. For businesses and individuals operating internationally, understanding and complying with international tax law is essential to avoiding legal issues and optimizing tax efficiency.

5) Fill in the blanks (1-10) with appropriate words (a-j):

a) allocates
b) inventory
c) ledger
d) payable
e) requires
f) similar
g) small
h) software
i) used
j) uses

Two common bookkeeping systems (1) by businesses and other organizations are the single-entry bookkeeping system and the double-entry bookkeeping system. Single-entry bookkeeping (2) only income and expense accounts, recorded primarily in a revenue and expense journal. Single-entry bookkeeping is adequate for many (3) businesses. Double-entry bookkeeping (4) posting each transaction twice, using debits and credits.

The primary bookkeeping record in single-entry bookkeeping is the cash book, which is (5) to a checking account (UK: cheque account, current account) register, but (6) the income and expenses to various income and expense accounts. Separate account records are maintained for petty cash, accounts (7) and receivable, and other relevant transactions such as (8) and travel expenses. These days, single-entry bookkeeping can be done with DIY bookkeeping (9) to speed up manual calculations.

A double-entry bookkeeping system is a set of rules for recording financial information in a financial accounting system in which every transaction or event changes at least two different nominal (10) accounts.

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