

*Exercise 16.* Learn the following words and word combinations to text 3.

estimate	- оцінка
set	- комплект, набір
pithy	- стислий, змістовний
all-inclusive	- таке, що включає в себе все
resource allocation	- розподіл ресурсів
share	- акція, пай, частина
contend	- стверджувати
subsidiary	- другорядний
appropriate	- належний, доречний
relevant	- відповідний
redo	- переробити

*Exercise 17.* Read, translate and give the gist of text 3.

### **Text 3. What is accounting?**

Accounting contains elements both of science and art. The important thing is that it is not merely a collection of arithmetical techniques but a set of complex processes depending on and prepared for people. The human aspect, which many people, especially accountants, forget, arises because:

1. Most accounting reports of any significance depend, to a greater or lesser extent, on people's opinions and estimates.

2. Accounting reports are prepared in order to help people make decisions.

3. Accounting reports are based on activities which have been carried out by people.

But what specifically is accounting? It is very difficult to find a pithy definition that is all-inclusive but we can say that accounting is concerned with:

The provision of information in financial terms that will help in decisions concerning resource allocation, and the preparation of reports in financial terms describing the effects of past resource allocation decisions.

Examples of resource allocation decisions are:

Should an investor buy or sell shares? Should a bank manager lend money to a firm?

How much tax should a company pay?

Which collective farm should get the extra tractor?

As you can see, accounting is needed in any society requiring resource allocation and its usefulness is not confined to 'capitalist' or 'mixed' economies.

An accountant is concerned with the provision and interpretation of financial information. He does not, as an accountant, make decisions. Many accountants do of course get directly involved in decision making but when they do they are performing a different function.

Accounting is also concerned with reporting on the effects of past decisions. But one should consider whether this is done for its own sake or whether it is done in order to provide information which it is hoped will prove helpful in current and future decisions. We contend that knowledge of the past is relevant only if it can be used to help in making current and future decisions, for we can hope that we shall be able to influence the future by making appropriate decisions but we cannot redo the past. Thus the measurement of past results is a subsidiary role, but because of the historical development of accounting and, perhaps, because of the limitations of the present state of the art, 'backward looking' accounting sometimes appears to be an end in itself and not as a means that will help in achieving a more fundamental objective.

*Exercise 18.* Translate into Ukrainian:

a collection of arithmetical techniques, a set of complex processes, accounting reports, to a greater or lesser extent, people's opinions and estimates, to carry out activities, a pithy definition, all-inclusive definition, the provision of information in financial terms, the effects of past resource allocation decisions, to buy or sell shares, to lend money to a firm, to pay taxes, interpretation of financial information, to get involved in decision making, to perform a different function, for somebody's own sake, to prove helpful, to make appropriate decisions, to be a subsidiary role, to achieve a more fundamental objective, "backward looking" accounting.

*Exercise 19.* For each of the words below, choose the meaning which best shows how it is used in the text. Look at each word's use in the text before you answer.

The word 'complex' means:

- a) different;
- b) confusing;
- c) complicated;
- d) unusual.

The word 'pithy' means:

- a) accurate;
- b) short;
- c) understandable;
- d) comprehensive.

The word 'provision' means:

- a) providing;
- b) researching;
- c) producing;
- d) organization.

The word combination 'for its own sake' means:

- a) to provide work;
- b) for one person / company only;
- c) to solve problems;
- d) for no other purpose.

The word 'subsidiary' means:

- a) less important;
- b) different;
- c) vital;
- d) equally important.

The word combination 'state of the art' means:

- a) technology;
- b) government controls;
- c) knowledge and techniques;
- d) understanding.

*Exercise 20.* The statements below express the main ideas of the last paragraph. Number these statements so that they are in the same order as the ideas in the text. The first one is given for you.

Statement	Order
a) Financial information about the past is only useful if it helps future decisions.	
b) The history of accountancy has made it appear to concentrate on the past.	
c) Accounting can indicate the results of past actions.	1
d) Showing the financial results of past actions can be an aid to decision-making.	
e) Showing the financial results of past actions can be just to record what happened.	
f) Describing the past is a less important role of accountancy.	
g) We can affect the future but we cannot change the past.	

*Exercise 21.* Choose the correct answers to the questions.

1. How many reasons does the author give to support the idea that accounting involves a human element?

- a) one;
- b) two;
- c) three;
- d) four.

2. Which of the following reasons does the author give as showing human influence on accounting?

- a) accounting summaries describe human action;
- b) accounting systems are artificial creations;

- c) accounting is affected negatively by human judgment;
- d) accountancy is based on the subjective ideas of individuals.

3. In the definitions of accounting given in the text, which of them are said to be its two main functions?

- a) providing general information to aid immediate decision-making;
- b) providing financial information to help with the future division of resources;
- c) providing financial information that will ensure that decisions made are correct;
- d) providing financial information to show the results of past use of resources.

*Exercise 22.* Discuss the following items concerning accounting process.

1. What do you think are the main purposes of accounting? 2. Does accountancy only describe the past or is it useful in dealing with the future? 3. Is accounting completely objective or does it involve subjective judgments? 4. Is accountancy equally important for all types of economic systems? 5. If true, does this mean that only one type of accounting system is correct or that the same system of accounting should be used in all economic systems and countries?

*Exercise 23.* Learn the following words and word combinations to text 4.

bookkeeping	- бухгалтерія, ведення фінансової документації
double-entry bookkeeping	- система бухгалтерського обліку з подвійним записом
receipts	- грошові надходження, виручка, доходи
record	- н.[ˈreko:d] запис, реєстрація - в.[ˈriːko:d] записувати, реєструвати
record-keeping	- ведення обліку, облік
statement	- звіт, відомість, кошторис
financial statement	- фінансовий звіт
journal	- бухгалтерський журнал, реєстр, відомість
ledger	- бухгалтерська книга, бухгалтерський реєстр
general ledger	- загальна бухгалтерська книга
balance the ledger	- збалансувати бухгалтерські книги
posting	- перенесення в бухгалтерську книгу
post the journal into the ledger	- переносити журнальні записи в головну книгу
ledger-posting	- запис в головну бухгалтерську книгу
draw up a balance	- зводити (підбивати) баланс
trial-balance	- попередній бухгалтерський баланс
debit	- дебет (розхід, витрати)
debit account	- дебетовий рахунок (запис у лівій частині рахунку, який показує заборгованість організації)
debit of an account	- дебет рахунку (списання коштів з рахунку)
debit balance	- дебетове сальдо, дебетовий баланс, позитивне сальдо
debit (to an account)	- дебетувати, записувати, заносити в дебет
credit	- кредит (сума, яку записують на приход в праву частину рахунку)
credit account	- кредитовий рахунок (запис в правій частині рахунку, яка показує приход активу)
credit balance	- кредитове сальдо, кредитовий баланс, негативне сальдо

credit (to an account)	- кредитувати рахунок (записувати суму в кредит рахунку)
dual impact	- подвійний вплив
interrelated aspects	- взаємопов'язані аспекти

*Exercise 24.* Read, translate and give the gist of text 4.

#### **Text 4. Bookkeeping as Part of Accounting Cycle**

For management of any company to be efficient, extensive and accurate information concerning receipts and payments, assets and liabilities, depreciation of assets and other data about company status are required. Such information being obtained mainly from different records, additional funds and time should be invested in bookkeeping and accounting system.

In general, accounting and bookkeeping mean identifying, measuring, recording economic information about any business, bookkeeping being considered the preliminary stage and part of the larger field of accounting.

The task of a bookkeeper is to ensure the record-keeping aspect of accounting and therefore to provide the data to which accounting principles are applied in the preparation of financial statements. Bookkeeping provides the basic accounting data by systematical recording such day-to-day financial information as income from the sale of products or services, expenses of business operations such as the cost of the goods sold and overhead expenses such as a rent, wages, salaries.

Accounting principles determine which financial events and transactions should be recorded in the bookkeeper's books. The analysis and interpretation of these records is the primary function of accounting. The various financial statements produced by accountants then provide managers with the basis for future financial planning and control, and provide other interested parties (investors, the government) with useful information about the company.

Modern accounting system is considered to be a seven-step cycle. The first three steps fall under the bookkeeping function, such as: 1) the systematic recording of financial transactions; 2) the transferring of the amounts from various journals to general ledger (also called "posting step"); 3) the drawing up of the trial balance.

Record keeping of companies is based on a double-entry system, due to which each transaction is recorded on the basis of its dual impact on the company's financial position. To make a complete bookkeeping record of every transaction in a journal, one should consider interrelated aspects of every transaction, and entries must be made in different accounts to keep the ins (receipts) and outs (payments) balanced.

A typical account is known to have two sides: the items on the left side are called debits, while the items on the right side are credits.

Thus, double-entry bookkeeping doesn't mean that the same transaction is entered twice, it means that the same amount of money is always debited to one account and credited to another account, each record having its own effect on the whole financial structure of the company. Certain accounts are increased with debits and decreased with credits, while other accounts are increased with credits and decreased with debits.

In the second step in the accounting cycle, the amounts from the various journals are usually monthly transferred to the company's general ledger - a procedure called posting. Posting data to the ledgers is followed by listing the balances of all the accounts and calculating whether the sum of all the debit balances agrees with the sum of all the credit balances. This procedure known as the drawing up of a trial balance and those that follow it usually take place at the end of the fiscal year. By making a trial balance, the record-keeping accuracy can be checked. The trial balance having been successfully prepared, the bookkeeping portion of the accounting cycle is completed.

The double-entry system of bookkeeping enables every company to determine at any time the value of each item that is owned, how much of this value belongs to creditors, the total profit and how much belongs to the business clear of debt. Thus, one advantage of the double-entry system is that its information is complete enough to be used as the basis for making business decisions. Another advantage is that errors are readily detected, since the system is based on equations that must always be in balance.

*Exercise 25.* Find in the text the noun-derivatives corresponding to the following verbs and adjectives:

to balance, to pay, to decide, to invest, to post, to record, to prepare, to receive, profitable, to

interpret, accurate, to manage, to equal, to determine, to analyze, to inform, to disagree, valuable.

*Exercise 26.* Form word-combinations with the nouns which are frequently used in the text “Bookkeeping as Part of Accounting Cycle” and adjectives which are given below. Translate them into Ukrainian.

Trial, primary, basic, accurate, additional, general, useful, preliminary, total, double, financial.

*Exercise 27.* Choose the appropriate word from the variants given in brackets.

A bookkeeper deals with taxes, cash flow which includes cash (receipts / credits) and (debits / payments), sales, purchases and different other business (activities / transactions). 2. The accounting cycle is known to consist of seven main steps, the (bookkeeping / accounting) being responsible for the analysis and interpretation of the (records / entries). 3. Having drawn up the (balance sheet / trial balance), the bookkeeper expects the final financial (accounts / statements) to be prepared in the (accounting / managerial) department. 4. Bookkeepers first (post / record) all the data in the books which are called (ledgers / journals). 5. A ledger is a book having one page for each (entry / accounts) in the organization’s financial structure, (debits / credits) being shown on the left side. 6. Disagreements between the total of the (debits / receipts) and total of the (payments / credits) in the trial balance means that there is an error in the records. 7. All items of tangible assets should be (posted / listed) accurately before calculating their depreciation. 8. If sources exceed uses, there will be (a balance / an excess) of cash representing funds provided but not yet to use in the business.

*Exercise 28.* Match each sentence part on the left with its appropriate part on the right.

- |   |   |
|---|---|
| 1. Bookkeeping as part of the accounting cycle deals with           | a) is shown on the left-hand side of a list of accounts.  |
| 2. A bookkeeper is sure to be fully responsible for                 | b) each sale or purchase is shown as having an effect on both the debit and the credit columns of an account. |
| 3. The preparation of a trial balance includes                      | c) recording in an account a sum of money paid out or still owed.   |
| 4. A special journal known as a journal is used                     | d) regular transferring entries from the journal to the appropriate accounts in the ledger.                   |
| 5. Double-entry bookkeeping is a system of recording accounts where | e) for recording all primary (первичный) information about any business transaction.                          |
| 6. The posting procedure consists of                                | f) the accurate performance of the first three steps in the accounting cycle.                                 |
| 7. In bookkeeping a sum of money paid or owed by a business         | g) is recorded on the right-hand side of a list of accounts.  |
| 8. One should know that crediting means                             | h) recording all money received by and paid out of a company in special books or computer files.              |
| 9. Unlike crediting the debiting procedure means                    | i) the checking of accounts by comparing the total credits with the total debits.                             |
| 10. The sum of money gained by a business                           | j) recording the payment of a sum of money into an account.   |

*Exercise 29.* Complete the following sentences with appropriate prepositions of (9), on (2), in (7), by (1), below (2), where it is necessary.

The simplest set ... double entry books consists ... a journal and ledger. When a transaction occurs, it is not entered directly ... the account, but it is first recorded ... a book ... original entries known as a journal.

Several kinds ... journals are used ... a bookkeeper, the general journal being the most common type (повторні) transactions special journals such as sales, purchases, cash-receipts and cash disbursements (виплат) journals are widely used ... bookkeeping. Transactions that cannot be registered ... a special journal and all entries that cannot affect ... cash are recorded ... a general journal.

In a general journal the title ... the account to be debited is placed ... the top line, with its amount shown ... the debit column. The title ... the account that is to be credited is shown ... it, with its amount placed ... the credited column. ... this may be a written explanation ... the transaction. The total ... the debits column should always equal the total ... the credits column ... each general journal page.

*Exercise 30.* Answer the questions on text 4.

1. What kind of information is of great importance for proper company management? 2. What role does bookkeeping play in the accounting cycle? 3. What kind of data is collected by a bookkeeper? 4. What is the difference between bookkeeping and accounting? 5. Who is interested in obtaining accurate accounting information? 6. What is the modern concept of the accounting system? 7. What tasks should a bookkeeper solve at the first three steps of the accounting cycle? 8. What does double-entry bookkeeping mean? 9. What data are recorded in the company's general ledger? 10. When is the bookkeeping cycle considered to be completed? 11. What are the advantages of the double-entry system?

*Exercise 31.* Read the text, divide it into the paragraphs and give the title to each of them. Answer the questions after the text 5.

### **Text 5. Accounting Steps**

Each time an item is purchased or sold, a bookkeeper performs the first three steps of the cycle and passes on the information to the accountant who carries out the last four steps such as: 1) calculate adjustments; 2) prepare adjusted trial balance; 3) prepare financial statements; 4) close entries (закрити рахунки). The most common reasons the accountant should consider preparing adjustments are the following: increased revenue (for example, interest earned but not yet received); any government taxes or employee salaries that have not yet been paid; the value of the office supplies that have been used (electricity, water, etc); depreciation of the assets; changes in the inventory, etc. As to inventory, it involves the physical measurement, counting and evaluation of items for sale. Inventory evaluation is subject to a variety of accounting methods, since many inventory items cannot be specifically calculated. The grain in a grain elevator, for example, comes from different sources and may have been bought at several prices. An accountant must choose between one of several methods for valuing the grain; each will provide a slightly different value figure. On the fifth step when the adjustments are calculated, the accountant prepares an adjusted trial balance that combines the original trial balance with the effects of the adjustments. The balances in the accounts are the data that make up the organization's financial statements as a balance sheet and an income statement. The preparation of these statements is considered to be the main purpose of the sixth step. The final step comprises a series of bookkeeping debits and credits to transfer sums from income statement accounts into owners' equity accounts, and thus into capital. Such transfers reduce to zero the balances of all accounts, therefore the accounting books will be ready for the next accounting period.

1. Why is it necessary to make adjustments in a balance sheet? 2. What does the term “inventory” mean for an accountant? 3. Is the balance sheet considered to be the final important financial document of the company? 4. What account does closing entries affect?

*Exercise 32.* Finish the sentences using the information from the texts “Bookkeeping as a Part of Accounting Cycle” and “Accounting Steps”.

1. A bookkeeper performs the first three steps of a seven-step cycle, such as:
2. An accountant carries out the last four steps, such as:
3. The most common reasons, the accountant should consider preparing adjustments, are:
4. When adjustments are calculated the accountant prepares ...
5. The balances in the accounts are ...
6. The final step comprises ...

*Exercise 33.* Learn the meanings of the word *balance* and word combinations with it.

balance	- баланс, сальдо, залишок
balance	- підраховувати, підсумовувати; зводити, закривати (рахунки)

trial balance	- пробний, попередній бухгалтерський баланс, частковий бухгалтерський баланс
draw up a balance	- зводити (підбивати) баланс
bring accounts to a balance	- складати зведений баланс
favourable balance	- активний баланс, позитивний баланс
unfavourable balance	- пасивний баланс, негативний баланс
cash balance	- касова готівка
balance of account	- залишок рахунку
balances with foreign banks	- залишки на рахунках в закордонних банках
balance in hand	- грошова готівка, готівка каси
balance of payments	- платіжний баланс (звітність, яка характеризує участь країни в міжнародному обміні, що включає в себе поточний платіжний баланс і баланс руху капіталів)
balance of payments deficit	- дефіцит платіжного балансу
balance of trade	- торговий баланс (звітність, яка відображає результати участі країни в міжнародній торгівлі і яка, будучи складовою частиною платіжного балансу, входить також і в поточний рахунок)
debit balance	- дебетове сальдо, дебетовий баланс; позитивне сальдо
credit balance	- кредитове сальдо, кредитний баланс; негативне сальдо

*Exercise 34.* Translate the Ukrainian words in brackets into English equivalents paying attention to the meaning of the word *balance* and its word combinations.

1. At the end of the fiscal year the company bank statement showed (залишок в \$15,000). 2. A team of accountants is working now at (складанням зведеного балансу компанії). 3. After financial crises the government has to take special decisions to achieve (збалансованої економіки). 4. The country (має дефіцит торгового балансу з 1982 року). 5. The bank carefully examined (балансовий звіт фірми) before approving of the loan. 6. In international economics, (платіжний баланс) showing the net inflow of money to the country is considered to be a statistical account. 7. At the end of the year or even monthly a bookkeeper (повинен скласти попередній баланс). 8. The main function of the central bank (полягає в тому, щоб підраховувати кожний день) the sums received against the sums needed (ніколи не дозволяючи залишкам накопичуватися). 9 As every transaction is listed once as a debit and once as a credit, so (сума дебетового сальдо повинна дорівнювати сумі кредитового сальдо).

*Exercise 35.* Put the verbs in brackets into the correct form.

At the end of the month or more frequently all journal entries (*to post*) into the book of accounts (*to know*) as a general ledger (*to consist*) of separate pages for each account. The page for each account (*to show*) its debits and its credits, so that the balance of each account (*can*) (*to determine*). As each journal entry (*to record*) on the (*to plan*) side of its account, a mark (*to place*) in the post column of the journal in order (*to show*) that it already (*to record*) in the ledger. The date (*to use*) in the ledger (*to be*) the date on which the entry first (*to record*) in the journal. The post column in the account (*to use*) (*to show*) which page this entry (*to post*) to in the ledger.

In addition to the general ledger, a subsidiary (додатковий) ledger (*to use*) in order (*to provide*) information in greater detail about the accounts in the general ledger. For example, the subsidiary ledger (*may*) (*to keep*) for the amount of money (*to owe*) to the company by all its customers, for the wages (*to pay*) to each employee, for each building or machine (*to own*) by the company and for amounts (*to owe*) to each of the company's creditors.

*Exercise 36.* Learn the following words and word combinations to text 6.

tax and regulatory departments	- відділи з оподаткування і регулювання діяльності компанії
operating activities	- управлінська діяльність
financial performance	- фінансова діяльність
financial accounting	- фінансова звітність
managerial / management accounting	- управлінська звітність
budgeting	- складання / створення кошторису, фінансове планування, складання бюджету
capital budgeting	- створення кошторису капіталовкладень і їх окупаємість, розрахунок рентабельності капіталовкладень
deal in	- торгувати
deal with	- мати справу з (чимось)
financial statement	- тут: фінансовий звіт
statement of cash flows	- звіт про рух грошових потоків
income statement	- звіт про доходи
statement of retained earnings	- звіт про нерозподілений прибуток
inflow cash	- приплив / надходження коштів
outflow cash	- відплив коштів
inflow of assets	- приплив активів
outflow of assets	- відплив активів
source	- джерело
reliable source of information	- надійне джерело інформації
generate	- виробляти. створювати
disclose	- розкривати; показувати
disclosure	- розкриття, повідомлення
net loss	- чистий збиток
render	- віддавати, платити
render a service	- надавати послугу
render an account for payment	- надавати (подавати) звіт для оплати
withdrawal	- відклик; вилучення; анулювання; зняття з рахунку

*Exercise 37.* Read, translate and give the gist of text 6.

### **Text 6. Accounting Information**

Accounting provides informational access to a company's financial condition for three broad interest groups. First, it gives the company's management the information to evaluate financial performance over a previous period of time, and to make decisions regarding the future. Second, it informs the general public, and in particular those who are interested in buying its stock, about the financial position of the company. Third, accounting provides reports for the tax and regulatory departments of the government. In general, accounting information can be classified into two main categories: financial accounting (or public information) and managerial accounting (or private information).

Managerial accounting deals with cost and profit relationships, efficiency and productivity, planning and control, pricing decisions, capital budgeting, etc. Not being generally spread outside the company, this information provides a wide variety of specialized reports for division managers, department heads, project directors.



A standard set of financial statements is expected to be prepared regularly by financial accounting and published in an annual report at the end of the fiscal year. Being prepared in accordance with generally accepted accounting principles, these statements include the following items: 1) the balance sheet, 2) the statement of cash flows, 3) the income statement, 4) the statement of retained earnings.

Information relating to the financial position of a company, mainly about assets and liabilities, is presented in a balance sheet. The statement of cash flows shows the changes in the company's financial position and provides information which is not available in either an income statement or a balance sheet. Thus, the statement of cash flows represents the sources and the uses of the company's funds for operating activities, applications of working capital and data about additional financial support. Provided the company couldn't generate sufficient cash to finance its activities, it would be necessary to borrow money and it should be indicated in the statement.

Another financial statement disclosing the results of the company's activity is known as the income and expense statement. Prepared for a defined time interval, this statement summarizes the company's revenues, expenses, gains and losses and shows whether a company has made a profit within the period. Income is considered to be the difference between revenues and expenses. If the total expenses exceeded the total revenues during the period, the difference would be the net loss of the company. Revenues are transactions that represent the inflow of assets as a result of operations - that is, the assets received from selling goods and rendering services. Expenses are transactions involving the outflow of assets in order to generate revenue, such as wages, salaries, rent, interest and taxes. In addition to disclosing revenues and expenses, the income statement also lists gains and losses from other kinds of transactions such as the sale of plant assets or the payments of long-term liabilities.

The income statement excludes the amount of assets withdrawn by the owners, in a corporation such withdrawal of assets being called dividends. The separate statement of retained earnings and stockholder's equity shows investors what has happened to their ownership in the company, how earnings and new stock issuance have increased its value, and what dividends were paid.

Each of these reports contains figures for previous years and for the current period, providing a way of comparing present and past company performance. Being prepared for the use of management, the financial statements contain neither debit nor credit columns. These statements are accompanied by additional data about the particular accounting method used, as well as explanations about the most important events within the previous year.

*Exercise 38.* Translate into Ukrainian the following word-combinations. Make up your own sentences with them.

To make decisions regarding the future, to provide reports for the tax and regulatory departments, financial accounting, capital budgeting, division managers, department heads, project directors, generally accepted accounting principles, to provide a wide variety of specialized reports, balance sheet, the statement of cash flows, the income statement, the statement of retained earnings, assets and liabilities, to represent the sources and the uses of the company's funds, application of working capital, data about additional financial support, to be indicated in the statement, a defined time interval, to summarize the company's revenues (expenses, gains and losses), the net loss of the company, rendering services, to generate revenue, stockholder's equity, stock issuance, present and past company performance.

*Exercise 39.* Find in text 7 synonyms to the following words and groups of words: concerning the future; conclusions about the price; an external part; the uses of capital; a fixed interval; wide; a number of means of supply; a yearly report; the month before this one.

*Exercise 40.* Form the synonymous pairs from the following words:

to distribute, to deal in, to accept, to spread, to agree, to borrow money, to trade, to disclose, to handle, to summarize, to be interested in, to offer, to withdraw, to be concerned with, to evaluate, to make known, to give the main points of smth, to get a loan, to render, to take back, to generate, to determine, to deal with, to produce.

*Exercise 41.* Find in the dictionary the meanings of the words: expenditures, expenses, costs, cost. Match the definitions to these words.

1. ... the amount of money spent on running a business or part of it.
2. ... an amount of money spent.
3. ... the price to be paid or amount needed for something.

4. ... sums of money spent by a company on goods, services or resources that do not become part of the company's assets such as rent, wages, insurance, energy, etc.

*Exercise 42.* . Put the verbs in brackets into the correct form.

1. Equity would decrease if the owners (*to withdraw*) funds from the business. 2. If there (*to be*) a change in the amount for one item in a balance sheet, it will be always accompanied by an equal change in some other item. 3. If cash is received from the issuance of bonds, this figure (*not to be shown*) in the income statement. 4. The same amount of depreciation would be evaluated each year if the accountant (*to choose*) the straight-line method. 5. If the company (*to choose*) proper ways to use its assets for producing goods and rendering services, it would have earned enough revenue to stay in business. 6. If a customer received commodities or promised to pay the company in the future, the revenue (*to be recorded*) in accounts receivable. 7. If cash (*to be paid*) to purchase equipment, this figure will be added to the asset account of a plant. 8. If the company (*to introduce*) a new product, it would have increased the company's future cash flows.

*Exercise 43.* Match each sentence part on the left with its appropriate part on the right.

- |  |   |
|--|---|
| 1. The income statement summarizes the data  | a) about the changes in the financial structure of the company.   |
| 2. A balance sheet represents  | b) about a company's revenues, expenses, gains and losses.  |
| 3. The statement of cash flows provides the information                            | c) the main accounting equation.  |
| 4. The statement of retained earnings concerning pricing decisions shows investors | d) planning, control, budgeting and discloses the information.  |
| 5. Financial accounting includes the information                                   | e) what has happened to their ownership in the company, how earnings and new stock issuance have increased its value, and what dividends were paid. |
| 6. Managerial accounting deals with  | f) relating to the profitability of the company and its financial position.   |

*Exercise 44.* Answer the following question on text 6.

1. Who is interested in accounting information? 2. What are the main differences between financial and managerial accounting? 3. What financial statements are included in an annual report and when are they published? 4. What information can stockholders get from the balance sheet? 5. Why is it important to prepare the statement of a company's cash flows? 6. What kind of information is represented in the income statement? 7. How can revenues and expenses be defined? 8. What statement shows the amount of a stockholder's dividends? 9. Why is it necessary to prepare additional reports? 10. What statement contains debit and credit columns?

*Exercise 45.* Learn the following words and word combinations to text 7.

asset(s)	- актив, фонд; капітал, майно
assets and liabilities	- активи і пасиви
capital assets	- основні фонди
term	- термін, період
bond	- облігація, боргове зобов'язання
terms (pl)	- умови
credit terms	- умови позики
lending terms	- умови видачі кредиту
item	- окремий предмет; стаття ( <i>в рахунку балансу</i> ), пункт, позиція, параграф
account	- рахунок, фінансовий звіт
accounts (pl)	- звітність, ділові книги
accounts receivable	- рахунки дебіторів, рахунки для одержання; очікувані поповнення
accounts payable	- рахунки для виплати / сплати, очікувані

	виплати / сплати
capital account	- рахунок основного капіталу, рахунок основних фондів; баланс руху капіталів
income account	- рахунок доходів і збитків
current account	- поточний рахунок
current assets	- оборотні засоби ( фонди), поточні, (легкорезалізовані; ліквідні) активи
current liabilities	- короткострокові зобов'язання, поточні пасиви
ant noncurrent (long-term) liabilities	- довгострокові зобов'язання
tangible assets	- матеріальні активи
intangible assets	- нематеріальні активи
stock-in-trade	- товарний запас, залишок непроданих товарів
goodwill	- гудвіль, ділова репутація; престиж фірми
copyright	- авторське право
real estate	- нерухоме майно
net worth	- вартість майна за вирахуванням зобов'язань; власний капітал ( <i>підприємства</i> ), чиста вартість компанії
equity	- капітал компанії, акціонерний капітал, активи ( <i>підприємства</i> ) за вирахуванням заборгованості
investment interest	- процент інвестицій
stockholder syn. shareholder	- акціонер, власник державних цінних паперів
proper	- правильний, належний
operate	- працювати, управляти, керувати

*Exercise 46.* Read, translate and give the gist of text 7.

### **Text 7. Assets and Liabilities**

The term "asset" means anything of value that is owned by a company and can be expressed in terms of money. Economic resources that provide a potential future service to the organization are called assets in accounting. A company's total assets include such items as cash, buildings, equipment, any other property and accounts receivable, that is, money owned by its customers.

Assets are usually classified as current and long-term, both types consisting of tangible as well as of intangible items. Current tangible assets including cash, accounts receivable, stock-in-trade are usually converted into cash within one year and sometimes can be used as a means of payment. On the other hand, current intangible assets consist of short-term investments in stocks and bonds.

Long-term intangible assets are not really visible and include such items as goodwill, patents, trademarks, copyrights, these assets often being the most important factor for obtaining future incomes. For example, goodwill means an intangible asset which takes into account the value added to a business as a result of its reputation which cannot be really calculated. In contrast, the real estate (such as farm land, machinery, buildings and other physical objects) belongs to long-term tangible assets.

Liabilities are obligations that a company owes to another organization, to an individual (such as creditors and employees) or to the government. Like assets, liabilities are divided into current and long-term ones. Current liabilities are usually amounts that are paid within one year, including accounts payable, taxes on income and property, short-term loans, salaries and wages, and amounts of money owed to suppliers of goods and services. Concurrent liabilities often called long-term are usually debts, such as bonds and long-term loans.

The amount by which the total assets exceed total liabilities is known as the net worth which is usually called the equity for companies. When the company is a corporation, the equity means the investment interest of the owners (that is, the stockholders) in the organization's assets. The owners' equity can be increased either by investing more money in the company or by earning a profit and can be decreased because of the company's losses.

All companies keep proper accounting system in order to know whether or not they are operating profitably.

*Exercise 48.* Translate into Ukrainian:

to be expressed in terms of money, to provide a future service, to pay in cash, accounts receivable, money owned by customers, accounts payable, to receive high investment interests, current tangible assets, to convert into cash, investment in stock, long-term assets, short-term loans, non-current liabilities, to operate profitably, high taxes, to sell personal real estate for the debts, the company's equity, to calculate the net worth.

*Exercise 49.* Match proper definitions to the following words:

**a stock (a share), stock-in-trade, a bond, goodwill, a trademark, a copyright, a loan, a patent**

1. A document showing a fixed unit of a company's share capital that provides a profit (dividend) related to the total profits of the company. Owners of this document also have voting rights (право голоса). 2. An exclusive legal right, for a certain number of years, to print, publish, record, perform, sell an original text, work of art or design or part of it. 3. This term means such items as knowledge, contracts or reputation that can have a financial effect on a business and are measured in financial terms. 4. A document from a government or a company that states that money borrowed from an investor will be repaid. 5. A name or symbol that is used on the products of a particular company. 6. The goods or services that a business has for sale at a given time. 7. An official document that gives the holder the sole right (виключне право) to make, use or sell an invention and prevents others from copying it, usually for a fixed period. 8. Something lent, usually money, on condition it will be paid back after a definite period with interest.

*Exercise 50.* Match each sentence part on the left with its appropriate part on the right.

- |  |  |
|--|--|
| 1. To be clear of debt   | a) is usually calculated at the end of a fiscal year.  |
| 2. If current assets are less than current liabilities,                | b) such as assets, liabilities and equity are likely to be arranged vertically.                      |
| 3. The money obtained from selling a company's current tangible assets | c) a stock, a plot (ділянка) of land, a building or a machine.                                       |
| 4. Although accounting appeared in the 16th century,                   | d) created the legal foundation protecting the work of many industries, for example music recording. |
| 5. Both a person and a company can own such items of value as          | e) the company should repay all its debts to investors.  |
| 6. In England the three major sections of the balance sheet,           | f) the management of financial resources.  |
| 7. In order to operate the business successfully                       | g) it took much time to find satisfactory general methods of keeping finance records.                |
| 8. Accountants are supposed to deal with                               | h) one should process accounting information properly.   |
| 9. The amount of the owner's investment interest                       | i) is unlikely to cover the company's debts.   |
| 10. The Copyright Act adopted by the US Congress in 1976               | j) the stockholders can't expect any dividends.  |

*Exercise 51.* Put each word into one of the sentences below:

**a stock (a share), stock-in-trade, a bond, goodwill, a trademark, a copyright, a loan, a patent.**

1. The author of the original work may keep the ... or sell it to someone else. 2. Government... are usually considered to be a safe investment. 3. The total dividend per... was 10 pounds. 4. To protect his invention such as a new machine, a medicine or a process a scientist must obtain a ... . 5. This company is very proud of its reputation among the partners and cannot afford (дозволити собі) to lose its ... . 6. For the company to expand, its owners often ask banks for a ... and agree to pay interest after a definite period

of time. 7. ... of the leading car producers such as Mercedes, Lincoln, BMW, Toyota, etc. are known all over the world. 8. The ... is shown as an asset on the balance sheet.

*Exercise 52.* Choose the appropriate word from the variants given in brackets.

1. Knowing the company's (stocks / goodwill) value, creditors are ready to invest more money as they expect high (investment interest / salaries) at the end of the year. 2. Both farm equipment and farm buildings make up (short-term / long-term) (intangible / tangible) assets in agrobusiness. 3. (Accountants/Stockholders) prepare reports in financial (items/terms) describing the results of past resources allocation decisions. 4. Any company is responsible for paying salaries of (employers / employees) and (wages / salaries) of workers belonging to company current (liabilities/assets) regularly, usually monthly or weekly. 5. The amount of goods and services known as company (stock-in-trade / real estate) is available for sale at a given time and it is shown as an asset on the (accounts receivable / balance sheet). 6. (To calculate / To operate) properly the company's manager should rely on information obtained from public survey. 7. The greater is the difference between total assets and total liabilities, the greater is the company's (net loss / net worth) often known as the (equity / debt) for a corporation. 8. The fundamental accounting (equation / equilibrium) can be written in different forms, for example: assets - liabilities = equity. 9. The company's obligations are known to be classified as current and noncurrent ones, the former being also called (long-term / short-term) (liabilities / assets). 10. One should take into account that (accounts payable/goodwill) unlike the real estate belongs to intangible assets, but it can be sold like any other property.

*Exercise 53.* Translate the sentences in brackets into English using Gerund.

1. The main task of a financial accountant is to concentrate his attention on (*правильному управлінні грошима компанії і підготовці звітів у відповідний час*). 2. Any owner of a business is interested in (*управлінні компанією*) as efficiently as possible. 3. An increase in stockholders' dividends greatly depends on (*зростання загальних доходів компанії*). 4. The company had to compensate for (*пошкодження товару*) due to (*неправильної упаковки*). 5. Although stockholders have the right to vote at the general meetings, they are not involved in (*щоденне управління компанією*). 6. The company manager and the board of directors are responsible for (*проведення загальної політики компанії*). 7. The high corporation equity was due to (*скорочення виробничих витрат і правильного управління капітальними активами*). 8. Programmers of many countries are still thinking of (*покращення комп'ютерних програм для обробки бухгалтерської інформації*). 9. Both the bank and the company gained from (*підписання угод про позику*). 10. The company being unable to pay its debts to the creditors, it was useless to protest against (*продажі нерухомості компанії*).

*Exercise 54.* Translate into English:

1. Виробництво може бути рентабельним, якщо, як матеріальні так і нематеріальні активи знаходяться в правильному співвідношенні. 2. До довгострокових нематеріальних активів належать такі речі як земля, нерухомість і обладнання, так як вони беруть участь у процесі виробництва протягом тривалого часу. 3. Можна використовувати поточні матеріальні активи, наприклад рахунки дебіторів, як засіб платежу. 4. Як відомо, «гудвіл» належить до нематеріальних активів компанії, проте репутація компанії може значно підвищити її доходи. 5. Вивчення поточних і довгострокових пасивів компанії є дуже важливим при проведенні аналізу діяльності компанії. 6. Різниця між активами і пасивами – це чиста вартість компанії, яка для корпорації може бути представлена у вигляді акцій.

*Exercise 55.* Answer the questions.

1. What does the term “asset” mean? 2. How can the company’s assets be classified? 3. How can “goodwill” increase the company’s profits? 4. What liabilities does the company usually have? How are they classified? 5. How is the net worth calculated? 6. What accounts should be kept by the company?

*Exercise 68.* Learn the following words and word combinations to text 9.

auditing	- аудит, проведення ревізії
audit	- аналіз господарської діяльності, аудит, аудиторська перевірка, перевірка фінансових операцій, ревізія
framework	- основа (основи), структура, рамки

underlying	- основний , який лежить в основі
disclosure	- розкриття, відкриття, виявлення
evidence	- доказ, дані, факти
footnote	- примітка, виноска
a priori assumptions	- попередні припущення
evidential matter	- доказовий, оснований на очевидних фактах
sampling	- вибірковий метод, вибірковий контроль, вибіркоче дослідження
financial accounting	- фінансова звітність
personnel	- персонал, штат
in operation	- в дії
integrity	- чесність, цілісність
firsthand	- особистий
jeopardize	- наражати на небезпеку, ставити під загрозу
facilities	- обладнання, будівлі, виробничі потужності
inquiries	- довідки, дослідження, опитування
novel	- новий, невідомий
scope	- масштаб, простір, компетенція
lease	- здавати в оренду
operate	- керувати, управляти
tax	- податок
insurance	- страхування
gross sale	- валовий продаж
a graduated	- такий, що постійно змінюється
catering services	- послуги громадського харчування
receipts	- платежі грошові надходження
billing	- виручка, виписування рахунку
schedule	- розписувати, призначати
comprehensively	- вичерпно, всебічно
corroborating	- підтверджуюча, підкріплююча
retrace	- відтворити в пам'яті, просліджувати
reconcile	- узгоджувати
compilation	- компіляція, компіювання, збирання (даних)
ratio	- коефіцієнт, пропорція, відношення, відсоток, доля
foregoing	- вищезгаданий
engagement	- домовленість, контракт
to undertake	- розпочати, брати на себе зобов'язання, гарантувати

*Exercise 69.* Read, translate and give the gist of text 10.

### **Text 10. The auditing framework**

When the independent auditor begins an audit assignment, he assumes that the internal control system of the enterprise is appropriate and effective; generally accepted accounting principles have been applied in all accounting processes underlying the financial statements; the generally accepted accounting principles utilized have been applied consistently between the current and the prior periods; and there is an adequate amount of informative financial disclosure in the financial statements and footnotes. Evidence gathering and its evaluation enable the auditors to reject or confirm these *a priori* assumptions. We are thus in a position to define *auditing*.

#### **Auditing**

The analytical process of gathering sufficient evidential matter on a test or sampling basis to enable a competent professional to express an opinion as to whether a given set of financial statements meets established standards of financial reporting.

Now we can enumerate the major steps of the auditing process: become acquainted with the firm - its environment and its accounting, personnel, production, marketing, and the other systems; review and evaluate the management and the accounting control system in operation; gather evidential matter on the integrity of the system; gather further evidence related to the representations made in the financial statements; and formulate a judgment opinion on the basis of the evidence available.

### **Getting acquainted**

Auditing is an analytical process applied to everyday business situations. Hence it is closely related to existing business practices. Without firsthand knowledge of the nature of these practices and their larger setting, the auditor would have to rely exclusively on available financial data. This would jeopardize both audit efficiency and effectiveness. Therefore a getting-acquainted phase (which usually includes a visit to a client's facilities and certain analytical preliminary tests and inquiries) initiates the typical audit process. While "getting-acquainted" preliminaries to the conduct of an audit are standard procedures today, they were quite novel prior to 1965. Initially such procedures were described as the "business approach to auditing".

### **Control system review**

The auditor's evaluation of the control systems operating within the enterprise has a direct influence on the scope of the examination he undertakes and the nature of the tests he conducts. However, even though preliminary evaluation of control system is an essential ingredient of planning the audit scope, we must remember that eventually *both the system and the data* it produces are covered by the audit process.

### **Example**

The Brothers Three Shopping Center has leased space to Mr. Hines, who operates a quality restaurant named The Duncan Inn located within it. Lease payments are based on a minimum monthly amount sufficient to cover taxes and insurance on the building plus a graduated percentage of the restaurant's gross sales to diners and bar patrons. No percentage payments are due on catering services.

Bar and restaurants receipts of The Duncan Inn are collected in cash and from credit card billing. A select few patrons have the privilege of open credit with monthly billings.

In planning the initial audit of the Duncan Inn's financial statement a CPA finds that virtually no internal control exists over cash bar receipts. Hence tests covering cash bar receipts are scheduled more comprehensively than those extending to credit card sales.

### **Evidential matter**

Evidential matter supporting financial statements consists of the underlying accounting data and all corroborating information available to the auditor. The auditor tests underlying accounting data by analysis and review, retracing some of the procedural steps followed in the original accounting process and reconciling the events with the information reported.

The auditor's evidential material is the result of tests, selected observations, and statistical sampling where large compilations of data are involved. The auditor must always balance the natural desire for more evidential matter to support an opinion against the costliness and social usefulness of completely reconstructing the underlying data and processes that produced the financial statements. One key justification for independent audits, as we have seen, is the economy that results from producing expert opinion-based judgments from limited but reliable evidential matter.

### **Example**

Among tests covering cash bar receipts of The Duncan Inn, the CPA determined what the expected average ratios should be between liquor used, average number of individual drinks per bottle of liquor, and the price structure of drinks served. Making appropriate allowances for credit card sales, the CPA was then able to make a reasonable estimate of cash bar receipts for the period under audit. The estimate of the cash bar receipts constitutes evidential matter for purposes of the audit. (Note that the foregoing test has physical and financial dimensions. A purely financial test would be to subtract cash restaurant receipts from total bank deposits to arrive at cash bar receipts. In an actual engagement, an auditor might have undertaken both types of tests.)

*Exercise 70.* Translate into Ukrainian the following word combinations from the text. Make up your own sentences with them.

Independent auditor, generally accepted accounting principles, to reject or confirm these priori assumptions, the analytical process of gathering sufficient evidential matter, on a test or sampling basis, a

competent professional, to express an opinion, to meet established standards of financial reporting, to gather evidential matter on the integrity of the system, to formulate a judgment opinion on the basis of the evidence available, to rely exclusively on available financial audit process, to have a direct influence on the scope of the examination, preliminary evaluation of control system, to be covered by the audit process, to have the privilege of open credit with monthly billings, to consist of the underlying accounting data and corroborating information, key justification for independent audits, the estimate of the cash bar receipts.

*Exercise 71.* Say whether the following statements are true or false according to the text.

1. The auditor does not assume that the company is regulating its own finances. 2. The auditor assumes that a company is observing all standard accounting procedures. 3. The auditor accepts that a company may use different assumption over time. 4. The auditor will believe, before an audit, that all necessary company information has been supplied.

*Exercise 72.* Looking at both sections of the example in the text, answer the following questions.

1. What are the two elements involved in Mr. Hines's lease payments? 2. Which element of the restaurant's income is not subject to satisfactory internal controls? 3. In what two ways could the auditor deal with the problem?

*Exercise 73.* Find in the text and translate all sentences with Participles; analyze the Participles; define their functions (an attribute; adverbial modifier, part of a compound verbal predicate).

*Exercise 74.* Sum up what the text says about the auditing framework.

*Exercise 75.* Read the text, divide it into the paragraphs and give the title to each of them.

### **Text 11. Auditing**

The profession of the auditor is considered to be one of the most prestigious and well-paid ones. Auditors are accountants who analyze financial statements of the company and their responsibility is to express an opinion as to whether the accuracy of the company's financial reporting meets the requirements imposed by the government. In general, auditors deal more with operating efficiency and managerial effectiveness than with the accuracy of the accounting data.

Internal auditors are known to be hired by the company in order to help to identify accounting weakness and correct them before significant errors occur. They are often analytically minded people who make flowcharts of accounting systems and evaluate these flowcharts to suggest improvements in division of labour, paper flow, cash control, or other accounting responsibilities.

Independent auditors are employed by a company's board of directors to supply the stockholders with the results of checking the financial statements, in order to prove that annual reports are fair representations of the financial position of the company. Performing his work the auditor should follow several principles and assumptions: the company's accounts must represent a true financial position; generally accepted accounting principles have been used at all accounting steps and accounts can be compared with those of similar companies; the proper amount of information is disclosed in the financial statements. As a result, the auditor's opinion should be based only on facts and it must be objective. Auditors are expected to maintain a relationship of strict independence and professionalism with the companies for whom they work, so they mustn't hold shares in these companies. On the one hand, the auditor should respect the client's confidence, so having access to some private information, the auditor must not spread it outside. On the other hand, he should think of public interests, that is why he must publish his opinion in a standard form and the information is to be clear to the stockholders. But he must always carry out his duties under the law and inform authorities about fraud.

*Exercise 76.* Answer the following questions on text 11.

1. What is the difference between internal and external auditors? 2. What main concepts should be considered by the auditor? 3. Why is it necessary to receive an independent auditor's opinion?

*Exercise 77.* Translate into Ukrainian:

to be one of the most prestigious and well-paid professions; to meet the requirements imposed by the government; the accuracy of the company's financial reporting; to deal with operating efficiency and managerial effectiveness; to deal with the accuracy of the accounting data; to help to identify accounting weakness and correct them before significant errors occur; to be analytically minded people; to make flow



charts of accounting systems; to supply the stockholders with the results of checking the financial statements; to be fair representations of financial position of the company; to maintain a relationship of strict independence and professionalism with the companies for whom they work; to respect client's confidence; to have access to some private information.

*Exercise 78.* Name the following definitions:

a person who officially examines the accounts of a company, a person who performs an audit; the state of being correct or exact and without error especially as a result of careful effort; a thing done wrongly, a mistake; a person or an organization that owns stocks and shares; a thing that is thought to be true or certain to happen, but is not proved; the skill or qualities required or expected of members of a profession; the action or an instance of deceiving smb. in order to make money or obtain goods illegally; a feeling or belief that one can firmly trust or rely on smb. or smb's ability or smth. that is said or reported.

*Exercise 79.* Complete the following sentences using the text.

1. The profession of the auditor is .... 2. Auditors responsibility is .... 3. Internal auditors are known .... 4. Independent auditors are .... 5. The auditor should follow several principles and assumptions .... 6. As a result, the auditor's opinion should be based only on .... 7. On the one hand, the auditor should respect the client's confidence, so .... 8. On the other hand, the auditor should think of public interests, that is why he must .... 9. But he must always ...

*Exercise 88.* Learn the following words and word combinations to text 13.

rational	- раціональний, розумний, доцільний
depreciation	- зношування, амортизація, зниження вартості
physical depreciation	- фізичне зношування
moral depreciation	- моральне зношування
deterioration	- псування, пошкодження, зношення
wear out	- зношувати, виснажувати
obsolete	- застарілий
up-to date	- останній, сучасний
means of production	- засоби виробництва
obsolescence	- старіння, спрацювання
commodity	- товар, предмет споживання, продукт
go out of fashion	- виходити з моди
rust	- іржа
decadence	- занепад
erosion	- ерозія

*Exercise 89.* Read, translate and give the gist of text 13.

### **Text 13. Depreciation of Assets**

In accounting, the process of allocating in a systematic and rational manner the cost of certain items of the assets (these are mainly capital assets) over the period of its useful life is known as depreciation. There are three main types of depreciation causing the decrease in value of an asset: 1) physical depreciation, 2) moral depreciation, 3) deterioration .

In the process of production the capital assets gradually wear out, thus after a definite period of time they have to be replaced. This is known as their physical depreciation.

However, capital assets are also subject to moral depreciation, that is after serving for some period of time, they may become obsolete before they are physically worn out and have to be replaced by more up-to-date means of production. Such obsolescence of the assets is caused by technological changes and by the introduction of new and better machinery and methods of production. Obsolescence can also be caused by the commodity produced by the asset, for example, if it goes out of fashion. In the latter case, the degree of obsolescence will depend on the specific nature of the asset. Sometimes assets can be easily adapted to alternative uses while others may have only one application.

Deterioration means a change in value of an asset because of the effects of nature, for example, for machinery this might be rust, for buildings it is connected with decadence, for farm lands it is caused by erosion.

In accounting, it is important to know depreciation of the capital assets as it increases the company's expenses.

*Exercise 90.* Translate into English:

the process of allocating in a systematic and rational manner, useful life, to cause the decrease in value of an asset, physical depreciation, moral depreciation, deterioration, after a definite period of time, to be subject to, to become obsolete, to be physically worn out, to be replaced by more up-to-date means of production, to be caused by technological changes, to be caused by the introduction of new and better machinery, to go out of fashion, to depend on the specific nature of the asset, to be easily adapted to alternative uses, to be connected with decadence, to be caused by erosion.

*Exercise 91.* Complete the sentences.

1. Most capital assets have a limited life due to ... 2. Depreciation results from such causes as .... 3. In the case of machinery one should take into account.... 4. Obsolescence can be caused either .... 5. The effects of nature decrease the value of capital assets because of... 6. The choice of depreciation method is particularly important.... 7. In practice we often use the following methods of calculating depreciation ...

*Exercise 92.* Complete the text by inserting the correct form of the verbs in the box:

allow	charge	deduct	encourage
exist	increase	involve	lose
convert	spread	wear out	write off

Fixed assets such as buildings, plant and machinery (but not land) gradually (1) ... value, because they (2) ... or decay, or because more modern and efficient versions are developed. Consequently, they have to be replaced every so often. The cost of buying or replacing fixed assets that will be used over many years is not (3) ... from a single year's profits but is accounted for over the several years of their use and wearing out. This accords with the matching principle that costs are identified with related revenues. The process of (4) ... an asset into an expense is known as depreciation.

Various methods of depreciation (5) ..., but they all (6) ... estimating the useful life of the asset, and dividing its estimated cost (e.g. purchase price minus any scrap or secondhand value at the end of its useful life) by the number of years. The most usual method of depreciation is the straight line method, which simply spreads the total expected cost over the number of years of anticipated useful life, and charges an equal sum each year. The reducing or declining balance method (7) ... smaller amounts of an asset's value each year in cases where maintenance costs for the use of an asset are expected to (8) ... over time. The annuity system of depreciation (9) ... the cost of an asset equally over a number of years and (10) ... this, and an amount representing the interest on the asset's current value, each year.

Some tax legislations (11) ... accelerated depreciation: writing off large amounts of the cost of capital investments during the first years of use; this is a measure to (12) ... investment.

*Exercise 93.* Use the verbs in the appropriate tense and voice form. Translate the sentences into Ukrainian.

1. Our economists (*to choose*) another level of output for the next year as the situation at the market already (*to change*). 2. The demand for a commodity (*to affect*) by a change in price and this relationship (*to call*) elasticity of demand. 3. Some African countries already (*to buy*) large quantities of food from the European countries and the USA as they (*to lose*) most of their crops because of the drought. 4. The present director of the company (*to know*) the way of running a business efficiently as business administration (*to teach*) to him at London School of Business. 5. Recently the increase in consumers' income (*to follow*) by the increased demand for normal goods. 6. This American company (*to sell*) its computers very successfully at the market now by maintaining low retail prices. 7. The balance sheet (*to show*) to the company's manager last Monday and he (*can*) make proper managerial decisions just in time. 8. New economical methods of transporting fruit and vegetables (*to develop*) in the future and they (*to help*) to deliver fresh products to the consumers more quickly.

*Exercise 94.* 1. Sum up what the text says about depreciation of assets.

2. Answer the question: What types of depreciation are the following items subject to: computers, combines, farm buildings?

*Exercise 95.* Learn the following words and word combinations to text 14.

cost	- вартість, ціна, витрати
direct cost	- прямі витрати
indirect cost	- непрямі витрати
overhead	- накладні витрати
recovery	- відшкодування
direct raw material	- основні виробничі матеріали (або сировина)
warrant	- гарантувати, ручатися
glue	- клей
screw	- гвинт
rivet	- заклепка
merit	- гідність, заслуга; заслуговувати, бути вартим
clerical	- канцелярський, клерикальний
remuneration	- винагорода
piecework	- відрядна робота
vary with	- змінюватися відповідно до
diverse	- різноманітний
allocate	- розподіляти, виділяти (ресурси)
allocation	- розподіл, розміщення, виділення
split up	- розділятися, дробитися
precise	- точний
two-fold process	- подвійний процес

*Exercise 96.* Read, translate and give the gist of text 14.

#### **Text 14. Overheads and their recovery**

The costs of a business are of two types - direct and indirect. The direct costs vary directly with production. If one additional unit of production is made, there will be a measurable increase in direct cost. When one unit less is made, there will be similar measurable decrease in direct cost. Direct raw material is normally the largest component of direct cost. It includes all items of material that are of sufficient size to warrant the effort of changing directly to the job. Small items, such as glue, paint and small quantities of nails, screws and rivets, do not merit the clerical effort involved in charging directly to the job, and would be recovered as an overhead.

Direct wages will vary directly with production where remuneration is based upon piecework only. This means that a specific amount is paid when a production operation is successfully finished. If it is not finished, no payment is made.

Overhead is a general term applied to all costs involved in running a business, other than direct costs. It covers the costs of running the works organisation; product research and development; the administration of the business; selling and distributing the product; and the cost of raising finance. Overheads are diverse, covering the whole of the business organisation. The management accountant has the problem of allocating these costs to the individual product lines being manufactured.

#### *Cost centers*

To help in this task, the organisation is split up into cost centers. These are areas of activity to which are gathered all the costs of a like nature. A maintenance department, canteen and stores are examples of cost centers. Normally centers will identify with physical areas of the organisation. A stores cost center is a physical area in which materials are kept, while awaiting issue to production. A center may also not be identifiable with a physical area. The finance cost center will gather together all the costs of raising finance for the business, other than from owners or shareholders. It is a function of the administration department, and cannot be identified with a physical area of the business.

Where a cost center has a product which is being manufactured, it is known as a product center. Examples are a machine shop which is machining parts for assembly into the saleable product in an assembly shop. Where a center has a product that is saleable, thus giving rise to an income, it is also known as a profit center. It is capable of showing a profit or loss on its overall activities.

### *Cost allocation*

The management accountant's task is to allocate the many, diverse overheads, onto the cost of each product manufactured. It is a major task requiring the use of many different bases of allocation. The allocation of direct cost to a product can be precise. In the case of overhead allocation an element of logical questimation enters.

*Exercise 97.* Translate into Ukrainian the following words and word-combinations:

direct costs, indirect costs, overhead, recovery, a measurable increase in direct costs, a measurable decrease in direct costs, raw material, to be of sufficient size, to vary with, to merit, remuneration, to be based upon piecework, the costs involved in running a business, the costs of running the works organization, to be saleable, a profit center, to split up into cost centers, a maintenance department, to gather together all the costs of raising finance for the business, to be identified with a physical area of the business, logical questimation, two-fold process, profit centers, to load the overheads onto each product passing through the center.

*Exercise 98.* Name the following definitions:

a natural substance which is used to make sth. else; any of the parts of which sth. is made; careful study or investigation, esp. in order to discover new facts or information; the money (finance) used or needed to support an activity, project, etc.; an owner of shares in a business company; fit for sale or that sb. will want to buy; different kinds; a place where goods or services are sold to the public; exact, particular.

*Exercise 99.* Complete these sentences according to the information in the text 14.

1. The largest element of direct costs is usually ... . 2. All raw material costs are included in the direct costs of a product except .... 3. Overhead is a general term applied to all costs .... 4. A stores cost center is a physical area in which ... . 5. Where a cost center has a product which is being manufactured, it is known as ... . 6. Where a center has a product that is saleable, thus giving rise to an income, it is also known as ... . 7. The management accountant's task is to ... .

*Exercise 119.* Learn the following words and word combinations to text 17.

flow last in-first out	- рух запасів, останній прийшов перший пішов
inventories retirement evaluation	- оцінка вибуття запасів
inventories write-off evaluation	- оцінка списаних запасів
interpretation of expenses incurred	- інтерпретація пенсійних витрат
borrowing costs	- витрати на займи
interest credit expenses	- процентні витрати по кредитах
intangible assets cost	- вартість нематеріальних активів
without hiring general contractor	- не залучаючи підрядника
overspend costs	- перевищення витрат (на закупку)
renewals accounting	- поновлюючий облік
network systems	- мережеві системи
amortization security	- амортизаційне забезпечення
water network item	- об'єкт водної мережі

*Exercise 120.* Read, translate the text and compare the regulatory schemes of the accounting system in Great Britain and Northern Ireland and in Ukraine.

### **Text 17**

After Ukraine had started a radical accounting reform in accordance with international standards, principal differences between Ukrainian and British financial accounting systems were eliminated. Today's concept of Ukrainian accounting conforms completely to generally accepted accounting principles.

As to the IAS system, Ukraine and Great Britain's national accounting systems preserve some peculiarities.

At the same time some differentiation within the limits of the general IAS concept is

considered possible. As is known, IAS allows for the application of so-called alternative accounting methods. But national systems of financial accounting and reporting effect such possibilities in different ways.

Let's give a few examples of discrepancies between the accounting of Ukraine and the United Kingdom.

In accordance with paragraph 23 of IAS 2 "Inventories", such an accounting method of inventories flow as LIFO ("last in -first out") is optional. The LIFO method is acknowledged as a standard way of accounting along with other generally accepted ways of inventories retirement evaluation in cl. 20 of accounting Standards of Ukraine (ASU). At the same time British standard SSAP 9 directly prohibits the usage of this method in the accounting practices of Great Britain. Despite this fact British companies doing business outside Great Britain though subsidiary enterprises may use the LIFO mechanism if it is permitted by local accounting regulations.

Thus, if an enterprise of British origin functions in Ukraine, it may freely use a method of inventories write-off evaluation in accordance with the "last in -out" principle.

An interpretation of financial expenses incurred because of an acquisition of fixed assets is another example of different applications of IAS alternatives.

IAS 23 "Borrowing Costs" in paragraph 11 as an alternative approach allows for the amortization of borrowing costs incurred due to the entering of qualified assets into the books.

Ukraine has not accepted this alternative. Cl. 11 of UAS 8 "Intangible Assets" and cl.8 of ASU 7 "Fixed Assets" prohibit the inclusion of interest credit expenses into an intangible assets cost.

At the same time English FRS 15 permits in some situations to include such costs into the cost of fixed assets. But this method is deemed more an exception rather than a rule and is not encouraged as a primary approach. Thus, paragraph 19 of the standard says that an enterprise may make a decision to capitalise borrowing costs directly related to the building up of intangible assets as a part of the value of such assets. In connection with this, the total amount of the borrowing costs capitalised within a reporting period is not to exceed the total amount of borrowing costs incurred within this period.

There are also many discrepancies of a less conceptual character.

For example, when evaluating fixed assets such as constructions erected by the enterprise itself (without hiring a general contractor) the British system highlights overspent costs. They are explained in the following way. If extraordinary expenses were incurred during construction, an enterprise is to find a guilty person. If the overspending occurred because of internal inefficiency, it is not to be included into the value of the building and is to be written off in the period of its occurrence. Excessive spending on building materials, which do not correspond to the nomenclature of the construction, by the internal supply dispatcher is an example of such situation. If overspending was caused by external factors (e.g. legislative increase in workers' salary) underestimated expenses are to be capitalised by the general standards. An interpretation of selling expenses in accounting illustrates another discrepancy. In accordance with cl. 11 SAS 16 selling expenses are not to be included into the production cost; under cl. 17 of the same standard they are also not to be included into the cost of goods sold.

In practice, British accounting follows the same rule. But this general principle loses validity in the case of goods sold under the conditions "sale or return." Thus, goods at a buyer's warehouse remain a seller's property. In such situations, a seller's expenses for package and delivery of goods to a buyer are to be included into the cost of goods.

The British are also eccentric in some nuances of charging amortization. British standard FRS 15, along with generally accepted methods, comprises the so-called substitute method or renewals accounting. This method is based on the following precondition: some items of public infrastructure connected with water resources (water-mains, sewerage systems, reservoirs, dams, collectors) are not to be amortised, as such network systems are constantly maintained in an equally high-quality condition. Hence, these items have an unlimited usefulness.

A renewals accounting, whose annual costs necessary to maintain the said infrastructure are acknowledged as an amortisation security, is applied to such assets. As long as these expenses occur, they are to be amortised. As a result, both the cost of water network items and the amounts of their amortisation increase.

A forced transformation of Ukrainian accounting to the general European format expanded professional interests of Ukrainian accounting personnel.

*Exercise 121.* Translate into English and make up your own sentences with them:

радикальна бухгалтерська реформа, загальноприйняті бухгалтерські принципи, зберігати деякі особливості, дозволяти застосування, альтернативні бухгалтерські методи відмінності, рух засобів, оцінка списаних запасів, інтерпретація пенсійних витрат, основні засоби, витрати на займи, процентні витрати по кредитах, вартість нематеріальних активів, не залучаючи генпідрядника, поновлюючий облік, перевищення витрат, мережеві системи, об'єкт водної мережі, амортизаційне забезпечення.

*Exercise 122.* Translate the following sentences into Ukrainian. Put all kinds of questions to them.

1. After Ukraine had started a radical accounting reform in accordance with international standards, principal differences between Ukrainian and British financial accounting systems were eliminated.
2. Today's concept of Ukrainian accounting conforms completely to generally accepted accounting principles.
3. IAS allows for the application of the so-called alternative accounting methods.
4. If an enterprise of British origin functions in Ukraine it may freely use a method of inventories write off evaluation in accordance with the "last in-first out" principle.
5. An interpretation of financial expenses incurred because of acquisitions of fixed assets is another example of different applications of IAS alternatives.
6. The British are also eccentric in some nuances of charging amortization.
7. A forced transformation of Ukrainian accounting to the general European format expended professional interest of Ukrainian accounting personnel.

*Exercise 123.* Discuss the text with your partner using the following questions.

1. Why has Ukraine started a radical accounting reform in accordance with international standards?
2. What principles does today's concept of Ukrainian accounting conform completely to?
3. What peculiarities do Ukraine and Great Britain's national accounting systems preserve as to the IAS system?
4. What are discrepancies between the accounting of Ukraine and the United Kingdom? Give a few examples.

*Exercise 124.* Match the verb in the first column with the most likely noun in the second column. More than one combination may be possible.

preserve	validity
allows for	interests
use	amortization
make	method
incur	application
capitalize	decision
cause	peculiarities
lose	expenses
expand	overspending
amortize	costs

*Exercise 125.* Read the text, divide it into the paragraphs and give the title to each of them.

### **Text 18. Accounting Industry in the USA**

Accountants and bookkeepers work for business firms, government agencies, and many other organizations. In the USA public accountants are those who are available to the public for such accounting functions as monthly bookkeeping and tax preparation. Most states do not regulate the qualifications or performance of public accountants.

The only accountants permitted to offer opinions about financial statements should be Certified Public Accountants (CPAs), who have passed difficult national examinations. Accountants must also fulfill the requirements of the state in which they practice including several years of varied experience within the profession. Provided a person is a certified accountant, he will be licensed by the state to perform accounting services to clients for a fee.

Business companies, banks and large corporations employ their own accountants to examine their accounts and prepare financial statements or maintain their own internal accounting departments. If a small company or business required to prepare some financial statements, it would hire the services of an outside accountant.

Most US CPA firms are relatively small and represent individuals and privately held businesses for whom they prepare financial statements and act as advisors on tax matters. The largest accounting firms in the United States are known as The Big Five and a large number of their offices are spread throughout the world and the nation's largest companies are their clients.

Of the various specialized areas of accounting that exist, the three most important are: 1) auditing, 2) income taxation, 3) non-business or organizations.

Auditors are accountants who estimate the accuracy of a company's financial statements, and if they find any disagreements in the documents with generally accepted accounting principles, they will be responsible to inform about them in their report.

Income taxation as the second area of accounting specialization includes determination of a company's taxes according to the existing laws. The tax accountant sometimes may be a lawyer, because if there had been any changes in tax law, he would have informed the company about it. The methods chosen to report assets and liabilities will influence the amount of tax to be paid, at least within the fiscal year.

A third area of specialization is accounting for non-business organizations, such as universities, hospitals, churches, trade and professional associations, and government agencies. These organizations differ from business companies in many items: 1) they receive resources without paying for them, 2) they do not have profit orientation, 3) they have no defined ownership interests as such. As a result, these organizations have a number of differences in record keeping, in accounting measurements, and in the form of their financial statements.

*Exercise 126.* Answer the following questions.

1. What is the difference between a public accountant and a certified public accountant? 2. What are the main requirements to a CPA in the USA? 3. How does the work of an accountant in a big and in a small company differ? 4. What are the main branches of specialized accounting? What are their tasks?

*Exercise 127. a.* Find in the text synonyms to the following words and groups of words (adjectives and adverbs): once a month, conventional, accessible, significant, different.

*b.* Form antonyms from the following adjectives and nouns using negative prefixes un-, in-, im-, ir-, dis-: real, dependent, desirable, advantage, proper, responsible, limited, possible, adequate, agreement, sufficient, developed, easy, regular, able, efficient, profitable, successful, active, employed.

*Exercise 128.* Name the following definition:

accessible, easy to access; open or known to people in general; to give an official documents to smb., to allow them to do or use smth; an amount of money paid for professional advice or services; a business company; a person who gives advice, esp. smb. who is an expert in a particular field; money that has to be paid to the government by people and businesses according to their profits; a person trained and qualified in the law who does legal work for other people; the state or right of being an owner; financial year; the process of working or functioning; the process of gaining know ledge or skill over a period of time through seeing and doing things rather than thought studying; to make smth possible, to allow smth; to adjust.

*Exercise 129.* Cross out the modal verb and its form, that it is impossible to use in the following sentences.

1. Taking into account the high rate of inflation the government (may / ought / will have) to increase salaries of jobholders (держ. служб.) by 2010. 2. In the late 1980s, many industries in European countries (were able to / must / had to) increase investments in informational technologies for future production. 3. the value of one commodity (are to / should / must) be compared with that of another in terms of money. 4. The tax system (should / can / must) be easy enough to administer. 5. Individuals (should / are / have) to pay income tax on earnings from labour, rents, dividends and interest. 6. An the absence of some form of money, exchange (can, has to / should) take the form of barter. 7. An the modern world where so much business is conducted on the basis of credit, sellers (have to / must / is to) accept the system of deferred payment. 8. Calculating company assets an accountant (should / ought to / had to) remember that non-renewable goods (can / are to / should) be used up in one production cycle.

*Exercise 130.* Translate the following sentences into English:

1. Фінансові звіти, що публікуються щорічно для акціонерів цікавлять також податкові органи. 2. Звіти для правління містять дані щодо планування, взаємозв'язку вартості і прибутку,

ціноутворення, створення бюджету і ефективності підприємства. 3. Щорічний звіт включає в себе наступний набір фінансових документів: балансовий звіт, звіт про грошові потоки, звіт про прибутки, звіт про перерозподілений капітал, до того ж для порівняння в звітах надаються дані за попередній рік. 4. Звіт про грошові потоки показує чи накопичила компанія досить готівки для фінансування своєї діяльності чи необхідно було взяти гроші у позику. 5. Звіт про прибуток наводить дані як про доходи і витрати так і про прибутки і збитки компанії за даний період. 6. Звіт про перерозподілений прибуток містить інформацію про використання акціонерного капіталу і про рівень дивідендів акціонерів.

## UNIT II. BASICS OF MARKETING. AIRLINE MARKETING

*Exercise 1.* Learn the following words and word combinations.

scope	- сфера
overcapacity	- перевиробництво; перевищення пропозиції над попитом
market share	- доля на ринку
result from	- бути наслідком; відбуватися в результаті
project	- планувати
desperate	- доведений до відчаю
giveaway	- товар, що віддається безкоштовно або продається за зниженою ціною (в рекламних цілях)
margin	- маржа; різниця між собівартістю та ціною продажу
mergers and acquisitions	- злиття та поглинання
no wonder	- недивно
television commercial	- телевізійний рекламний ролик
direct mail	- пряма поштова реклама
selling effort	- організація та стимулювання збуту
marketing mix	- маркетинговий комплекс; формула маркетинга
marketing tool	- інструмент маркетинга; засіб маркетинга
dispose of smth.	- продавати; збувати; позбуватися
watchword	- девіз; ключове слово
go to great lengths	- робити все можливе; докладати великі зусилля
business activity	- бізнес-операція
deprivation	- позбавлення
awareness	- обізнаність; поінформованість
special deal	- знижка; угода на пільгових умовах
consumer research	- вивчення споживчого попиту
focus group	- група для тематичного опитування; фокус-група (основний метод якісного маркетингового дослідження)
salespeople	- торгівельний персонал
marketing strategy	- маркетингова стратегія
revenue objectives	- запланована виручка

*Exercise 2.* Read, translate and give the gist of text 1.

### Text 1. The Scope of Marketing

Today's central problem facing business is not a shortage of goods but a shortage of customers. Most of the world's industries can produce far more goods than the world's consumers can buy. Overcapacity results from individual competitors projecting a greater market share growth than is possible. This in turn leads to hypercompetition. Competitors, desperate to attract customers, lower their prices and add



giveaways. These strategies ultimately mean lower margins, lower profits, some failing companies, and more mergers and acquisitions. Marketing is the answer to how to compete on basis other than price. Because of overcapacity, marketing has become more important than ever.

What does the term *marketing* mean? Marketing must be understood not in the old sense of making a sale - 'selling' - but in the new sense of satisfying customer needs. Many people think of marketing only as selling and advertising. And no wonder, for every day we are bombarded with television commercials, newspaper ads, direct mail and sales calls. Someone is always trying to sell us something. It seems that we cannot escape death, taxes or selling! But selling starts only when you have a product. Marketing starts before a product exists. Marketing is the homework your company does to figure out what people need and what your company should offer. Marketing determines how to launch, price, distribute, and promote your product/service offerings to the marketplace. Marketing then monitors the results and improves the offering over time. Marketing also decides if and when to end an offering.

All said, marketing is not a short-term selling effort but a long-term selling effort. When marketing is done well, it occurs before the company makes any product or enters any market; and it continues long after the sale.

Therefore, you may be surprised to learn that selling and advertising are only the tip of the marketing iceberg. Although they are important, they are only two of many marketing functions, and often not the most important ones. This does not mean that selling and advertising are unimportant. Rather, it means that they are part of a larger marketing mix - a set of marketing tools that work together to affect the marketplace. Thus, marketing may be defined as: Marketing is the art and science of choosing target markets and getting, keeping, and growing customers through creating, communicating, and delivering superior customer value. The marketer's watchwords are quality, service, and value.

The most basic concept underlying marketing is that of human needs. A human need is a state of felt deprivation. Humans have many complex needs. These include basic *physical* needs for food, clothing, warmth and safety; *social* needs for belonging and affection; and *individual* needs for knowledge and self-expression. People have narrow, basic needs (e.g. for food or shelter), but almost unlimited wants. However, they also have limited resources. Thus they want to choose products that provide the most satisfaction for their money. When backed by an ability to pay - that is, buying power - wants become demands. Consumers view products as set of benefits and choose products that give them the best bundle for their money.

Outstanding marketing companies go to great lengths to learn about and understand their customers' needs, wants and demands. They conduct consumer research and focus groups. They analyze customer complaint, inquiry, warranty and service data. They train salespeople to be on the look-out for unfulfilled customer needs. They observe customers using their own and competing products, and interview them about their likes and dislikes. Understanding customer needs, wants and demands in detail provides important input for designing marketing strategies with high revenue objectives.

To persuade customers to buy a product or service a marketer takes four steps:

**Attention.** Marketing must first attract the customers' attention to the product. Customers become aware of a product and know it is available.

**Interest.** Then, marketing must create an interest in the product. Customers will develop an interest in the product.

**Desire.** Next, marketing must develop a desire to own or have the product so that customers actively want the product.

**Action.** Finally, marketing must prompt action to purchase, so that customers take steps to buy the product - for example, by going to the shop or ordering it online.

*Exercise 3.* Answer the questions.

1. What is the problem facing business today? What does overcapacity lead to? 2. Why is marketing contrasted to selling? What is the difference between them? 3. What does marketing determine? 4. What role do selling and advertising play in the marketing mix? 5. What is marketing? 6. How are human needs defined and classified? 7. When do wants become demands? 8. What do marketing companies perform to learn about their customers? 9. What are the four steps of marketer?

*Exercise 4.* Give Ukrainian equivalents:

shortage of goods; competitor; in turn; to lead to hypercompetition; to attract customers; tax; lower profit; newspaper ads; to launch, price, distribute, and promote the product/service; tip of the marketing iceberg; warranty and service data.

*Exercise 5.* Give English equivalents:

злиття та поглинання; задовольняти потреби споживачів; телевізійний рекламний ролик; конкурувати; реклама; довгостроковий; короткостроковий; сукупність маркетингових інструментів; збиткова компанія; переконувати покупців; купівельна спроможність.

*Exercise 6.* Translate into English.

1.Здатність виробляти більше, ніж потребує попит, призводить до гіперконкуренції. 2. Маркетинг визначає, як випустити новий товар на ринок, яку ціну встановити, як розподіляти та сприяти продажу нового товару та послуг на ринку. 3. Збут та реклама важливі, але вони є лише двома з багатьох маркетингових функцій. 4. Бажання перетворюються на попит, коли вони підкріплюються купівельною спроможністю. 5. Маркетингові компанії проводять вивчення споживчого попиту та фокус-групи, аналізують запити, скарги, гарантійні та експлуатаційні дані.

*Exercise 7.* Complete the article about a supermarket in-store event using words from the box.

awareness	customers	identified
meet	promotional	

This week, Tesco launches its biggest project 'Healthy Life' - illustrating its commitment to helping (1)... lead a healthy and active lifestyle. The supermarket has (2)... health as an important customer concern and is working to (3) ... he needs of its customers. Hundreds of (4)... operations for healthy products will run all over the store, from fresh produce through to grocery and healthcare lines. Tesco hopes that (5) ... of its initiative will be high.

*Exercise 8.* Replace the underlined words and expressions with alternative words and expressions from the box.

afford	high quality	revenue objectives
convenient	price	socially acceptable

1. Mobile phones are fashionable and attractive to the youth market.
2. We have a reputation for providing good standard mobile phones.
3. The cost to user of mobile phones is kept down because they are subsidized by the network providers.
4. This means more people can have the money to buy the product.
5. More and more, customers buy mobile phones online because it is more accessible.
6. Expected earnings from 3G phones were not met when the products were first launched.

*Exercise 9.* Find sentences with modal verbs and translate them.

*Exercise 10.* Put the words in each sentence in the correct order.

1. attention, attract, must, product, the, to, We.
2. aware, become, of, People, brand, the, will.
3. an, create, in, interest, need, product, the, to, We.
4. an, customers, develop, in, interest, product, the, to, want, We.
5. a, desire, develop, must, our, own, product, to, We.
6. People, steps, take, the, brand, to, try, will.
7. action, buy, must, prompt, it, to, We.

*Exercise 19.* Learn the following words and word combinations.

branding	- надання товару торгівельної марки
travel insurance	- туристична страховка
emergency	- екстрений випадок; надзвичайна ситуація
outlet	- торгівельна точка
promotional mix	- комплекс стимулювання збуту
promotional tool	- засіб стимулювання (збуту)
competitor	- конкурент
sales force	- торговий персонал; штат продавців
underestimate	- недооцінювати

ease-of-use	- простота у використанні
environmentally-friendly	- екологічно нешкідливий
mind-set	- точка зору
two-way	- двосторонній
helpline	- служба телефонної допомоги; телефон гарячої лінії

*Exercise 20.* Read, translate and give the gist of text 3.

### **Text 3. The Ps and Cs of Marketing**

The marketing mix is the combination of techniques used to market a brand. The techniques are often called the Ps. Originally there were **four Ps**:

- **Product (or service):** what you sell, and the variety or range of products you sell. This includes the quality (how good it is), branding, and reputation (the opinion the consumers have) of the product. For a service, support for the client after the purchase is important. For example, travel insurance is often sold with access to a telephone helpline in case of emergency.

- **Price:** how much the product or service costs.

- **Place:** where you sell the product or service. This means the location of your shop, or outlet, or the accessibility of your service - how easy it is to access.

- **Promotion:** how you tell consumers about the product or service. The promotional mix is a blend of the promotional tools used to communicate about the product or service – for example, TV advertising.

Today some marketers talk about additional four Ps:

- **People:** how your staff (or employees) are different from those in a competitor's organization, and how your clients are different from your competitor's clients. This also refers to the knowledge, skills and personality of sales force and who come into contact with the customer.

- **Physical presence:** how your shop or website looks.

- **Process:** how your product is built and delivered, or how your service is sold, delivered and accessed.

- **Physical evidence:** how your service becomes tangible. For example, tickets, policies and brochures create something the customers can touch and hold.

Some writers would add one more 'P': packaging. The importance of packaging is often underestimated: it attracts the buyer's attention, it explains the benefits of the product inside, it describes the contents, and of course it also protects the product during handling and contributes to convenience and ease-of-use. And these days environmentally-friendly packaging can give a product a competitive advantage.

A basic criticism has been that the 4Ps represent the seller's mind-set, not the buyer's mind-set. Robert Lauterborn suggested that sellers should first work with 4Cs before setting the 4Ps. Look at 4Cs:

- **Customer solution (not product)** aims to find a solution to a customer 'problem' by offering the right combination of products and services to satisfy particular customer needs.

- **Customer cost (not product):** the price paid by the customer for the product. It includes the "price" related to not buying another product of the same or another type. For example, someone who buys a sophisticated mobile may not then have the money to buy a laptop computer that they wanted.

- **Convenience (not place):** distributing our products in the way that is most convenient for each type of customer. We have to decide, for instance, how many new shops to open and where they should be.

- **Communication (not promotion)** with the customer: customers are informed about products through advertising and so on, but the communication is two-way because customers also communicate with us, for example through telephone helplines. This is a good way to find out more about what our customers want, and to change or improve our offering and to get ideas for new offerings.

Once the marketer thinks through the 4Cs for the target customer, it becomes much easier to set the 4Ps.

For marketing to work, you must manage the marketing mix in an integrated scheme. Yet in many companies, responsibility for different elements of the marketing mix is in the hands of different individuals or departments.

*Exercise 21.* Answer the questions.

1. What are 4 Ps of the marketing mix? Characterize each element. 2. What are additional four Ps?

Describe them. 3. Why shouldn't marketers underestimate importance of packaging? 4. Why are 4Ps criticized? 5. What did Robert Lauterborn suggest?

*Exercise 22.* Give Ukrainian equivalents:

access to a telephone helpline in case of emergency; promotion; to underestimate; to attract the buyer's attention; to contribute to convenience and ease-of-use; to improve offering; for instance; environmentally-friendly packaging; buyer's mind-set; sophisticated mobile.

*Exercise 23.* Find in the text 'noun + noun' or 'noun's + noun' combinations in which the first noun modifies or describes the second. Translate them.

*Exercise 24.* A small educational games company is launching a new game to teach English vocabulary to beginner learners. The marketing manager is making a presentation using slides. Read it and discuss.

### Marketing a new product

<p>The Educational Game</p> <p><b>PRODUCT</b></p> <ul style="list-style-type: none"> <li>• Innovative way to learn new vocabulary</li> <li>• <b>Launch:</b> how we are planning to introduce the product onto the market</li> </ul> <p><b>PLACE</b></p> <ul style="list-style-type: none"> <li>• <b>Distribution:</b> high street retailers and mail order via website and catalogues</li> <li>• <b>Delivery:</b> five days by mail order or straightaway in shops</li> </ul> <p><b>PROMOTION</b></p> <ul style="list-style-type: none"> <li>• <b>Advertising:</b> in children's magazines</li> <li>• <b>Direct marketing:</b> insert catalogue in <i>Parent</i> magazine</li> </ul> <p><b>PEOPLE</b></p> <ul style="list-style-type: none"> <li>• <b>Customers:</b> educated, city-dwellers with pre-teen children, school teachers</li> <li>• <b>Competitors:</b> they have a larger <b>sales force</b> to sell their products</li> </ul> <p><b>PRICE</b></p> <ul style="list-style-type: none"> <li>• <b>Premium pricing:</b> 20% above market average for a CD-ROM</li> <li>• <b>Special deals:</b> 15% discount for schools</li> </ul>
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*Exercise 25.* Do the following words and expressions refer to product, price, place, promotion, or people? Look at exercise 24 to help you.

accessibility	customers	discounts	location	sales force
branding	delivery	distribution	quality	special deals
competitors	direct marketing	launch	reputation	support

*Exercise 26.* A marketing manager is talking about the marketing mix for a brand of cleaning products. Choose the correct words from the brackets to complete the text, and then match each speech with one of the Ps.

1. Our (staff/ reputation/competitors) are highly motivated. We really believe in our brand. For example, our (consumer, employees/ customers) are always trying to improve what we do. 2. Our (tools/range /support) includes detergent, toothpaste and sponges. 3. We use a lot of (advertising/ presence/promotional), usually in women's magazines. 4. You can find the brand in supermarkets and local shops. The (tangible/accessibility/process) of our (staff/ mix/ outlets) is important. We need to be in a lot of (locations/supports/distributions) so that we are easy to find. 5. We are more (accessibility/ reputation/expensive) than our (competitors/ staff/ sales) but we offer good credit terms and we sometimes run special (deals/ processes/ support).

*Exercise 27.* Complete the text using the words from the box.

advertising	mix	price	products	promotional
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Marie Curie Cancer Care is reviewing its marketing strategy in an attempt to attract a wider audience. It will stop using (1) ... techniques, such as mailings and events. Television (2) ... and face-to-face marketing are both being tested in a bid to supplement the charity's typical over-60s donor base with younger supporters. If tests prove successful, they will become part of Marie Curie's marketing (3) ... In addition, Marie Curie Cancer Care is expanding its online shop. Stylish handbags at a (4) ... of \$10 are attractive to younger customers. Marie Curie Cancer Care says it is responding to customers' needs and wants by selling elegant fashion wear (5) ...

*Exercise 28.* Learn the following words and word combinations.

market segment	- ринковий сегмент
competitive marketplace	- ринок з конкуренцією
business unit	- економічний суб'єкт
positioning	- позиціонування; розміщення
total product	- сукупний продукт
value-for-money	- співвідношення ціни та якості
brand name	- торгівельна марка; фабрична марка
brand image	- репутація торгівельної марки
product launch	- випуск нового товару на ринок
Unique Selling Point analysis (USP)	- аналіз унікальних властивостей продукції
industrial product	- промислові товари
consumer product	- споживчі товари
durability	- строк придатності/ експлуатації
sales channel	- канал збуту
marketing action	- маркетингова акція; маркетингове зусилля
sales figures	- дані про продаж; обсяги продажу продукції
consumer buying pattern	- модель поведінки споживача
survey	- опитування; дослідження
benchmarking	- порівняльний аналіз
target market	- цільовий ринок; ринок збуту
mass market	- ринок товарів масового виробництва
brand awareness	- впізнанність бренду
market leader	- ринковий лідер
product mix	- перелік товарів
product line	- асортимент товарів
brand loyalty	- уподобання певної марки; прихильність до певного бренду
breakeven volume	- мінімальний рівень рентабельності
mark-up	- націнка; різниця між собівартістю та ціною продажу

*Exercise 29.* Read, translate and give the gist of text 4.

#### **Text 4. Marketing Strategy**

A company's marketing strategy describes how company will position itself and the products it sells or the services it provides in the competitive marketplace. Marketing strategy is the marketing logic by which the business unit hopes to achieve its marketing objectives. It shows how strategies for target markets and positioning create the firm's differential advantages. Marketing strategy should detail the market segments on which the company will focus. These segments differ in their needs and wants, responses to marketing, and profitability. The company should put its effort into those market segments it can best serve from a competitive point of view.

Company should develop a marketing strategy for each targeted segment.

A marketing strategy includes the following:

- Analysis of the wider business environment. More specifically: the political / legal, economic, social / cultural, and technological factors operating in the external world.
- Identification and analysis of target markets for new products in terms of volume and revenue.

- The marketing budget.
- Elements of the marketing mix, and their timing.

Marketers often use the term 'total product offer' to reinforce the diversity of elements that make up a 'product'. These include value-for-money (= relationship between quality and price), brand name and image, packaging, convenience of sales channel, service, speed of delivery, the guarantee, etc.

The company's marketing plan is the written document which details the marketing methods selected (advertising, price, promotion, etc.) and specific marketing actions or marketing activities. It should open with a short summary of the main goals and recommendations in the plan. The marketing plan also examines the resources needed (both financial and human) to achieve specified marketing objectives, such as an increase in sales or a successful product launch, over a given period of time.

You can develop a marketing plan using the stages known as AOSTC (Analysis, Objectives, Strategies, Tactics and Control).

Analysis	Current market situation	Information on the competitors and the marketplace.
	Competitor analysis	The competition in the marketplace. You will also need to include information on their positioning - how they control the way the customers see the products or services.
	Product / service	What you sell or provide, and your Unique Selling Point analysis (USP) - that is, what distinguishes your product or service from others on the market.
	Target market	Your customer groups or segments - for example teenagers or business people.
Objectives	Marketing goals	What you want to achieve, in terms of image and sales.
	Set SMART objectives	<ul style="list-style-type: none"> <li>• Specific - Be precise about what you are going to achieve.</li> <li>• Measurable - Quantify your objectives.</li> <li>• Achievable - Are you attempting too much?</li> <li>• Realistic - Do you have the resources to make the objective happen (manpower, money, machines, materials, minutes)?</li> <li>• Timed - When will you achieve the objective? (Within a month? By February 2015?)</li> </ul>
Strategies	The approach to meeting the objectives	<ul style="list-style-type: none"> <li>• Which market segment?</li> <li>• How will we target the segment?</li> <li>• How should we position within the segment?</li> </ul>
Tactics	Convert your strategy into the marketing mix, including the 4 Ps	<ul style="list-style-type: none"> <li>• Product</li> <li>• Price</li> <li>• Place</li> <li>• Promotion</li> </ul>
Control	Tracking	How will the success of the marketing plan be measured? How will each activity will be assessed?

The summary of the marketing plan helps top management to find the plan's central points quickly. A table of contents should follow the summary.

The market consists of many types of customers, products and needs. The process of dividing a market into groups of buyers with different needs, characteristics or behavior, who might require separate products or marketing mixes, is market segmentation. Who is the target market for a product? An immediate distinction is whether it is an industrial product (B2B: business-to-business), or a consumer product (B2C: business-to-consumer) aimed at end-users. A third category might be products for use in hospitals, schools, public transport, etc (B2G: business-to-government). There is one more type of selling when individual people sell to other individuals (C2C: consumer to consumer).

In relation to consumer products, the 'mass market' is becoming an old-fashioned concept. Products are increasingly targeted at specific market segments. There are four basic methods for segmenting a

market:

- Product-related: comfort, safety, luxury, good value-for-money, convenience, durability, etc.
- Demographic: age, gender, education, family life cycle, income, occupation, etc.
- Psychographic: attitudes, lifestyle, opinions, values, self-image, etc.
- Geographical: region, post code, etc.

*Exercise 30.* Answer the questions.

1. What is marketing strategy? 2. What does marketing strategy include? 3. What is the company's marketing plan? 4. What does abbreviation AOSTC stand for? 5. What are the stages of a marketing plan? 6. What is USP analysis? 7. What are SMART objectives? 8. What does a marketing plan start with? 9. What is market segmentation? 10. What are the product categories? 11. What are the methods for segmenting a market?

*Exercise 31.* Give Ukrainian equivalents:

company's marketing strategy; to position the products in the marketplace; to achieve marketing objectives; business unit; to focus on market segment; political /legal; social/ cultural; analysis of target markets in terms of volume and revenue; increase in sales; to examine the resources; sales figures; promotion; speed of delivery; competition in the marketplace; profitability; industrial product.

*Exercise 32.* Give English equivalents:

Ринок з конкуренцією; відмінні переваги; потреби та бажання; розробляти маркетингову стратегію; гарне співвідношення ціни ті якості; докласти зусиль; порівняльний аналіз; ринок товарів масового виробництва; пропозиція сукупного продукту; конкретна маркетингова акція; маркетинговий план; успішний випуск нового товару на ринок; трудові ресурси; аналіз унікальних властивостей продукції; споживчі товари; застаріла концепція.

*Exercise 33.* Fill in the missing letters.

1. Data collected by market research can be 'qu\_ \_ \_ itative' (= factual and numerical), or 'qu\_ \_ \_ itative' (= opinions and attitudes that are difficult to measure).
2. Another word for the final consumer of a product is the 'e\_ \_ -u\_ \_ r'.
3. The relationship between quality and price is referred to as 'v\_ \_ \_ \_ -for-m\_ \_ \_ \_'. This phrase often has the word *good* in front, to mean 'cheap' ('cheap' can have a negative connotation).
5. Marketers tend to emphasize 'be\_ \_ \_ its' (= advantages for the customer) rather than 'fea\_ \_ \_ es' (from a product design point of view).
6. A name or symbol that has legal protection is called a 'registered tr\_ \_ \_ \_ \_ k'.
7. Two key concepts in pricing are 'm\_ \_ \_ -up' (= the % added to the cost to give the selling price) and 'br\_ \_ \_ even volume' (= the sales volume at which the product starts to make a profit).

*Exercise 34.* Make word combinations with **market** and **marketing** using words from the box. Then match the word combinations with the definitions below.

methods	mix	plan	segments	strategy	target
---------	-----	------	----------	----------	--------

\_\_\_\_\_ *market*

*Marketing* \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

- groups of consumers with similar needs or purchasing desires
- the consumers, clients or customers you want to attract
- a definition of the company, the product / service and the competition
- detailed information about how to fulfill the marketing strategy
- the techniques you can use to communicate with your consumers
- the combination of different elements used to market a product or service

*Exercise 35.* Complete the text with the words in the box.

<i>brand awareness</i>	<i>brand names</i>	<i>brand loyalty</i>
<i>market leader</i>	<i>product lines</i>	<i>market share</i>
<i>product mix</i>	<i>profitability</i>	

Proctor & Gamble is a very well-known company in the household and personal goods sector. It has 22 different (1)... including baby care, cosmetics, household cleaners, laundry, etc. The combination of all these makes up P&G's (2)... (= product range). P&G has many well-known (3)... such as Ariel, Pampers, Pantene, but notice that the brand is not the same as the company name (although in other companies it is). P&G spends a very large marketing budget maintaining the (4)... of its customers - it wants them to be satisfied and committed to further purchases. But even larger sums are needed when it launches a new product- (5)... (= brand recognition) has to be built up from zero. What about P&G's pricing policy? Well, they are a (6)... so they don't have to set artificially low prices to gain sales volume and (7)... Instead, they can focus on (8)... - maximizing revenue and minimizing costs.

*Exercise 36.* Marketers use a PEST analysis to look at the business environment. Typical items are listed a)-l). Put them into the correct category below.

- a) age structure of population
- b) changes in the fixed and variable costs of business
- c) new production methods
- d) national government policy
- e) changing tastes and fashions
- f) level of consumer spending
- g) developments in IT that open new markets
- h) the economy, inflation, unemployment
- i) EU / WTO regulations
- j) lifestyle changes (e.g. more people living alone)
- k) pressure from environmental or fair trade lobbies
- l) breakthrough products arising from R&D

1. Political / legal factors:

2. Economic factors:

3. Social / cultural factors:

4. Technological factors:

*Exercise 37.* Match the words to their definitions. Be careful – they are very similar.

- |                               |   |
|-------------------------------|---|
| 1. benefit                    | a) something a customer asks for, or needs  |
| 2. characteristic             | b) something that makes a product special or different from others  |
| 3. feature                    | c) (usually plural) exact technical details, or a detailed instruction about how something should be made |
| 4. requirement                | d) advantage that a customer gets if they buy the product   |
| 5. specification              | e) important, special or interesting part of a product  |
| 6. USP (unique selling point) | f) typical quality that makes a product recognizable  |

*Exercise 38.* Learn the following words and word combinations.

- |                         |  |
|-------------------------|--|
| motivation research     | - мотиваційний аналіз; вивчення смаків, запитів та психології покупців |
| merchandise             | - товари; товар  |
| advertising appeal      | - рекламна концепція/ ідея   |
| secondary data          | - вторинні дані; похідні дані  |
| sales figures           | - дані про продаж  |
| government agency       | - державний заклад   |
| questionnaire           | - анкета   |
| desk (desktop) research | - "дослідження за столом"  |



field research	- „позакабінетне” польове дослідження;
in-depth interview	- поглиблене опитування

*Exercise 39.* Read, translate and give the gist of text 5.

### **Text 5. Market Research**

How do marketers identify the need for new products? How do they decide how to improve existing products? One very important way is by collecting data using market research. *Marketing research* is the process of gathering information about a market, analyzing it and interpreting it.

Although the term market research is often used to mean the same thing, technically it only refers to research into a specific market. *Consumer research* - used to discover behavior patterns (how people act) and customer needs is an essential element of marketing research. *Motivation research* investigates the psychological reasons why individuals buy specific types of merchandise, or why they respond to specific advertising appeals.

The easiest data to collect is information that is already available (= secondary data). This may be internal company data such as the company's sales figures broken down according to different categories (customers, product lines, territories, etc). Alternatively, it may be external data found in published sources such as reports from government agencies, trade associations and professional research firms. Another important source of secondary data is simply to look at consumer buying patterns in more developed markets where the product is already available.

Data collected for the first time (= primary data) is more difficult and expensive to obtain, but will give answers to the exact questions that marketers are interested in. It includes both quantitative information (e.g. carrying out a survey with customers using a questionnaire) and qualitative information (through focus groups, etc). Another important source of primary data is looking at the activity of competitors (= benchmarking), and this may include looking at their product range or their marketing strategy. A new area of research is ethnography: studying people's behavior in natural environments.

There are two main methods of consumer research:

- desk (desktop) research or secondary research: an analysis of the information you can find easily without leaving your desk. Examples include the internet, books, news magazines, and government statistics.

- field research or primary research: involves talking to people and finding out what they think about a market, a product, a business sector, etc. It is usually carried out by market research institutes.

Consumer research can be either qualitative or quantitative. In qualitative research, small group discussions or in-depth interviews with consumers are used to understand the problem better. Quantitative research involves collecting, or gathering large samples of data (for example, on how many people use different products), followed by statistical analysis – examining, or analyzing, the data. Quantitative research is often used to investigate the findings from qualitative research.

Of all the techniques above, focus groups in particular can give very valuable information. A small group of consumers sit in a room and discuss a variety of predefined topics. They might be asked how they feel about a particular brand, which of various possible new advertising campaigns they prefer, what ideas they have for improving an existing product, etc. The interview is usually recorded for later analysis.

*Exercise 40.* Answer the questions.

1. What is marketing research? 2. What types of research do you know and what are they used for? 3. What are secondary and primary data? 4. How many methods of consumer research are there? What do they analyze? 5. What technique can give very valuable marketing information?

*Exercise 41.* Give Ukrainian equivalents:

to identify the need; to analyze and interpret information; published sources; merchandise; internal company data; primary data; desk (desktop) research; secondary data; company's sales figures.

*Exercise 42.* Give English equivalents:

вторинні дані; визначити завдання; асортимент; дослідження споживацького попиту; збір поточної маркетингової інформації; „позакабінетне” дослідження; кількісна інформація; якісна інформація; надавати цінну інформацію; рекламна кампанія.

*Exercise 43.* Read the notes on marketing research techniques, translate them paying special attention to the marked words.

**Focus group:** small group from the **target group** plus **moderator** to **mediate** or **run** the session. The moderator prepares questions for the session.

**Package test:** used to taste ideas for new packaging, could be in focus group.

**Taste test:** used to taste what consumer think about new flavors.

**Home test:** consumers try the product at home, in a real situation.

A **self-administrated questionnaire** is **completed** (or **filled in**) by the respondent, and an **interviewer-administrator** questionnaire is filled in on behalf of the respondent by an interviewer.

**Telephone surveys** are carried out by telephoning the respondent and asking questions.

A **mail survey** is mailed to the respondent, who completes it and posts it back.

**Online surveys** are administrated on the internet.

**Mystery shopping:** a person poses as a consumer and checks the level of service and hygiene in a restaurant, hotel or shop.

**Omnibus surveys:** a market research institute **carries out** (or **conducts**) **research** for several companies at the same time. A long survey is given to respondents: some institutes have a **panel** of existing respondents who are accustomed to answering the survey.

*Exercise 44.* Complete the text with words from the box.

mail	moderator	focus group
package	mystery shopper	omnibus
taste	telephone	respondent
interviewer-administrator		

1) A lot of marketing research institutes carry out ... surveys. They ring people at home and ask them questions.

2) A ... is a small discussion group, led by ... who asks questions to get detailed and qualitative information.

3) A marketing research institute may prepare a lengthy ... survey which it posts to consumers at their homes. These ... surveys have questions from several different companies on them.

4) Some questionnaires are completed by the ... (self-administered questionnaires) and some are completed by the interviewer (...-... questionnaires).

5) ... surveys are usually carried out in-store to assess the levels of service quality and cleanliness.

6) A ... test is designed to find out what consumers think about packaging, and a ... test is to find out what they think about the flavors of a product.

*Exercise 46.* Translate the sentences into Ukrainian.

1. Focus groups can give very valuable information, can't they? 2. Consumer research can be either qualitative or quantitative. 3. The evolution of marketing could be caused due to overcapacities in the last decades. 4. A firm will be able to attain the highest sales in a year. 4. Marketing can't take place between businesses and organizations. 5. He couldn't have persuaded a consumer to buy a product. 6. The consumer will be able to search for alternative means to satisfy the need / want. 7. Computer-based information systems can be employed, aiding in a better processing and storage of data. 8. Marketing researchers could have used computer systems to convert data into information but they decided not to. 9. Technological advancements will be able to facilitate lesser barriers between countries and regions. 10. Although Wunderman could have been the first to use the term *direct marketing*, the practice of mail order selling essentially began in the U.S. upon invention of the typewriter in 1867. 11. He can't have developed the marketing plan in two days.

*Exercise 62.* Learn the following words and word combinations.

the World Intellectual Property Organization	- Всесвітня організація інтелектуальної власності
agency	- організація; заклад
intellectual property	- інтелектуальна власність
granted patent	- виданий патент

patent protection	- захист патентних прав
industrial design	- промисловий зразок
copyright	- авторське право
dissemination	- розповсюдження
interwoven	- переплітатися
the Agreement on Trade-Related Aspects of Intellectual Property Rights	- Угода про торговельні аспекти прав інтелектуальної власності
the World Trade Organization	- Світова організація торгівлі
The UK Patent Office	- Патентне відомство Великобританії
counterfeiting	- підробка; фальсифікація; незаконне використання фірмових знаків
infringement	- правопорушення (використання прав власника торговельної марки без його згоди)
infringer	- правопорушник
trademark holder	- власник торговельного знаку
disclaimer	- відмова
The Consumer Protection Act	- Закон про захист прав споживачів

*Exercise 63.* Read, translate and give the gist of text 8.

### **Text 8. Legal Aspects of Marketing**

The World Intellectual Property Organization (WIPO) is one of the specialized agencies of the United Nations (UN) system of organizations. The "Convention Establishing the World Intellectual Property Organization" was signed at Stockholm in 1967 and entered into force in 1970. However, the origins of WIPO go back to 1883 and 1886, with the adoption of the Paris Convention and the Berne Convention respectively. Both of these conventions provided for the establishment of international secretariats, and both were placed under the supervision of the Swiss Federal Government.

The World Intellectual Property Organization gives the following definitions:

*Intellectual property* refers to creations of the mind: inventions, literary and artistic works, and symbols, names, images and designs used in commerce. Intellectual property is divided into two categories:

1) Industrial property includes patents, which give the exclusive right to make, use and sell an invention in a given geographical area; trademarks (words or symbols that differentiate a company); and industrial designs. A granted patent gives patent protection for 20 years in the UK. After that time you must renew the patent. In order to trademark or register your trademark, you will need to complete a registration process.

2) Copyright protects literary and artistic works. Copyright protected work includes novels, plays, films, musical works, artistic works such as drawings, photographs, and architectural designs. Copyright protected work is said to be subject to copyright.

Note: The copyright symbol: ©

The trademark symbol: ™

The registered trademark symbol: ®

The mission of WIPO is to promote through international cooperation the creation, dissemination, use and protection of works of the human mind for the economic, cultural and social progress of all mankind. Its effect is to contribute to a balance between the stimulation of creativity worldwide, by sufficiently protecting the moral and material interests of creators on the one hand, and providing access to the socio-economic and cultural benefits of such creativity worldwide on the other.

WIPO's cooperation for development program is closely interwoven with governmental and intergovernmental cooperation, including WIPO's agreement with the World Trade Organization (WTO), whereby WIPO assists developing countries in the implementation of WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights.

Legal problems may arise if another person has used copyright protected work without the copyright owner's (or holder's) permission. The UK Patent Office says:

Intellectual property (IP) crimes include counterfeiting and piracy. Counterfeiting is deliberate or willful trademark infringement and piracy is willful copyright infringement. Infringement means reproducing copyrighted work without permission from the IP owner.

If a trademark or copyright holder believes that another person has made unauthorized use of a trademark or copyright, then this may lead to a lawsuit, where one company takes another to court to enforce the trademark or copyright. The infringer, the person who has broken the copyright, may have to pay damages or compensation to the trademark holder, normally financial.

Most company websites include a page called terms and conditions or copyright information. Visitors to the site must agree to the terms and conditions. The terms and conditions usually contain what a visitor may download or take from the web page and post or upload to the web page, and a disclaimer to say the company is not legally responsible for the misuse of its web pages.

One of the most significant present-day tasks of WIPO is to demystify intellectual property, so that it is recognized as a part of everyday life not only by those directly involved in it at governmental, legal, industrial and cultural levels, but also by any others who compose civil society, whether in non-governmental organizations or small businesses, whether farmers, public health personnel, individual creators or simply interested members of the general public. Realizing the importance of small- and medium-sized enterprises (SMEs) is the backbone of market economies.

Some critics of intellectual property, such as those in the free culture movement, characterize it as intellectual protectionism or intellectual monopoly and argue that the public interest is harmed by protectionist legislation such as copyright extension, software patents and business method patents. Although the term is in wide use, some critics reject the term *intellectual property*.

The Consumer Protection Act is a law that protects the consumer from faulty or defective products, or products that are not as safe as they are generally expected to be. Consumers are legally entitled to goods of a satisfactory quality. Producers, suppliers and importers are liable for - that is, responsible for - the products they sell. Death, personal injury - involving physical damage to a person - and damage to private property are covered under the act.

Enforcement of the act - that is, making sure the act is respected - is the job of the trading standards officer. Businesses need to monitor and control their produce to make sure they are fulfilling, or carrying out, all safety regulations.

A central part of the law is product liability, which means that any person who is injured or physically hurt by a defective product does not have to prove a manufacturer negligent - that is, at fault - before suing, or taking the manufacturer to court.

*Exercise 64.* Answer the questions.

1. What is WIPO? 2. When was the "Convention Establishing the World Intellectual Property Organization" signed and when did it enter into force? 3. Give the definition of the term "intellectual property". 4. What is intellectual property divided into? 5. What does industrial property include? 6. What does copyright protect? 7. What does copyright protected work include? 8. What is the mission of WIPO? 9. What is WIPO's cooperation for development program closely interwoven with? 10. What is the difference between counterfeiting and piracy? 11. When may a company file a lawsuit? 12. What do most company websites include? 13. What is one of the most significant present-day tasks of WIPO? 14. Why do some critics give intellectual property a brush-off? 15. What is the Consumer Protection Act? 16. What is the job of the trading standards officer?

*Exercise 65.* Give Ukrainian equivalents:

to be signed; to enter into force; the origins go back to 1883; granted patent; copyright protected work; to complete a registration process; intellectual property (IP) crimes; to make unauthorized use; trademark infringement and piracy; to brake the copyright; to lead to a lawsuit; to pay damages or compensation; software patents; enforcement of the act; copyright holder.

*Exercise 66.* Give English equivalents:

інтелектуальна власність; Всесвітня організація інтелектуальної власності; винахід; надавати ексклюзивне право; надавати захист патентних прав; подовжувати строк патенту; захищати моральні та матеріальні інтереси винахідника; дозвіл власника авторських прав; міжнародна співпраця; малі та середні підприємства; бракована та неякісна продукція; юридично мати право

на; відповідальність за якість продукту.

*Exercise 67.* Make sentences using one part from each column.

1. Patent	must read and agree to the terms	renewed regularly.
2. Willful trademark	protection gives a company the exclusive	to a lawsuit.
3. A granted	copyright cannot be used without	right to market a product.
4. Visitors to the website	patent must be	permission.
5. Material that is subject to	infringement may lead	and conditions.

*Exercise 68.* Complete the newspaper report with the words in the box. and then match the problems (a-c) with the offered solutions (I-III).

<i>personal</i>	<i>damage</i>	<i>entitled</i>	<i>satisfactory</i>
<i>standards</i>	<i>product</i>	<i>enforcement</i>	

**Fight for Your Rights When a Deal Goes Wrong**

	<i>Which?</i> answers:
Stores do their best to part us from our cash, but they are not always as friendly if a (1)... is defective. We have teamed up with consumer to offer some help. a) The iron bought was faulty and I was given a replacement, but that also stopped working after a week. The shop has refused to exchange it, saying the second iron was a gift. Is this correct?	I) As you did not buy the machine yourself, you have to contract with the shop. But you can claim against the manufacturer under the Consumer Protection Act 1987 for (2)... to your house and any (3)... injury. Your parents, however, can claim for the machine from the retailer.
b) My parents bought us a washing machine as a present but it exploded when we were out. The smoke and fire damage is extensive. Who is responsible for this?	II) Try contacting the trading (4)... officer. He/she is responsible for (5)... of the Consumer Protection.
c) I have written many letters to a local supermarket after having found bits of glass in their fresh fruit. I still don't have a satisfactory response.	III) No, you are legally (6)... to goods of a (7)... quality.

*Exercise 69.* Translate the sentences into English.

1. „Конвенція про заснування Всесвітньої організації інтелектуальної власності” була підписана у Стокгольмі у 1967 і набула чинності у 1970. 2. Виданий патент надає патентний захист протягом 20 років. 3. Місія Всесвітньої організації інтелектуальної власності – сприяти через міжнародну співпрацю створенню, розповсюдженню, використанню та захисту інтелектуальної власності заради економічного, культурного та соціального прогресу всього людства. 4. Правові проблеми можуть виникнути у разі, якщо інша людина використала роботу, захищену авторським правом, без дозволу власника. 5. Порушник авторського права повинен сплатити збитки та компенсацію власнику авторського права. 6. Виробники, постачальники та імпортери відповідальні за продукт, який вони продають.

*Exercise 70.* Learn the following words and word combinations.

marketing environment	- маркетингове середовище
perspective	- теорія; концепція
supplier	- постачальник

machinery	- виробниче обладнання
management department	- управлінський відділ
research department	- інформаційно-аналітичний відділ
development department	- дослідницько-конструкторський відділ
purchasing department	- відділ матеріально-технічного забезпечення
operations department	- операційний відділ; відділ експлуатації
accounting department	- бухгалтерія
intermediary	- посередник
reseller	- посередник (фірма, що спеціалізується на оптових поставках та торговому посередництві)
impact	- вплив
financial publics	- фінансові кола
hinder	- заважати
obtain funds	- залучати кошти
level of credit	- рівень довіри
media publics	- контактна аудиторія засобів інформації
editorial	- настановча телепрограма
government publics	- державний сектор
legislation	- законодавство
citizen-action publics	- громадські групи впливу
environmental group	- „зелені”; група захисту навколишнього середовища
minority group	- національна меншіна
public spotlight	- центр громадської уваги
local public	- місцева спільнота
neighbourhood and community organizations	- місцеві та громадські організації
general public	- широка громадськість
internal public	- штатний персонал фірми

*Exercise 71.* Read, translate and give the gist of text 9.

### **Text 9. Microenvironment**

The *market environment* is a marketing term and refers to all of the forces outside of marketing that affect marketing management's ability to build and maintain successful relationships with target customers. The market environment consists of both the macro-environment and the microenvironment.

The *microenvironment* influences the organization directly. Micro tends to suggest small, but this can be misleading. In this context, micro describes the relationship between firms and the driving forces that control this relationship. It is a more local relationship, and the firm may exercise a degree of influence. It includes the company itself, its suppliers, marketing intermediaries, customer markets, competitors, and publics.

The company aspect of microenvironment refers to the internal environment of the company. This includes all departments, such as management, finance, research and development, purchasing, operations and accounting. Each of these departments has an impact on marketing decisions. For example, research and development have input as to the features a product can perform and accounting approves the financial side of marketing plans and budgets.

The suppliers of a company are also an important aspect of the microenvironment because even the slightest delay in receiving supplies can result in customer dissatisfaction. Marketing managers must watch supply availability and other trends dealing with suppliers to ensure that product will be delivered to customers in the time frame required in order to maintain a strong customer relationship.

Marketing intermediaries refer to resellers, physical distribution firms, marketing services agencies, and financial intermediaries. These are the people that help the company promote, sell, and distribute its products to final buyers. Resellers are those that hold and sell the company's product.

Physical distribution firms are places such as warehouses that store and transport the company's product from its origin to its destination. Marketing services agencies are companies that offer services such as conducting marketing research, advertising, and consulting. Financial intermediaries are institutions such as banks, credit companies and insurance companies.

Another aspect of microenvironment is the customers. There are different types of customer markets including consumer markets, business markets, government markets, international markets, and reseller markets. The consumer market is made up of individuals who buy goods and services for their own personal use or use in their household. Business markets include those that buy goods and services for use in producing their own products to sell. This is different from the reseller market which includes businesses that purchase goods to resell as is for a profit. These are the same companies mentioned as market intermediaries. The government market consists of government agencies that buy goods to produce public services or transfer goods to others who need them. International markets include buyers in other countries and includes customers from the previous categories.

Competitors are also a factor in the microenvironment and include companies with similar offerings for goods and services. To remain competitive a company must consider who their biggest competitors are while considering its own size and position in the industry. The company should develop a strategic advantage over their competitors.

The final aspect of the microenvironment is publics, which is any group that has an interest in or impact on the organization's ability to meet its goals. For example, financial publics can hinder a company's ability to obtain funds and affect the level of credit a company has. Media publics include newspapers and magazines that can publish articles of interest regarding the company and editorials that may influence customers' opinions. Government publics can affect the company by passing legislation and laws that put restrictions on the company's actions. Citizen-action publics include environmental groups and minority groups and can question the actions of a company and put them in the public spotlight. Local publics are neighbourhood and community organizations and will also question a company's impact on the local area and the level of responsibility of their actions. The general public can affect the company as any change in their attitude, whether positive or negative, can cause sales to go up or down because the general public is often the company's customer base. And finally, the internal publics include all those who are employed within the company and deal with the organization and construction of the company's product.

*Exercise 72.* Answer the questions.

1. What does the market environment refer to? What are its elements? 2. What is microenvironment and what company departments does it include? 3. Why are the suppliers of a company an important aspect of the microenvironment? 4. What are marketing intermediaries? 5. What is the difference between resellers, physical distribution firms, marketing services agencies, and financial intermediaries? 6. What are the types of customer markets? Describe each of them. 7. What are competitors? 8. What is the final aspect of the microenvironment? What groups does it include?

*Exercise 73.* Match the terms to their definitions.

- |                                |  |
|--------------------------------|--|
| 1. supplier                    | a) those that hold and sell the company's product  |
| 2. reseller                    | b) places such as warehouses that store and transport the company's product from its origin to its destination |
| 3. marketing intermediaries    | c) companies with similar offerings for goods and services   |
| 4. physical distribution firms | d) any group that has an interest in or impact on the organization's ability to meet its goals                 |
| 5. marketing services agency   | e) resellers, physical distribution firms, marketing services agencies, and financial intermediaries           |

6. financial intermediaries	f) a company which supplies products or services to another company
7. consumer market	g) institutions such as banks, credit companies and insurance companies
8. competitors	h) internal environment of the company
9. publics	i) companies that offer services such as conducting marketing research, advertising, and consulting
10. company aspect	j) individuals who buy goods and services for their own personal use or use in their household

*Exercise 74.* Give Ukrainian equivalents:

target customers; to influence the organization directly; research department; accounting department; to have an impact on marketing decisions; to result in customer dissatisfaction; to promote, sell, and distribute product; international market; market intermediary; to remain competitive; level of credit; to put restrictions on the company's actions; neighbourhood and community organizations.

*Exercise 75.* Give English equivalents:

будувати та підтримувати стосунки; рушійна сила; маркетинговий посередник; конкурент; управлінський відділ; відділ матеріально-технічного забезпечення; маркетингове агентство; склад; перевозити продукт від місця походження до місця призначення; ринок клієнтів; споживчий ринок; державний ринок; досягати цілей; фінансові кола; контактна аудиторія засобів інформації; цікаві статті.

*Exercise 76.* Put questions on the underlined words.

1. The microenvironment influences the organization directly. 2. Marketing intermediaries refer to resellers, physical distribution firms, marketing services agencies, and financial intermediaries. 3. Citizen-action publics include environmental groups and minority groups. 4. The company should develop a strategic advantage over their competitors. 5. The market environment consists of both the macroenvironment and the microenvironment.

*Exercise 77.* Learn the following words and word combinations.

baby boomer	- бебі-бумер (дитина, що народилася під час післявоєнного демографічного вибуху)
purchasing power	- купівельна спроможність
raw materials	- сировина
intervention	- втручання
surgery	- хірургія
nuclear missiles	- ядерні ракети
update	- поновлювати
restriction	- обмеження
subliminal message	- звернення, спрямоване на підсвідомість
core beliefs	- основні переконання
secondary beliefs	- вторинні переконання

*Exercise 78.* Read, translate and give the gist of text 10.

### **Text 10. Macro environment**

*The macro environment* refers to all forces that are part of the larger society and affect the microenvironment. It includes concepts such as demography, economy, natural forces, technology, politics, and culture.

Demography refers to studying human populations in terms of size, density, location, age, gender, race, and occupation. This is a very important factor to study for marketers and helps to divide the population into market segments and target markets. An example of demography is classifying groups of people according to the year they were born. These classifications can be referred to as baby boomers, who are born between 1946 and 1964, generation X, who are born between 1965 and 1976, and generation Y, who are born between 1977 and 1994. Each classification has different characteristics. This can be beneficial to a marketer as they can decide who their product would benefit most and tailor their marketing plan to attract that segment. Demography covers many aspects that are important to marketers including family dynamics, geographic shifts, and work force changes in any given area.



Another aspect of the macro-environment is the economic environment. This refers to the purchasing power of potential customers and the ways in which people spend their money.

The natural environment is another important factor of the macro-environment. This includes the natural resources that a company uses. The concern in this area is the increased pollution, shortages of raw materials and increased governmental intervention. As raw materials become scarcer, the ability to create a company's product gets much harder. Also, pollution can negatively affect a company's reputation if a company is known for damaging the environment. The last concern, government intervention can make it increasingly harder for a company to fulfil their goals as requirements get stricter.

The technological environment is perhaps one of the fastest changing factors in the macro-environment. This includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. As these markets develop it can create new markets and new uses for products. It also requires a company to update their own technology as it becomes outdated.

The political environment includes all laws, government agencies, and groups that influence or limit other organizations and individuals within a society. It is important for marketers to be aware of these restrictions as they can be complex. Some products are regulated by both state and federal laws. There are even restrictions for some products as to who the target market may be, for example, cigarettes should not be marketed to younger children. There are also many restrictions on subliminal messages and monopolies. As laws and regulations change often, this is a very important aspect for a marketer to monitor.

The final aspect of the macro-environment is the cultural environment, which consists of basic values and beliefs of a group of people. The values can also be further categorized into core beliefs, which passed on from generation to generation and very difficult to change, and secondary beliefs, which tend to be easier to influence. As a marketer, it is important to know the difference between the two and to focus your marketing campaign to reflect the values of a target audience.

*Exercise 79.* Answer the questions.

1. What does the market environment refer to? What concepts does it include? 2. What is demography? Give examples of demography. 3. What is economic environment? 4. What does natural environment involve and what is the concern in this area? 5. What are the fastest changing factors in the macro-environment? What developments does it include? 6. What are the constituents of political environment? 7. What is cultural environment?

*Exercise 80.* Give Ukrainian equivalents:

gender; shortages of raw materials; become scarcer; to fulfil the goals; restrictions on subliminal messages and monopolies; marketer; to reflect the values of a target audience.

*Exercise 81.* Give English equivalents:

купівельна спроможність; державне втручання; усвідомлювати; основні переконання; географічні переміщення.

*Exercise 82.* Match market segments divided according to age groups to their definitions.

- |                      |  |
|----------------------|--|
| 1) the silver market | a) born after Generation X                       |
| 2) baby boomers      | b) born after baby boomers                       |
| 3) Generation X      | c) twenty to twenty-nine years old               |
| 4) Generation Y      | d) eight to twelve years old                     |
| 5) Generation Z      | e) born between 1946-1964                        |
| 6) twentysomethings  | f) thirteen to nineteen years old                |
| 7) teens             | g) seniors over 70 years old                     |
| 8) tweens            | h) born between the mid-1990s and the late 2000s |

*Exercise 83.* Learn the following words and word combinations.

- |                          |                                  |
|--------------------------|----------------------------------|
| solicitor                | - адвокат                        |
| tax preparation services | - послуги із розрахунку податків |
| tangible                 | - матеріальний                   |

durable product	- товари тривалого терміну використання
shopping habit	- купівельні звички
convenience products	- товари повсякденного вжитку
shopping products	- товари попереднього вибору
specialty products	- товари особливого попиту
unsought product	- товари пасивного попиту (про купівлю яких зазвичай не думають)
staples	- найважливіші товари; предмети першої необхідності
impulse goods	- товари імпульсивного придбання
emergency goods	- товари для екстрених випадків
household appliances	- побутова техніка
brand identification	- ідентифікація торгової марки
luxury goods	- предмети розкоші
life insurance	- страхування життя
home security systems	- домашня система безпеки
blood donation	- донорство крові

*Exercise 84.* Read, translate and give the gist of text 11.

### **Text 11. Product-classification. Consumer products**

Pair of Adidas trainers, a Volvo truck, a Nokia mobile telephone, a haircut, a concert, a EuroDisney vacation, advice from a solicitor and tax preparation services are all products. We define a **product** as anything that is offered to a market for attention, acquisition, use or consumption and that might satisfy a want or need. Products include more than just tangible goods. Broadly defined, products include physical objects, services, persons, places, organizations or ideas.

Services are products that consist of activities, benefits or satisfactions that are offered for sale, such as haircuts, tax preparation and home repairs. Services are intangible and do not result in the ownership of anything.

Let us explain several product-classification schemes. Products can be classified according to their durability and tangibility. **Non-durable products** are goods that are normally consumed quickly and used on one or a few usage occasions, such as beer, soap and food products. **Durable products** are products used over an extended period of time and normally survive for many years. Examples are refrigerators, cars and furniture. **Services** are activities, benefits and satisfactions offered for sale which are essentially intangible and do not result in the ownership of anything. Examples include haircuts, holiday packages and banking services. Marketers have also divided products and services into two broad classes based on the types of customers that use them - consumer products and industrial products.

**Consumer products** are those bought by final consumers for personal consumption. Marketers usually classify these goods based on consumer *shopping habits*. Consumer products include *convenience products*, *shopping products*, *specialty products* and *unsought products*. These products differ in the way consumers buy them, so they differ in how they are marketed.

*Convenience products* are consumer goods and services that the consumer usually buys frequently, immediately and with a minimum of comparison and buying effort. They are usually low priced and widely available. Examples are soap, sweets and newspapers. Convenience goods can be divided further into *staples*, *impulse goods* and *emergency goods*.

*Staples* are goods that consumers buy on a regular basis, such as milk, toothpaste or bread. *Impulse goods* are purchased with little planning or search effort. These goods are normally available in many places. Thus chocolate bars and magazines are placed next to checkout counters because shoppers may not otherwise think of buying them. *Emergency products* are purchased when a need is urgent - umbrellas during a rainstorm, or boots and shovels during the year's first snowstorm. Manufacturers of emergency goods will place them in many outlets to make them readily available when the customer needs them.

*Shopping products* are less frequently purchased and consumers spend considerable time and effort gathering information and comparing alternative brands carefully on suitability, quality, price and style. Examples of shopping products are furniture, clothing, used cars and major household appliances.

*Specialty products* are consumer goods with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort. Examples are specific brands

and types of car, high-priced photographic equipment, and luxury goods. They invest only the time needed to reach dealers carrying the wanted products. Although these dealers do not need convenient locations, they must still let buyers know where to find them.

*Unsought products* are consumer goods that the consumer either does not know about or knows about but does not normally think of buying. Most major innovations are unsought until the consumer becomes aware of them through advertising. Other examples of known but unsought goods are life insurance, home security systems and blood donations to the Red Cross. By their very nature, unsought goods require a lot of advertising, personal selling and other marketing efforts.

*Exercise 85.* Answer the questions.

1. What is a product? 2. How can services be defined? 3. How can products be classified? 4. What is the difference between durable and non-durable products? 5. What two broad classes have marketers divided products and services into? 6. What are consumer products? What do consumer products include? 7. What are convenience products? What can convenience products be divided into? 8. What are definitions of the following terms: “shopping products”, “specialty products” and “unsought products”?

*Exercise 86.* Give Ukrainian equivalents:

acquisition; non-durable products; ownership; shopping products; emergency goods; to purchase with little planning or search effort; for personal consumption; to be widely available; to compare alternative brands on price.

*Exercise 87.* Give English equivalents:

матеріальні товари; товари повсякденного вжитку; товари імпульсивного придбання; зручне розміщення; страхування життя; строк використання; послуги із розрахунку податків.

*Exercise 88.* Read and learn word combinations with 'goods' and 'products'.

convenience goods / fast moving consumer goods	= products with a high turnover and relatively low price, such as table salt or shampoo
white goods	= major household electrical goods which are usually white, such as freezers, washing machines and dishwashers
brown goods	= major household electrical goods that are not usually white, such as camcorders, televisions and DVD players
perishable goods	= goods that have a limited shelf life and must be consumed relatively quickly, such as fresh fruit, fresh meat and eggs
durable / hard goods	= goods that last for a long time - they cannot be easily worn out or used up, such as cars, furniture and white goods
nondurable / soft goods	= goods that are used up or last for less than three years -for example, perishable goods, consumable supplies such as CD ROMs, or ink for a printer
green products	= products that are not harmful for the environment
generic products	= products sold without a brand name, usually in a supermarket or in a pharmacy as alternatives to brand name drugs
healthcare products	= products that are beneficial for your health and well-being - for example, vitamins and plasters

*Exercise 89.* Match the word combinations from Ex.88 with words below.

- 1) syringe
- 2) TV set
- 3) bread
- 4) washing powder that is not harmful to the environment
- 5) ink for printer
- 6) car
- 7) washing machine
- 8) toilet paper

*Exercise 90.* Make word combinations with goods and products using the words from the box.

brown	convenience	hard	healthcare
nondurable	perishable	white	green

*Exercise 91.* Learn the following words and word combinations.

conduct a business	- вести справу
capital items	- засоби виробництва
supplies and services	- допоміжні матеріали та послуги
materials and parts	- матеріали та комплектуючі
further processing	- подальша обробка
manufactured materials	- напівфабрикати
timber	- деревина
crude petroleum	- сира нафта
turn over	- передавати
intermediary	- посередник
natural product	- натуральний продукт
bulk	- маса; об'єм
unit value	- вартість одиниці товару
industrial user	- промисловий споживач
yarn	- волокно
component material	- складовий матеріал; компонент
component part	- комплектуючий виріб
pig iron	- чавун
installations	- споруди
accessory equipment	- комплектуюче ( допоміжне ) обладнання
fixed equipment	- вмонтоване ( стаціонарне ) обладнання
drill press	- перфоратор
lift truck	- автотранспортувач
operating supplies	- виробничі матеріали
repair and maintenance items	- засоби техобслуговування та ремонту
lubricant	- змащувальний матеріал
business services	- підприємницькі послуги
business advisory services	- служба ділових консультацій
maintenance services	- ремонтні послуги

*Exercise 92.* Read, translate and give the gist of text 2.

### **Text 12. Industrial Products.**

**Industrial products** are those bought for further processing or for use in conducting a business. Thus the distinction between a consumer product and an industrial product is based on the purpose for which the product is purchased. If a consumer buys a lawn mower for home use, the lawn mower is a consumer product. If the same consumer buys the same lawn mower to use in a landscaping business, the

lawn mower is an industrial product.

There are three groups of industrial product: *materials and parts*, *capital items* and *supplies and services*.

*Materials and parts* are industrial goods that become a part of the buyer's product, through further processing or as components. They include raw materials and manufactured materials and parts.

*Raw materials* include farm products (wheat, cotton, livestock, fruits, vegetables) and natural products (fish, timber, crude petroleum, iron ore). Farm products are supplied by many small producers, which turn them over to marketing intermediaries that process and sell them. Natural products usually have great bulk and low unit value, and require a lot of transportation to move them from producer to user. They are supplied by fewer and larger producers, which market them directly to industrial users.

*Manufactured materials and parts* include component materials (iron, yarn, cement, wires) and component parts (small motors, tires). Component materials are usually processed further - for example, pig iron is made into steel, and yarn is woven into cloth. Component parts enter the finished product with no further change in form, as when Electrolux puts small motors into its vacuum cleaners and Volvo adds tires to its automobiles. Most manufactured materials and parts are sold directly to industrial users. Price and service are the most significant marketing factors, and branding and advertising tend to be less important.

*Capital items* are industrial products that help in the buyers' production or operations. They include installations and accessory equipment. *Installations* consist of buildings (factories, offices) and fixed equipment (generators, drill presses, large computers, lifts). Because installations are substantial purchases, they are usually bought directly from the producer after a long decision period. *Accessory equipment* includes portable factory equipment and tools (hand tools, lift trucks) and office equipment (fax machines, desks). These products do not become part of the finished product. They have a shorter life than installations and simply aid in the production process. Most sellers of accessory equipment use intermediaries because the market is spread out geographically, the buyers are numerous and the orders are small.

*Supplies and services* are industrial products that do not enter the finished product at all. *Supplies* include operating supplies (lubricants, coal, computer paper, pencils) and repair and maintenance items (paint, nails, brooms). Supplies are the convenience goods of the industrial field because they are usually purchased with a minimum of effort or comparison. *Business services* include maintenance and repair services (window cleaning, computer repair) and business advisory services (legal, management consulting, advertising). These services are usually supplied under contract. *Maintenance services* are often provided by small producers, and repair services are often available from the manufacturers of the original equipment.

*Exercise 93.* Answer the questions.

1. What is industrial product? 2. What are the groups of industrial products? 3. What are materials and parts and what do they include? 4. What do raw materials consist of? 5. What do component materials and component parts have in common and what makes them different? 6. What are capital items and what do they include? 7. What is the function of accessory equipment? 8. What are constituents of supplies and services?

*Exercise 94.* Give Ukrainian equivalents:

further processing; materials and parts; have great bulk; vacuum cleaner; branding and advertising; finished product; lubricant; maintenance services; to supply under contract.

*Exercise 95.* Give English equivalents:

комерційна діяльність з благоустрою території; допоміжні матеріали та послуги; сировина; низька вартість одиниці товару; комплектуючий виріб; портативне заводське обладнання; ручні інструменти; допоміжні матеріали та послуги; послуги з управління.

*Exercise 96.* Match the groups of industrial product with the words below.

1. Component parts
2. Farm products
3. Buildings
4. Natural products
5. Fixed equipment

6. Tools
7. Office equipment
8. Operating supplies
9. Maintenance items
10. Maintenance and repair services
11. Advisory services

Wheat, offices, generators, desks, window cleaning, iron, fruits, vegetables, tires, factories, crude petroleum, paint, cotton, hand tools, iron ore, wires, nails, drill presses, large computers, lifts, advertising, lift trucks, fax machines, cement, lubricants, livestock, timber, computer paper, small motors, pencils, brooms, yarn, management consulting, fish, computer repair.

*Exercise 97.* Learn the following words and word combinations.

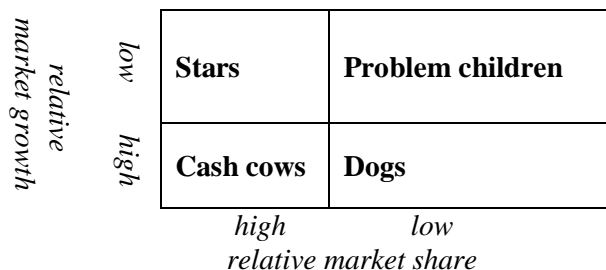
Product Life Cycle (PLC)	- життєвий цикл товару
introduction	- вихід товару ( на ринок)
growth	- розвиток; зростання
maturity	- зрілість; високий рівень розвитку
decline	- падіння; занепад
devise	- розробляти
planning tool	- засіб планування
allocate money	- розподіляти гроші
relative market share	- відносна доля на ринку
market growth rate	- показник ринкового росту
plot against	- визначати в залежності від
product launch	- випуск нового продукту
consume resources	- споживати ресурси
profitable	- прибутковий
saturated market	- насичений ринок
cash flow	- потік готівки
cash cow	- грошова корова ( товар, що приносить великі грошові надходження)

*Exercise 98.* Read, translate and give the gist of text 13.

### Text 13. Product Life Cycle

*The Product Life Cycle (PLC)* is based upon the biological life cycle. For example, a seed is planted (introduction); it begins to sprout (growth); it shoots out leaves and puts down roots as it becomes an adult (maturity); after a long period as an adult the plant begins to shrink and die out (decline). In theory it's the same for a product. After a period of development it is introduced or launched into the market; it gains more and more customers as it grows; eventually the market stabilises and the product becomes mature; then after a period of time the product is overtaken by development and the introduction of superior competitors, it goes into decline and is eventually withdrawn.

The Boston Consulting Group Matrix was devised in the 1970s as a planning tool for marketers to help them analyze their product lines and decide where to allocate money. Market growth rate, the speed at which the market is expanding, is plotted against relative market share - the percentage of consumers in the market that buy your service or product. Products or services have either high or low market growth rates or relative market shares. In the Matrix, products or services are divided into four different types. They relate to four stages in the product life cycle (PLC).



*Product Launch: Problem children* are products or services that are not yet established, or well known, in the market. They will consume resources - for example, time or money - before giving a return on investment (ROI). This *introduction stage* is characterized by high costs, slow sales volumes, little or no competition. In some cases these products or services may never be profitable - make the company money - especially if they are in a slow-growing business sector or a saturated market, such as diet drinks or the mobile phone market.

*Growth: Stars* have both high market growth rate and high relative market share. These products or services are probable in a fast-growing business sector. They generate high cash flows, but are not always profitable. Profitability depends on the amount invested in the star.

*Maturity: Cash cows* have high relative market share, but little market growth. They are products or services that consumers know, trust and consume. They generate profit as they don't need much investment. They can be used to feed research and development for other products

*Decline: Dogs* are products or services that have low relative market share and low market growth. They consume resources and do not create profit. They may generate a negative cash flow - that is, they make a loss. The best course of action is to raise prices to maximize income, known as harvesting, before finally dropping the line - taking the product or service off the market.

How do companies decide what to sell? There are four paths:

1. Selling something that already exists.
2. Making something that someone asks for.
3. Anticipating something that someone will ask for.
4. Making something that no one asked for but that will give buyers great delight.

The last path involves much higher risk but the chance of much higher gain.

*Exercise 99.* Answer the questions.

1. Why is the Product Life Cycle (PLC) compared with the biological life cycle?
2. What was the Boston Consulting Group Matrix devised for?
3. How many types are products or services divided into in the Matrix?
4. What are the stages and their characteristics?
5. What are four paths for companies to decide what to sell?

*Exercise 100.* Give Ukrainian equivalents:

biological life cycle; to sprout; to shoot out leaves; to shrink; to launch into the market; superior competitor; percentage of consumers; little or no competition; to raise prices; to maximize income; harvesting; to allocate money; maturity; introduction.

*Exercise 101.* Give English equivalents:

ставати дорослим; розширювати; життєвий цикл товару; прибутковий; швидко зростаючий комерційний сектор; приносити прибуток; повернення від інвестицій; споживати ресурси; від'ємний потік готівки; показник ринкового росту; засіб планування; насичений ринок.

*Exercise 102.* Complete the text with the words in the box.

advertising budgets	making a loss
consumer tastes	reaches saturation
differentiate products	similar offerings
early adopters	withdrawn from the market

The classic product life cycle is Introduction, Growth, Maturity and Decline. In the Introduction stage the product is promoted to create awareness. It has low sales and will still be (1) ... If the product has few competitors, a skimming price strategy can be used (a high price for (2) ... which is then gradually lowered). In the Growth phase sales are rising rapidly and profits are high. However, competitors are attracted to the market with (3) ... The market is characterized by alliances, joint ventures and takeovers. (4)... are large and focus on building the brand. In the Maturity phase sales growth slows and then stabilizes. Producers attempt to (5) and brands are key to this. Price wars and competition occur as the market (6) ... In the Decline phase there is a downturn in the market. The product is starting to look old-fashioned or (7) ... have changed. There is intense price-cutting and many products are (8) ...

*Exercise 103.* Complete the sentences with proper prepositions.

1. The Boston Consulting Group Matrix was devised ... the 1970s as a planning tool ... marketers

to help them analyze their product lines and decide where to allocate money. 2. The Product Life Cycle (PLC) is based ... the biological life cycle. 3. ... some cases these products or services may never be profitable. 4. The best course ... action is to raise prices to maximize income, known as harvesting, ... finally dropping the line - taking the product or service ... the market. 5. This introduction stage is characterized ... high costs, slow sales volumes, little or no competition. 6. They will consume resources - ... example, time or money - ... giving a return ... investment (ROI).

*Exercise 112.* Learn the following words and word combinations.

local utility	- місцеві комунальне підприємство
interest	- відсоток
guest lecturer	- запрошений лектор
government official	- державний службовець
take a bribe	- брати хабар
shady character	- підозріла особа
retainer	- попередній гонорар
bargain	- торгуватися
commodity product	-
produce revenue	- приносити прибуток
fixed costs	- постійні витрати
variable costs	- змінні витрати
pure competition	- чиста конкуренція
produce good revenue	- приносити хороший дохід
yield a 'fair return'	- приносити хороший прибуток

*Exercise 113.* Read, translate and give the gist of text 15.

### Text 15. Price

Price is all around us. You pay *rent* for your apartment, *tuition* for your education and *fee* to your physician or dentist. The airline, railway, taxi and bus companies charge you a *fare*; the local utilities call their price a *rate*; and the local bank charges you *interest* for the money you borrow. The guest lecturer charges an *honorarium* to tell you about a government official who took a bribe to help a shady character steal *dues* collected by a trade association. Clubs or societies to which you belong may make a special *assessment* to pay unusual expenses. Your regular lawyer may ask for a *retainer* to cover her services. The 'price' of an executive is a *salary*, the price of a salesperson may be a *commission* and the price of a worker is a *wage*. Finally, although economists would disagree, many of us feel that *income taxes* are the price we pay for the privilege of making money.

In the narrowest sense, price is the amount of money charged for a product or service. More broadly, price is the sum of all the values that consumers exchange for the benefits of having or using the product or service.

How are prices set? Historically, prices were usually set by buyers and sellers bargaining with each other. Sellers would ask for a higher price than they expected to get and buyers would offer less than they expected to pay. Through bargaining, they would arrive at an acceptable price. Individual buyers paid different prices for the same products, depending on their needs and bargaining skills.

Historically, price has been the most significant factor affecting buyer's choice. This is still true in poorer nations, among poorer groups and with commodity products. However, non-price factors have become more important in buyer's choice behavior in recent decades.

Price is the only element in the marketing mix that produces revenue; all other elements represent costs. Price is also one of the most flexibly elements of the marketing mix. Price can be changed quickly. At the same time, pricing and price competition is the no.1 problem facing many marketing executives.

The marketer must consider the total marketing mix when setting prices. Costs set the floor for the price that the company can charge for its product. The company wants to charge a price that both covers all its costs for producing, distributing, selling the product and produce good revenue. A company's costs may be an important element in its pricing strategy. Many companies work to become the 'low-cost producers' in their industries. Companies with lower costs can set lower prices that result in greater sales and profits.

TYPES OF COSTS: *fixed* and *variable*. Fixed costs (also known as overhead) are costs that do not



vary with production or sales level. For example, a company must pay each month's bills for rent, heat, interest and executive salaries, whatever the company's output.

Variable costs vary directly with the level of production. Each personal computer produced by Compaq involves a cost of computer chips, wires, plastic, packaging and other inputs. These costs tend to be the same for each unit produced. They are called variable because their total varies with the number of units produced.

There are some external factors that affect pricing decisions. They include the nature of the market and demand, competition and other environmental elements. The seller's pricing freedom varies with different types of market:

1) **Pure competition** is a market in which there are many potential and actual buyers and sellers, each being too small to be an individual influence on the price; there are no barriers to entry or exit; and the products being traded are identical (e.g. salt, milk). At the same time, the producers are seeking the maximum profit and consumers the best value for money.

2) **Monopolistic competition** is a market in which there are many producers and many consumers in a given market, and no business has total control over the market price. Consumers perceive that there are non-price differences among the competitors' products. There are few barriers to entry and exit. Producers have a degree of control over price. The characteristics of a monopolistically competitive market are almost the same as in **pure competition**, with the exception of heterogeneous products, and that monopolistic competition involves a great deal of non-price competition (the physical product can be varied in quality, features or style, or the accompanying services can be varied).

3) Under **oligopolistic competition**, the market consists of a few sellers that are highly sensitive to each other's pricing and marketing strategies. The product can be uniform (steel, aluminium) or non-uniform (cars, computers). There are few-sellers because it is difficult for new sellers to enter the market.

4) In a **pure monopoly**, the market consists of one seller. The seller may be a *government monopoly* (a Postal Service), a *private regulated monopoly* (a power company) or a *private non-regulated monopoly* (Microsoft with DOS and Windows). Pricing is handled differently in each case. A government monopoly can have a variety of pricing objectives. It might set a price below cost because the product is important to buyers who cannot afford to pay full cost. Or the price might be set either to cover costs or to produce good revenue. It can even be set quite high to slow down consumption. In a regulated monopoly, the government permits the company to set rates that will yield a 'fair return', one that will let the company maintain and expand its operations as needed. Non-regulated monopolies are free to price at what the market will bear. However, they do not always charge the full price for a number of reasons: for example, a desire not to attract competition, a desire to penetrate the market faster with a low price, or a fear of government regulation.

*Exercise 114.* Answer the questions.

1. Why is price all around us? 2. What is price? 3. How were prices historically set? 4. What differentiates price from other elements in the marketing mix? 5. Why may a company's costs be an important element in its pricing strategy? 6. What are two forms of a company's costs? 7. What are external factors that affect pricing decisions? 8. What is pure competition? 9. What are characteristics of monopolistic competition? 10. What is oligopolistic competition? 11. What are the types of a pure monopoly?

*Exercise 115.* Give Ukrainian equivalents:

to charge a fare; fee; rate; honorarium; government official; to steal dues; to pay unusual expenses; salary; wage; salesperson; to make money; to set a price; to arrive at an acceptable price; to affect buyer's choice; non-price factors; to produce revenue; pure competition; to seek the maximum profit; barriers to entry and exit; to have a degree of control over price; to enter the market; oligopolistic competition; pricing objectives; to afford to pay full cost; to cover costs.

*Exercise 116.* Give English equivalents:

плата за навчання; місцеве комунальне підприємство; нараховувати відсотки; запрошений лектор; брати хабар; підозріла особа; внесок; попередній гонорар; комісійні; податок на прибуток; торгуватися; протягом останніх десятиліть; виробник з низькими витратами виробництва; постійні витрати; змінні витрати; попит; найкраще співвідношення ціни та якості; монополістична конкуренція; гетерогенні (неоднорідні) товари; бути різним за якістю; встановлювати ціну нижчу за собівартість; приносити гарний прибуток.

*Exercise 117.* Match the marketing terms to their definitions.

- |                              |  |
|------------------------------|--|
| 1. competitor                | a) any organisation that offers the same, a similar, or a substitute product or service in the field of endeavour in which a company operates  |
| 2. variable costs            | b) the ability and desire to purchase goods and services   |
| 3. oligopolistic competition | c) a market in which one company has control over the entire market for a product, usually because of a barrier to entry such as a technology only available to that company                               |
| 4. supply                    | d) offering goods and services for sale  |
| 5. financing                 | e) business expenses that are not dependent on the activities of the business and capital  |
| 6. pure competition          | f) business expenses that change in proportion to the activity of a business   |
| 7. demand                    | g) the commercial activity of providing funds  |
| 8. pure monopoly             | i) a market form in which a market or industry is dominated by a small number of sellers   |
| 9. fixed costs               | j) a market characterized by a large number of independent sellers of standardized products, free flow of information, and free entry and exit. Each seller is a "price taker" rather than a "price maker" |

*Exercise 118.* Complete the sentences.

1. Fixed costs (also known as overhead) are costs that ...
2. Monopolistic competition is a market in which ...
3. In a pure monopoly, the market consists of ...
4. Under oligopolistic competition, the market consists of ...
5. In the narrowest sense, price is ...
6. Variable costs vary directly with ...