

# TOPICS IN BUSINESS ENGLISH

BILJANA NAUMOSKA - SARAKINSKA  
ANETA NAUMOSKA



SECOND EDITION

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**SECOND EDITION**

SKOPJE, 2023



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# *Foreword*

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*Topics in Business English* is a course book written and intended for students at the Faculty of Economy in Skopje, who have chosen the course Business English. These are students who understand the importance of being fluent in English in the 21st century, and who wish to deepen their knowledge and understanding of it.

The course book has been tailored to meet the needs of these students, and has been designed based on the authors' lengthy teaching experience, especially at the Faculty of Economy in Skopje.

The course book consists of 20 chapters dealing with various concepts and topics in business and economy, and each chapter is further sub-divided into several main sections, such as reading and vocabulary, which consists of various business texts for analysis, discussion points, as well as an assignment; grammar / writing, which deals with various (grammatical) forms and constructions, with explanations and examples, followed by a set of exercises; practice and revision, which consists of a variety of exercises, as well as texts for translation. Though the chapters are individual in that they all stand alone, there is also a unity to them, as a whole.

The Reference section at the end consists of a bibliography segment, which provides an overview of significant books that have been consulted in the writing of this course book, as well as a detailed list of online sources for further reading for each chapter.

A noteworthy addition to both English and Macedonian, as well as an invaluable tool for students is the first business dictionary mobile app ([www.macengdictionary.com](http://www.macengdictionary.com)): a bilingual dictionary which includes over 11,000 dictionary entries from numerous fields, such as banking, finance, HR, insurance, investments, marketing, sales, etc.

The level of English this course book maintains is that of B2/C1, in accordance with the CEFR. Students will further develop their core skills in fluency, reading, speaking and writing through the application of linguistic principles. A good basis of general English is necessary in order for students to be able to communicate effectively; this course book, however, focuses on particular vocabulary, topics, and language skills that are applicable to the work-

place and that enable students to communicate accurately so as to form effective and productive working relationships.

This course book has been created with great care to meet the needs of its users, and the authors sincerely hope that that is what it will ultimately achieve. Of course, we are very grateful for all the help and encouragement received in the preparation of this work, and we take all responsibility for any mistakes that might have inadvertently made their way into the final version.

Biljana Naumoska-Sarakinska, PhD

Aneta Naumoska, PhD

# *Chapter 1*

## *Economy 101: basics of economics*

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### *1. Reading and vocabulary*

RELATED TOPICS: introduction; fundamental concepts of economics; economic systems.

#### **Introduction**

*Economics* can generally be explained as a study of the use of resources under specific limits, connected by the idea that the subject studied is a rational entity which aims to improve its overall well-being. It is seen as a social science because it uses scientific methods to build theories that can help explain the behavior of individuals, groups and organizations.

Historically speaking, economics existed as a branch of philosophy for a long time, but eventually it became separate in 1776 with Adam Smith, who is widely seen as the founder of economics. He wrote “The Wealth of Nations”, which is considered to mark the beginning of classical economics. Even though Adam Smith is often called ‘the father of economics’, he was, in fact, inspired by French writers who shared his hatred of *mercantilism*. Thus, classical economics is widely seen as the first modern school of economic thought, and, besides Adam Smith, other key names that are important in its development are David Ricardo, Thomas Malthus and John Stuart Mill.

Two further sub-divisions have evolved within the study of economics - *microeconomics*, which deals with entities and the interaction between those entities, and *macroeconomics*, which deals with the entire economy as a whole. Micro- and macroeconomics are intertwined; as economists gain an understanding of certain phenomena, they can help in making informed decisions in terms of dividing up resources.

Microeconomics, specifically, studies the level of the individual and the firms within the economy. By studying and analyzing certain aspects of human behavior, microeconomics can be used to show how individuals and firms respond to changes in price, and why they demand what they do at particular price levels. Microeconomics tries to explain how and why different

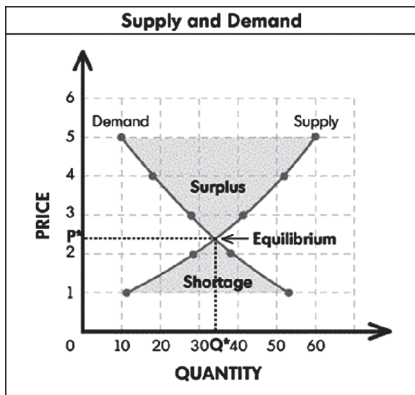
goods command different values, how individuals make financial decisions, and how individuals best coordinate and cooperate with one another.

Macroeconomics, on the other hand, looks at the economy on a national and international level, it examines the total output of a nation (also known as the GDP), and the way the nation distributes its limited resources of land, labor supply and capital; it is about the economy in general. Macroeconomics is concerned with international trade, a nation's fiscal and monetary policy, the level of inflation and interest rates, national unemployment, and more.

## Fundamental Concepts of Economics

### Supply and Demand

Supply and demand is perhaps one of the most fundamental concepts of economics, and it is the foundation of a market economy. In fact, the supply-demand relationship is perhaps one of the most important in economics, and it provides a fundamental framework in which to evaluate the actions of an economy.



Demand refers to how much of a product or service is desired by buyers. The quantity demanded is the amount of a product people are willing to buy at a certain price; the relationship between price and quantity demanded is known as the demand relationship.

Supply represents how much the market can offer. The quantity supplied refers to the amount of a certain good producers are willing to supply when receiving a certain price.

The relationship between price and how much of a good or service is supplied to the market is known as the supply relationship. Price, thus, is a reflection of supply and demand; it is a result of the constant tug-of-war between the demand and supply.

So, the higher the price is, the lower the demand will be from the consumer (to save up for other purchases). Also, the higher the price is, the higher the supply will be from the manufacturers (make hay while the sun shines!). The former is called the law of demand, and latter is called the law of supply.

In this context, another important concept is that of time, especially in the case of entities in a competition to serve the consumers. Stock-outs are

no good for a supplier since that affects the brand and the consumer can move elsewhere.

If there is a higher demand, the producers have to discover the reason for that demand first (seasonal, increasing trend) so they can react quickly, to get the market, and keep the existing customers. The stable state of balance in an economic system makes the economy efficient, the suppliers are moving their goods, and the consumers are getting what they are demanding. However, the point of balance is hard to identify, and it changes all the time.

### Wealth and Types of Wealth

Economics is categorized as a social science which deals with the production, distribution, and consumption of goods and services. It studies how scarce (insufficient) resources are used to satisfy the wants of consumers. Economics also deals with the distribution of wealth. In fact, *wealth* is another fundamental concept when dealing with economics.

In common use, the term *wealth* means money, property, gold, etc. But in economics it is used to describe all things that have value. For a commodity to be called wealth, it must possess utility, scarcity and transferability. If it lacks even one quality, it cannot be termed as wealth.

Wealth may be of the following types: 1. *Individual Wealth* - wealth owned by an individual is called private or individual wealth, such as a car, house, company, etc.; 2. *Social Wealth* - goods which are owned by the society are called social or collective wealth, such as schools, colleges, roads, canals, mines, forests, etc.; 3. *National or Real Wealth* - includes all individual and social wealth; it consists of material assets possessed by the society; 4. *International Wealth* - the United Nations Organization and its various agencies like the World Bank, IMF, WHO, etc. are international wealth because all countries contribute towards their operations; 5. *Financial Wealth* - the holding of money, stocks, bonds, etc. by individuals in society. Financial wealth is excluded from national wealth because money, stocks, bonds, etc. which individuals hold as wealth are claims against one another.

However, wealth is different from capital, income and money. In terms of wealth and capital, it can be said that goods which have value are termed as wealth. But *capital* is that part of wealth which is used for further production of wealth. Furniture used in the home is wealth but given on rent is capital. Thus, all capital is wealth but all wealth is not capital. In terms of wealth and income, it can be said that wealth is a stock and income is a flow; *income* is the earning from wealth. The shares of a company are wealth but the dividend received on them is income. And, finally, in terms of wealth and

money - money consists of coins and currency notes; *money* is the liquid form of wealth. All money is wealth but all wealth is not money.

### Value and Price

Another similar dilemma in terms of similarity in concepts comes up with the terms *value* and *price*. Generally speaking, the terms *value* and *price* are used as synonyms. However, in economics, the meaning of price is different from that of value. *Price* is value expressed in terms of money. Value is expressed in terms of other goods. *Value* is a relative concept in comparison with the concept of price. It means that there cannot be a general rise or fall in values, but there can be a general rise or fall in prices.

### Scarcity

Economics represents a scientific study of the ownership, use and exchange of scarce resources; in fact, it is also often referred to as the science of scarcity. *Scarcity* is a concept that is implicitly understood by us, whether we are aware of it or not. In fact, it is one of the most basic concepts in economics; simply put, the world has limited means to meet unlimited wants, so there is always a choice to be made. In other words, utility alone does not create value unless it is scarce. A good or service is scarce, i.e. limited, in relation to its demand. All economic goods, such as a pen, a book, etc., are scarce and have value. But free goods like air do not possess value. Thus, goods possessing the quality of scarcity have value.

The basic definition of scarcity is slightly philosophical – people have unlimited desires but the means of production are finite and limited (labor, land and capital), and so various trade-offs need to be made to distribute the resources in the most efficient way possible.

The concept of scarcity, then, refers to the pressure between our limited resources and our unlimited wants and needs. For an individual, resources include time, money and skill. For a country, limited resources include natural resources, capital, its labor force, and its level of technology. If scarcity did not exist, economics would not matter since everybody would be able to satisfy all of their needs and wants at all times, and for free.

However, because our resources *are*, in fact, limited in comparison to all of our wants and needs, individuals, firms, and nations have to make decisions regarding what goods and services they buy or produce and which ones they must let go. It is precisely because of scarcity that people, firms, and nations must all make decisions about how to distribute their individual resources. Economics tries to study why these decisions are made and how our resources are divided up most efficiently.

## Economic Systems

Types of economic systems are defined either by the way that goods are produced or by how those goods are distributed to people. For example, in primitive agrarian societies, people tended to self-produce all of their needs and wants at the level of the household or tribe. Family members would build their own houses, grow their own crops, hunt their own food, make their own clothes, bake their own bread, etc. This self-sufficient economic system is defined by very little division of labor and is also based on reciprocal exchange with other family or tribe members. In such a primitive society, the concept of private property did not typically exist since the needs of the community were produced by everyone for the sake of everyone.

Later, as society developed, economies based on production by social class appeared, such as *feudalism* and *slavery*. *Feudalism* was a system where a class of nobility, known as lords, owned all of the land and leased out small parts to peasants to farm, with peasants giving much of their production to the lord. In return, the lord offered the peasants relative safety and security, including a place to live and food to eat. *Slavery* involved production by enslaved individuals who did not have personal freedom or rights and existed as the property of their owner.

*Capitalism* emerged with the rise of industrialization, and it is defined as a system of production where business owners (capitalists) produce goods for sale in order to make a profit, and not for personal consumption. In capitalism, capitalists own the business, including the tools used for production, as well as the finished product. Workers are hired in return for wages, and the workers own neither the tools they use in the production process nor the finished product when it is complete. If, for example, you work at a shoe factory and you take home a pair of shoes at the end of the day, that would be stealing even though you made them with your own hands. This is because capitalist economies rely on the concept of private property to distinguish who legally owns what.

Capitalist production relies on the *market* for the distribution of the goods that are produced for sale. A *market* is a place that brings together buyers and sellers, and where prices are established that determine who gets what and how much of it. The United States and much of the developed world today can be described as capitalist market economies.

There are two alternatives to capitalist production: 1) *Socialism* – a system of production where workers collectively own the business, the tools of production, the finished product, and share the profits – instead of having business owners who retain private ownership of all of the business and simp-



ly hire workers in return for wages. Socialist production often does produce for profits and uses the market to distribute goods and services; and 2) *Communism* – a system of production where private property stops existing and the people of a society collectively own the tools of production. Communism does not use a market system, but instead relies on a central planner who organizes production, tells people who will work in what job, and distributes goods and services to consumers based on need. A key feature of communism is a *command economy*.

## DISCUSSION

1. IN YOUR OWN WORDS, EXPLAIN what the following situations are an illustration of:

a) IMAGINE THAT a special edition CD of your favorite band is released for \$20. Because the record company's previous analysis showed that consumers will not demand CDs at a price higher than \$20, only ten CDs were released because the cost is too high for suppliers to produce more. If, however, the ten CDs are demanded by 20 people, the price will eventually rise because, according to the demand relationship, as demand increases, so does the price. Therefore, the rise in price should prompt more CDs to be supplied, as the supply relationship shows that the higher the price, the higher the quantity supplied.

If, however, there are 30 CDs produced and demand is still at 20, the price will not be pushed up because the supply more than satisfies demand. In fact, after the 20 consumers have been satisfied with their CD purchases, the price of the leftover CDs may drop as CD producers attempt to sell the remaining ten CDs. The lower price will then make the CD more available to people who had previously decided that the opportunity cost of buying the CD at \$20 was too high.

b) LET'S SAY people want more beer, meaning the demand for beer is high. This demand means you can charge more for beer, so you can make more money on average by changing wheat into beer than grinding that same wheat into flour. More people start making beer and, after a few production cycles, there is so much beer on the market that prices drop. Meanwhile, the price of flour has been increasing as the supply decreases, so more producers buy up wheat for the purpose of making flour - and on, and on.

2. IN YOUR OPINION, which economic system is best for: a) the economy of a country; b) the individual; and c) society. Explain and illustrate.

3. UNLIKE THE DEMAND RELATIONSHIP, the supply relationship is a factor of time. Time is important to supply because suppliers must, but cannot always, react quickly to a change in demand or price. So, it is important to try and decide whether a price change that is caused by demand will be temporary or permanent. In your own words, explain this with an example.

## ASSIGNMENT

In 250–300 words, **elaborate on one of the two topics:**

1. ECONOMIC SYSTEMS ARE THE MEANS by which countries and governments distribute resources and trade goods and services. They are used to control the five factors of production, including: labor, capital, entrepreneurs, physical resources and information resources. What type of economic system do you support? Why? Explain and illustrate.

2. ECONOMIC SYSTEMS ARE THE MEANS by which countries and governments distribute resources and trade goods and services. They are used to control the five factors of production, including: labor, capital, entrepreneurs, physical resources and information resources. Which type of economic system do you feel is the most dangerous? Why? Elaborate with examples.

## 2. Grammar focus: (revision of) verb tenses

Verbs may come in three tenses depending on what they are used to describe:

– **past tenses** = describe things that have already happened (for example, yesterday, last week, two months ago, etc.);

*past simple, past perfect, past continuous, and past perfect continuous* fall under the category of *past tenses*;

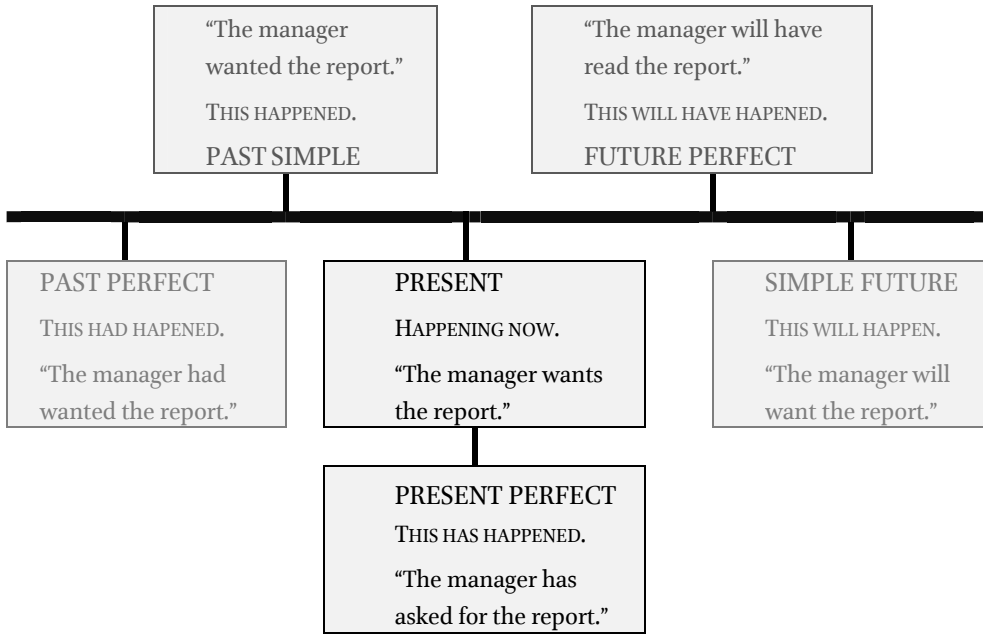
– **present tenses** = generally describe things that are happening right now, at this moment, that are continuous, or happening at some general moment in the present;

*present simple, present perfect, and present continuous* fall under the category of *present tenses*;

– **future tenses** = describe things that have not yet happened, i.e. things that have yet to take place (such as, tonight, tomorrow, next week, two years from now, etc.);

*future simple, future perfect, future continuous, and future perfect continuous* fall under the category *future tenses*.

The charts that follow contain brief explanations of usage and examples for the verb tenses used in English:



**THE 12 VERB TENSES – USAGE**

	PAST	PRESENT	FUTURE
SIMPLE	<p><b><i>I finished</i> the report yesterday.</b></p> <p>To indicate a past habit – or an action already completed. Can be used with or without adverbs of time.</p>	<p><b><i>I work</i> a little on the report every day.</b></p> <p>To express habits or general truth. To indicate a future event on a designated date as part of a plan or arrangement.</p> <p>With ‘mental action’ verbs: <i>like, love, want, need, believe, etc.</i></p>	<p><b><i>I will finish</i> the report tomorrow.</b></p> <p>To indicate an action, condition or circumstance which hasn’t taken place yet.</p>

<p>CONTINUOUS</p>	<p><b><u>I was working</u> on the report when you arrived.</b></p> <p>To indicate uncompleted action of the past (with or without time reference).</p> <p>To indicate persistent habits of the past (with <i>always, continuously, forever</i>, etc.)</p>	<p><b><u>I am working</u> on the report right now.</b></p> <p>To indicate action going on at the time of speaking.</p> <p>To indicate temporary action which may not be happening at the time of speaking.</p> <p>With a habitual action verb, especially to indicate a stubborn habit.</p>	<p><b><u>I will be working</u> on the report when you arrive.</b></p> <p>To indicate what will be going on at some time in the future.</p> <p>To indicate planned future events.</p>
<p>PERFECT</p>	<p><b><u>I had finished</u> the report when you arrived.</b></p> <p>To indicate a completed action of the past that happened before another event took place.</p>	<p><b><u>I have finished</u> the whole report.</b></p> <p>To indicate past action which is not defined by a time of occurrence.</p> <p>To indicate an action which started in the past and has continued up until now.</p>	<p><b><u>I will have finished</u> the report by the time you arrive.</b></p> <p>To indicate an action that will be complete before another event takes place.</p>
<p>PERFECT CONTINUOUS</p>	<p><b><u>I had been working</u> on the report for 2 hours when you arrived.</b></p> <p>To indicate an action in the past that began before a certain point in the past and continued up until that time.</p>	<p><b><u>I have been working</u> on the report for 2 hours.</b></p> <p>To indicate an action that started at some point in the past and may or may not be complete.</p>	<p><b><u>I will have been working</u> on the report for 2 hours when you arrive.</b></p> <p>To indicate an action that will have happened for some time and will not be complete yet at a certain point in the future.</p>

## EXERCISES

1. PROVIDE SENTENCES using the different verb tenses which clearly reflect their usage:

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2. COMPLETE THE TEXT with the correct tense of the verbs in brackets. Use the *present simple*, *present continuous*, *past simple*, *past continuous*, *present perfect* or *present perfect continuous*:

My brother, Steve, \_\_\_\_\_ (go) to a Money Museum last week to see the exhibition by the Oesterreichische Nationalbank. While Steve \_\_\_\_\_ (look) at one of the displays, a man \_\_\_\_\_ (appear) next to him. The man asked, '\_\_\_\_\_ you \_\_\_\_\_ (enjoy) the exhibition?' Steve said, 'It's very good, but I \_\_\_\_\_ (not understand) this display here – it's just a blank check.' 'Really? That's interesting,' the man replied. Steve said, 'I \_\_\_\_\_ (stare) at it for a long time, but I \_\_\_\_\_ (not decide) if I fully understand what it represents yet. The subject of the exhibition is interesting but the style and colors of the displays are a bit simple. What do you think? \_\_\_\_\_ you ever \_\_\_\_\_ (be) here before?' 'Yes,' he replied, 'I am the bank manager.' Steve \_\_\_\_\_ (blush), but the man said, 'Don't worry. I like talking about the exhibitions put on by my bank and I \_\_\_\_\_ (prefer) people to be honest.'

3. IN YOUR OWN WORDS, explain the differences in use of the verb tenses in the contrasting sentences:

- i.a) I work for a well-known multinational company.
- i.b) I'm working on restructuring the company.

- ii.a) What were you doing when the headhunter called?
- ii.b) What did you do when the headhunter called?
  
- iii.a) When we arrived, they introduced the main conference speakers.
- iii.b) When we arrived, they were introducing the main conference speakers.
- iii.c) When we arrived, they had introduced the main conference speakers.
  
- iv.a) I've worked with several very prestigious clients.
- iv.b) I worked with several very prestigious clients.
  
- v.a) I've been replying to customer enquiries all day.
- v.b) I've nearly cleared the backlog of enquiries from the Christmas break.
  
- vi.a) What are you doing there?
- vi.b) What do you do there?
  
- vii.a) Have you seen what gold bars look like?
- vii.b) Did you see what gold bars look like?
  
- viii.a) Stay away from him; he's being a pain in the neck.
- viii.b) Stay away from him; he's a pain in the neck.
  
- ix.a) Why did you fire him?
- ix.b) Why are you firing him?
  
- x.a) This time next week we'll be launching our latest product.
- x.b) This time next week we'll have launched our latest product.

### *3. Practice and revision*

1. COMPLETE THE TEXTS by filling in the gaps with an appropriate form of the word in brackets:

In economics, \_\_\_\_\_ (DISTRIBUTE) is the way total output, income, or wealth is distributed among individuals or among the factors of production (such as labor, land and capital). In general theory and the \_\_\_\_\_ (NATION) income and product accounts, each unit of output corresponds to a unit of income. But, where focus is on income

of persons or households, \_\_\_\_\_ (ADJUST) to the national accounts or other data sources are frequently used.

\_\_\_\_\_ (PRODUCE) is a process of combining \_\_\_\_\_ (VARY) material and immaterial inputs (plans, know-how) in order to make something for \_\_\_\_\_ (CONSUME). It is the act of creating a good or service which has value and contributes to the use of individuals. All economic activities aim directly or indirectly to satisfy human wants and needs, and the degree to which the needs are satisfied is often accepted as a measure of \_\_\_\_\_ (ECONOMY) well-being. In production two features explain \_\_\_\_\_ (INCREASE) economic well-being - \_\_\_\_\_ (IMPROVE) quality-price-ratio of goods and services, and increasing incomes from growing and more \_\_\_\_\_ (EFFICIENCY) market production.

2. MATCH THE SENTENCES in A to L with at least one of the time clauses (i-xiv):

- A) I didn't have a lot of experience
- B) My boss uses a laptop
- C) I was looking for a different job
- D) I worked for my company's major competitor
- E) I have been working on this project
- F) I last made a conference call in English
- G) I'm flying to Munich
- H) I'll finish this report
- I) We will have been working on this merger
- J) I was caught making personal phone calls
- K) I've had a lot in my in-tray
- L) I had been on a conference call

- i) when I joined this company
- ii) in the 1990s
- iii) the other day
- iv) during a meeting
- v) recently
- vi) since January
- vii) for three years next month
- viii) hardly ever
- ix) by Tuesday
- x) never
- xi) for a year

xii) when the incident took place

xiii) in a fortnight's time

xiv) this week.

**3. CHOOSE the best option:**

1. The economy is not doing too well , it's in a bit of a \_\_\_\_\_.

- a) downturn                      b) downgrade                      c) down time

2. The outlook is very bad; it's pretty \_\_\_\_\_.

- a) grimy                              b) grim                              c) grisly

3. The government wants to to rescue some of the corporations from bankruptcy by giving them money; they are trying to \_\_\_\_\_ them out.

- a) bail                              b) take                              c) put

4. The US economy is going through a serious \_\_\_\_\_ right now.

- a) concern                      b) crisis                              c) turmoil

5. All the leading economic \_\_\_\_\_ point to a further decline in the economy.

- a) index fingers                      b) insights                              c) indicators

6. It's been difficult to guess what the market will do; it's been so \_\_\_\_\_ recently.

- a) uncompromising                      b) unreliable                              c) unpredictable

7. The stock market \_\_\_\_\_ again today.

(= The stock market fell sharply again today.)

- a) downed                              b) plunged                              c) fell down

8. Everyone seems to think that the economy will worsen before it \_\_\_\_\_.

- a) betters                              b) goes up                              c) improves

9. Hopefully, the economic recovery \_\_\_\_\_ that the government is preparing will improve the current situation.

- a) package                              b) pack                              c) box

10. The economy is beginning to recover, it's finally back on \_\_\_\_\_.

- a) track                              b) truck                              c) line









# *Chapter 2*

## *Marketing: the basics*

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### *1. Reading and vocabulary*

RELATED TOPICS: marketing; marketing mix; mobile marketing practices.

#### **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, leading to hypercompetition. Competitors, desperate to attract customers, lower their prices. This strategy ultimately means lower margins, lower profits, and more mergers and acquisitions. Marketing is the answer to how to compete on bases other than price. Nowadays, marketing has become more important than ever.

However, marketing is still a rather misunderstood subject in people's minds. Companies think that marketing exists to help manufacturing get rid of the company's products. The truth is the opposite: that manufacturing exists to support marketing. A company can always outsource its manufacturing. What makes a company prosper is its marketing ideas. Manufacturing, purchasing, research and development, finance, and other company functions exist to support the company's work in the marketplace. Marketing is too often confused with selling. Marketing and selling are almost opposites. Philip Kotler has said that marketing is not the art of finding clever ways to dispose of what you make, but rather it is the art of creating genuine customer value. The marketer's key words are quality, service, and value. Selling starts only when you have a product. Marketing starts before a product exists. 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.

Therefore, marketing is not a short-term selling effort, but a long-term investment 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. Peter Drucker has said that marketing is the ability to hit the mark. Yet, there

are business leaders who say, “We can’t waste time on marketing. We haven’t designed the product yet.” Or, “We are too successful to need marketing, and if we were unsuccessful, we couldn’t afford it.”

One definition of *marketing* is that it is the art and science of choosing target markets and getting, keeping, and increasing the number of customers through creating, communicating, and delivering superior customer value. Or, a more detailed definition would be that it is the business function that identifies unfulfilled needs and wants, defines and measures their potential profitability, determines which target markets the organization can best serve, decides on appropriate products, services, and programs to serve these chosen markets, and calls upon everyone in the organization to think and serve the customer. The marketer’s goal is to build a mutually profitable long-term relationship with the customers, not just to sell a product.

The function of marketing is typically organized as a department within a business. This can have both positive and negative aspects. The former refers to bringing together a number of skilled people with specific abilities for understanding, serving, and satisfying customers. The latter refers to the fact that other departments believe that all marketing is done in one department only. Marketing begins with top management as it is not restricted to a department that creates ads, selects media, and answers customer questions. In fact, it is a larger process of systematically figuring out what to make, how to bring it to the customer’s attention and easy access, and how to keep the customer wanting to buy more from you. No matter what the target group is, you need to understand their needs and wants.

The good news is that marketing takes a day to learn. The bad news is that it takes a lifetime to master. In the coming years, marketing will inevitably be reengineered from top to bottom.

## Marketing mix

The concept of marketing remains the same, but the *marketing mix*, that is, the combination of factors that influence the delivery of value, has evolved considerably. The traditional marketing mix, built around the 4Ps – *product, price, place* and *promotion* – does not consider the complexity of current-day marketing. Therefore, two more Ps have been added to the mix – *process* and *people* – which respond to crucial changes in customer service, e-commerce, and social media.

## Product

*Product* incorporates the variety, design, packaging, quality, features and positioning of a product or service. The emphasis on this P is constantly growing as consumers are becoming more knowledgeable about their purchases. For example, return policies and warranties are becoming extremely important at a time when the competitors are just a Google-search away.

## Price

*Price* refers to how much a customer is willing to pay for a product or service. Pricing strategies are becoming more dynamic to keep up with highly educated consumers. The advancement in technology has allowed manufacturers to cut out retailers and sell directly to consumers. The integration of AR (augmented reality) capabilities in phones is also opening more possibilities for direct manufacturers to sell directly to consumers by allowing them to visualize merchandise in ways that replace the need to tangibly feel the product before buying it.

## Place

*Place* refers to product accessibility to potential customers. Choosing retailers like Amazon could enhance coverage when a company is trying to turn their brand into a household name. The key factor is understanding a target audience, which will help position the product in the channel that is most accessible to potential buyers. This P recently evolved with the introduction of e-commerce. Deciding whether or not to sell a product on a website may significantly affect a company's relationship with distributors.

## Promotion

*Promotion* is the most visible P, as it includes advertising, sales promotions and PR efforts. Media has evolved, and it is important to incorporate the views of those who are most familiar with the new media mix. Capturing the customers' attention with meaningful and motivating content has changed the way promotions are approached. Young people understand this even better because they are considered to be digital natives.

In addition to these traditional elements, new developments in the marketplace have added two vital layers for marketers to integrate into the marketing mix: *process* and *people*.

## Process

Automation, systems and processes reduce cost while also achieving customer satisfaction and measuring results. Focusing on processes means channeling

discipline to ensure that marketing concepts are playing an integral role in all marketing practices. This is accomplished by utilizing insights to create win-win relationships with suppliers and partners to increase efficiency and decrease cost.

## **People**

Companies need to hire and train the right people to provide superior customer service and to ensure that the voice of the company stands united. Steve Jobs perfectly captured the correct hiring mindset when he said that rather than hiring people and telling them what to do, we should hire smart people, instead, so they can tell us what to do. A diverse, goal-oriented and motivated workforce is the most important advantage a company can have.

Marketers argue that the original mix is still as applicable as it ever was. Marketing mix components can be viewed as elements that make up a car. In the 1960s, when the marketing mix first appeared, all cars had wheels, an engine, etc. In today's market, a fuel injector is considered a necessity. This model can be adapted and tailored to meet specific products or services.

## **Mobile marketing practices**

Mobile devices are today's leading media and this applies to all e-commerce sites. If a company is not being smart about reaching their customers via mobile, they are leaving a great amount of money on the table. Presented below are five mobile marketing practices that companies need to think about in the age of 'the mobile moment'.

### **Location-based marketing**

Businesses send customers notifications when they pass a store, and promotions when they are near strategic locations where the brand's products or services would be useful. In this context, Foursquare has integrated Uber into its system, enabling users both to discover places to go and also get there, using the same app.

### **In-app marketing**

Google Play and the Apple Store have millions of apps. With such intense competition, apps must offer the most personalized service possible. In-app marketing is any marketing campaign or message designed to be displayed within an app for the purpose of reaching an active user of that app. Such marketing

is an opportunity for real-time engagement with users. In fact, this is its benefit - the fact that customers are reached at a critical moment, i.e. while they are active in their app, which means they are already likely to be more receptive to what you have to say.

### Text messaging marketing

There are many misconceptions about mobile text marketing, but with a high percentage of young people messaging weekly, marketing via this medium is essential. When a Domino's pizza franchise in North Carolina wanted to improve advertising at college sports games, it turned to a short messaging marketing service. Previous campaigns had displayed Domino's web address in ads, but the franchise found that most fans did not bother writing a web address during a basketball game. So, Domino's reconfigured its new ads to tell viewers to text a certain number to get free or discounted pizza. Responses skyrocketed.

### QR codes

These digital bar codes act as shortcuts for getting valuable information into the hands of customers and prospects. QR codes are highly versatile and can function as a 'like' button, as well as offer coupons. One memorable QR campaign was the "Guinness QR code on a beer glass" action. When customers poured Guinness beer into a special glass, the beer's black color filled out a code on the glass that was scannable with a smartphone. Once it was scanned, customers could tweet about their pints, update their status, and download coupons.

## DISCUSSION

1. WHAT DOES THE CONCEPT *competitive advantage* refer to? Explain and exemplify.
2. WHAT IS THE DIFFERENCE between *a need* and *a want*? How do marketers create wants?
3. THE MARKETING MIX HAS BEEN extended from 4 Ps to 6 Ps. In order to bring more depth to this mix, think of other Ps that may be added as buzzwords in marketing.
4. DECIDE AND DISCUSS WHERE would you put the following words and expressions in the marketing mix (some of them may be placed alongside more than one P): acceptability, accessibility, action, affordability, attention, awareness, branding, communication, competitors, convenience, creativity, custo-



mer needs, distribution, interest, launch, location, objectives, operations, organization, packaging, revenue, sales force, staff, user cost.

5. *ETSY IS AN ONLINE SHOP* which sells millions of handcrafted, vintage, custom, unique and DIY items, for everything that you might need and want. What effective marketing strategies would you consider if you were an *Etsy* independent seller?

6. *WHAT IS THE BEST* marketing campaign you know of? Why? Is there anything to it that you would change?

7. *ONE OF YOUR FRIENDS IS* thinking about opening a coffee shop near your college campus. She asks for your advice about the size of the prospective customer base, and how to market the business according to the Ps. What advice would you give your friend to help her in launching the business?

8. *HOW WILL MARKETING* change in the future?

## ASSIGNMENT

In 250–300 words, **elaborate on one of the following:**

1. “PEOPLE DO NOT buy products. They buy problem-solvers.” (J. N. Uhl) Do you agree or disagree? Why? Explain and illustrate.

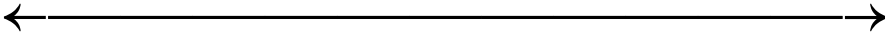
2. *HOW CAN THE CURRENT* customers be turned into a tool for finding new customers? Discuss and exemplify.

3. “MARKETING TECHNIQUES are culture-based.” Discuss and illustrate.

## ***2. Grammar focus: verb tenses/forms: adverbs and expressions of frequency***

Verbs come in three tenses: past, present, and future. The *past* is generally used to describe things that have already happened. The *present* is generally used to describe things that are happening right now, or things that are continuous. The *future* generally describes things that have yet to happen. Add the verb tenses in the following timeline:

(For more on verb tenses, see Grammar Focus in Chapter 1)



Certain verbs, such as *forget*, (*would*) *like*, *regret*, *remember*, *stop*, *try*, have different meanings depending on what follows that verb: whether it is another verb in infinitive form or a verb+ *-ing*.

Adverbs that express how often or how frequently something happens are called *adverbs of frequency*. If a sentence has only one verb (main verb), the adverb of frequency is placed after the subject, but before the main verb, except in the case of *to be*, when the adverb stands after that verb. When there is an auxiliary verb, the adverb is placed between the auxiliary and the main verb. The adverbs *hardly ever* and *never* are used in positive sentences, while *ever* is used in negative sentences and questions.

## EXERCISES

1. FILL IN THE BLANKS with the correct tense/form of the verbs in brackets:

John \_\_\_\_\_ (TRAVEL, ALWAYS) a lot. In fact, he \_\_\_\_\_ (BE) only two years old when he first \_\_\_\_\_ (FLY) to the USA. John has both Italian and American roots, since his mother \_\_\_\_\_ (BE) Italian and his father \_\_\_\_\_ (BE) American. John was born in France, but his parents \_\_\_\_\_ (MEET) in Germany in 1964, after they \_\_\_\_\_ (LIVE) there for five years. They \_\_\_\_\_ (MEET) one day while John's father \_\_\_\_\_ (READ) a book in the library and his mother \_\_\_\_\_ (SIT) down beside him. At that time, his parents \_\_\_\_\_ (VISIT) that specific library several times a week, but up to then his father \_\_\_\_\_ (NOTICE, NEVER) that beautiful lady.

Ever since John was a young boy, he \_\_\_\_\_ (FLY) the skies. This year he \_\_\_\_\_ (FLY) over 50,000 miles for his job. He \_\_\_\_\_ (WORK) for Jackson & Co. for almost two years now. He's pretty sure that he \_\_\_\_\_ (WORK) for them next year as well. His job \_\_\_\_\_ (REQUIRE) a lot of travel. In fact, by the end of

this year, he \_\_\_\_\_ (FLY) over 120,000 miles! His next journey \_\_\_\_\_ (BE) to Australia the following Thursday. The plane \_\_\_\_\_ (LEAVE) at 5:00 am, so he \_\_\_\_\_ (HAVE, NOT) much time to sleep that night! He really \_\_\_\_\_ (LIKE, NOT) going to Australia because it \_\_\_\_\_ (BE) so far away from where he lives! This time he \_\_\_\_\_ (FLY) from Paris after a meeting with the company's French partner. He \_\_\_\_\_ (SIT) for over 18 hours by the time he arrives!

John \_\_\_\_\_ (TALK) with his parents earlier this evening when his girlfriend from New York \_\_\_\_\_ (PHONE) to let him know that Jackson & Co. \_\_\_\_\_ (DECIDE) to merge with a company in Australia. The two companies \_\_\_\_\_ (NEGOTIATE) the conditions for merger for the past month, so it really \_\_\_\_\_ (BE, NOT) much of a surprise. He \_\_\_\_\_ (KNOW) for a long time that the companies \_\_\_\_\_ (MERGE). Of course, this \_\_\_\_\_ (MEAN) that John \_\_\_\_\_ (HAVE) to catch the next plane back to New York. He \_\_\_\_\_ (MEET) with his boss at this time tomorrow.

2. ARE THE FOLLOWING SENTENCES grammatically correct or not? If not, correct them:

- a) What exactly you do in Manpower Ltd?
- b) Today they manufacture a range of more than 250 paints and their sales is constantly growing.
- c) Were you working on any projects before you joined Manpower Ltd?
- d) So far this year the results are being satisfactory.
- e) Unfortunately, the company went bankrupt after it had piled up such a huge debt.
- f) I had been head marketing manager since 2010.
- g) I'm going to leading an evaluation seminar in March.
- h) They have done some market research before they set up Hammer Press in 2006.
- i) By the end of 2060, it will make \$1,000,000 from marketing campaigns.'

Translate the sentences from the previous exercise. What conclusions can you come to about tenses in both languages?

3. DISCUSS THE CHANGE IN MEANING in each pair with a focus on the underlined parts:

- a) We'd like to have a new product on the market by next year. / We like having new products on the market every year.
- b) He remembered to send publicity materials with the goods. / He remembers sending publicity materials with the goods.
- c) They stopped to produce the A32 model. / They stopped producing the A32 model last year.
- d) Our company tried to start a quality circle with our German branch. / Our company tried starting a quality circle with our German branch.

4. PARAPHRASE EACH SENTENCE with a focus on the underlined parts:

- a) Let's look at the marketing costs in more detail. / The new product range looks good to me.
- b) Their contract terms sound too good to be true. / You sound just like your father!
- c) I still haven't seen the recent report on our company's profits. / Of course I see what you're explaining to me, but I don't agree. / The last 50 years have seen many marketing advancements.
- d) Costs have risen every year. / We are raising funds for startups. / A problem arose over the travel arrangements to Spain.
- e) They used word-of-mouth marketing to create some buzz about their product. / I am not used to making large-scale decisions. / I am getting used to giving marketing presentations.

5. WRITE YOUR OWN SENTENCES using the following adverbs of frequency. Pay attention to their position in the sentence: *again, already, always, ever, frequently, hardly ever, nearly always, never, normally, often, rarely, seldom, sometimes, still, usually, yet.*

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will be able to (1) \_\_\_\_\_, when in fact who invests is often more important. They should be asking themselves (2) \_\_\_\_\_ the investing company has the right connections with large companies. It is always important to keep in mind that very (3) \_\_\_\_\_ people have all the skills, experience, contacts, or reputation that are needed to get a business going. The next skill is the ability to delegate. This (4) \_\_\_\_\_ being able to estimate other people's (5) \_\_\_\_\_, and creating opportunities for them to move up the career ladder and (6) \_\_\_\_\_ organizations on their own. Another piece of (7) \_\_\_\_\_ for them is that they should be selective with their efforts and strategic in their (8) \_\_\_\_\_ to grasp and make connections that will help their business grow.

- |    |              |             |            |               |
|----|--------------|-------------|------------|---------------|
| 1. | a) arise     | b) rise     | c) raise   | d) rouse      |
| 2. | a) which     | b) whether  | c) where   | d) whom       |
| 3. | a) more      | b) many     | c) few     | d) less       |
| 4. | a) involves  | b) consists | c) forces  | d) serves     |
| 5. | a) hope      | b) judgment | c) trust   | d) potential  |
| 6. | a) compose   | b) run      | c) produce | d) combine    |
| 7. | a) advice    | b) advise   | c) advices | d) advisement |
| 8. | a) extension | b) promote  | c) support | d) outreach   |

## *4. Translation*

TRANSLATE THE FOLLOWING TEXT from English into Macedonian:

Communicating is a broad term in marketing that means describing the offering and its value to your potential/current customers, as well as learning from customers what it is they want and like. Sometimes communicating means educating potential customers about the value of an offering, and sometimes it means simply making customers aware of where they can find a product. Today, companies are finding that to be successful, they need a more interactive dialogue with their customers. Delivering an offering that has value is much more than simply getting the product into the hands of the user; it is also making sure that the user understands how to get the most out of the product and is taken care of if they require service later.



# *Chapter 3*

## *International trade*

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### *1. Reading and vocabulary*

RELATED TOPICS: (internal/international) free trade; globalization; (global) capitalism; global economy; free market economy.

#### **International and Free Trade**

*International trade* refers to the exchange of goods and services around the globe. Every country has its own tradable goods which can be exported to others; however, it also relies on imports from other countries to provide the commodities and services it needs. The rise of the international markets has resulted in a global economy, something that can both shape world events, and affect them at the same time. International trade is of vital importance in seeing how well a country is doing economically.

Different models are used to study and analyze international trade, such as: 1) *the Ricardian model*, which supports the theory that countries should export what they are good at producing; 2) *the Heckscher-Ohlin model*, which is seen as the standard theory of international trade and is based on the idea that countries should specialize in exporting what they have in abundance, whether labor or capital, and import what they are short of - the cheapest things to produce as opposed to the most efficient; and 3) *the gravity model*, which predicts trade flow by the distance between countries and each country's comparative economic size.

The concept of *free trade*, on the other hand, has to do with trade or commerce carried on without restrictions such as import taxes, export rewards, domestic production subsidies, trade quotas or import licenses. The basic explanation for free trade is based on the belief that each region should concentrate on what it can produce most cheaply and efficiently, and should exchange its products for those it is less able to produce economically. Free trade is not an automatic right of a nation, although it has opened up the economies of different countries and brought investment, prosperity and growth through



allowing international competition against the domestic products and services of a country.

Free trade can be classified into *internal free trade* and *international free trade*.

*Internal free trade* has to do with free trade within national borders and in some countries it is a comparatively recent development. In France, for example, attempts were made to get rid of internal trade barriers in the 17th cent., but this was not accomplished until the French Revolution, a hundred years later. In Britain, the term free trade was first used during the fight to get rid of the privileges of the chartered companies in the 17th cent.

*International free trade* has to do with free trade outside of the national borders. For example, in the 18th century, in Britain, free trade was connected to the wish for a modest tax policy in international trade, especially with France. France, along with other European nations, historically followed a policy of protection. At present the United States is a relatively low tariff (a tax on imports and exports) nation, although it still maintains a fairly restrictive system of import quotas. Japan also has restrictive import quotas, as well as high tariffs and other trade restrictions.

*Trade sanctions* occur when countries, either acting individually or with others, refuse to allow economic interaction between specific other nations. This can be highly destructive to a country's economy and is used as a penalty or punishment.

## Globalization

As a term, *globalization* was created in the 1990s, but people have been trading across the globe from prehistoric times. Basically, *globalization* refers to the integration of economics and societies of the world, namely production and consumption in all markets. It is the result of advances in communication, transportation and infrastructure, and it influences not only national economies but also the world economy as a whole.

Integration can be negative or positive. *Negative integration* is when trade and protective barriers such as tariffs and quotas are removed, in this way reducing costs of imports and increasing sources of supply. *Positive integration* is the standardization of international economic laws and policies which makes trade between different countries easier. As a result of globalization there is an improvement in international trade and progress in technology so that countries can be competitive on the world market. Due to globalization, specific economic and political decisions are made on a global scale because

in an integrated world they not only have a national, but also a global effect on the economy.

Globalization is marked by the free exchange of goods and capital, and it is often related to the internet revolution and the mainly western political, economic and cultural style. It is often viewed as the joining of time and space, the result of new inventions and technologies, marked by the break of physical boundaries, and the creation of new forms of social interaction, that is, increased social activity and increased interconnectedness between people - a one-dimensional and widely accessible global world where time and distance are no longer relevant.

From an economic aspect, globalization means increased production and competitiveness, free trade, faster economic growth, but also changeable financial markets that can destroy economies within a second and destroy the power of governments and state institutions. Globalization of labor markets increases inequality in income and guides the employment and economic growth of developing countries. However, this means further job dislocation in industrialized nations where top-quality jobs are kept, while low-pay work is shifted to poorer countries.

### **(Global) capitalism**

The theory of global capitalism is concerned with the relations of power between the main classes of capitalist economy. Capitalism has always been concerned with the relationship between the capital owners and the workers, but global capitalism now sees these relationships take on a global perspective.

What makes global capitalism especially unique is a combination of five features that separate it from the international economy. First, it displays deeper, more extensive and more interconnected cross-border transactions. Second, resources, capabilities, goods and services are more mobile than ever before. Third, multinational organizations play a more significant role as creators and distributors of wealth. The final two features are that cross-border markets are experiencing more real and financial uncertainty than at any other point in history, and digital and electronic commerce has completely changed the character and geographic profile of cross-border transactions.

Because of these changes in technology businesses are no longer restricted by location. Multinational firms are now able to have their research and development, administration and manufacturing located in different areas of the globe, and be confident that they can control the processes taking place in these separate locations efficiently and precisely. Information technology,

including the global growth of the Internet and data processing has contributed to the growth in world financial markets. Money can move and be controlled around the world in real time; businesses are now able to select the cheapest price on a global rather than local scale and instead of moving factories from state to state, they can instead move their manufacturing process from country to country. If a labor source is cheaper in a different region of the world to the businesses' current location, they can move their production, which is a major contributor to the growth of global capitalism.

Global capitalism has also been the main motivation for the creation of the knowledge economy; wealth is created by the exchange of ideas rather than the transfer of physical assets and goods. The producers of ideas are now the main creators of wealth, as intellectual property cannot easily move across borders.

## Global economy

Global economy, or world economy, refers to the economic relations between countries in a world where markets are interconnected and there is a free movement of goods, services, labor and capital across countries.

As a result of the elimination of trade barriers, global economy is characterized by a unified market for all goods produced all over the world. Domestic producers have access to more markets and they have to improve their standards in order to be globally competitive. They also benefit from the lower prices of imported raw materials, which reduces the cost of production and goods both on domestic and global markets. Because of high competition on the unified market, prices have to be the same, more or less, and the global economy tries to equalize the prices of all products regardless of their origin. Thanks to positive integration and the reduction of tariffs and quotas, free movement of goods between developed and developing countries has become possible.

The opening of the markets has further developed the global economy because the number of countries where products can be bought and sold has increased dramatically.

Global economy has increased the demand for goods and, as a result, the demand for a qualified workforce in countries where there is a shortage of professionals. Globalization allows greater mobility of human resources across countries, as well as outsourcing of business processes to other countries. Developed countries outsource their companies in Third World countries because of the cheap labor force and, as a result, firms grow significantly and their profits are much higher because they save a lot of money from wages

and other costs. Even though the creation of employment opportunities increases the standard of living in developing countries, the high profits of advanced nations further widen the 'divide between the have-nots and the have-lots' (the poor and the rich). The outsourcing process is viewed as an exploitation of workers in Third World countries where there are already great inequalities.

## DISCUSSION

1. **DESPITE THE FACT** that the concept of a global economy can be beneficial on a global scale, bearing in mind that all economies of the world may work together in fighting global warming, climate change and environmental destruction, there are also negative effects that may surface. What are some negative effects that may arise, why might they appear, and how might they be dealt with? Explain and illustrate.

2. **IN YOUR OWN WORDS**, explain whether there are any positive consequences of imposing trade sanctions against a certain country, and what they might achieve. Provide an instance where trade sanctions have been used as a punishment, and why, as well as what the outcome was.

3. **IT GOES WITHOUT SAYING** that “Globalization contributes to the developing of a global civil society in the face of non-governmental organizations (NGOs). Their influence spreads across the world and they establish policies beneficial to both people and the environment.” On the other hand, however, “Globalization can be seen as a double-edged process associated with the disappearance of cultural distinctions and at the same time widening individual access to cultural diversity... [Globalization] poses questions of whether global democracy and social justice can be achieved and whether this process of unification would lead to a better humanity.” What is your opinion concerning this point of view of globalization? Are there any negative consequences to this phenomenon? Discuss and explain.

## ASSIGNMENT

In 250–300 words, **elaborate on one of the two topics:**

1. **IN THE EARLY 1990S** the nations of the European Union aimed to remove all barriers to the free movement of trade and employment across their mutual borders. Critics of free trade zones argue that such measures pose problems to domestic economies. Many have continued to oppose the international force toward freer trade, arguing that it not only fails to protect jobs

in more developed nations, but that it also harms workers and the environment in less developed nations, where the laws are not so strict and not so enforced. Do you agree or disagree with this? Explain where you stand on this issue, with examples to support your arguments for or against.

2. ALTHOUGH THE FREE MARKET ECONOMY is used in many countries throughout the world, not all recent followers to the free market economy model have been convinced of its advantages, Russia being one example. In fact, 41% of Russians questioned in Gallup Polls from 2006-2007 believed that being free of state control was wrong for their country's future. To the majority of Russians, "The phrase 'free market economy' conjures up the 'Wild East' and loss of control." Why do you think so many Russians felt this way? Do you agree or disagree with them? Why?

## ***2. Grammar focus: prepositions and prepositional phrases***

***Prepositions*** = short words that usually stand in front of nouns, and sometimes also in front of gerunds. Prepositions may be challenging to learn because a perfect translation is usually not possible, and there are very few rules as to when to use which preposition. The best ways to learn prepositions is to look them up in a dictionary, to read a lot in English, and to learn useful phrases by heart.

***Preposition*** = a category of words that describe relationships. The English language has countless prepositions, but some of the more common ones are: *above, against, at, around, before, behind, below, besides, between, by, for, in, of, off, on, over, through, to, under, with.*

The charts below contain brief explanations of usage and examples for some of the most frequently used prepositions in English:

PREPOSITION	USAGE	EXAMPLE
on	- days of the week	<i>on Monday</i>
in	- months / seasons - time of day - year - after a certain period of time ( <i>when?</i> )	<i>in August / in winter</i> <i>in the morning</i> <i>in 2006</i> <i>in an hour</i>

PREPOSITION	USAGE	EXAMPLE
at	- for <i>night</i> - for <i>weekend</i> - a certain point of time ( <i>when?</i> )	<i>at night</i> <i>at the weekend</i>  <i>at half past nine</i>
since	- from a certain point of time (past till now)	<i>since 1980</i>
for	- over a certain period of time (past till now)	<i>for 2 years</i>
ago	- a certain time in the past	<i>2 years ago</i>
before	- earlier than a certain point of time	<i>before 2004</i>
to	- telling the time	<i>ten to six (5:50)</i>
past	- telling the time	<i>ten past six (6:10)</i>
to / till / until	- marking the beginning and end of a period of time	<i>from Monday to/till Friday</i>
till / until	- in the sense of <i>how long something is going to last</i>	<i>He's away on business until Friday.</i>
by	- in the sense of <i>at the latest</i> - up to a certain time	<i>I will be back by 6 o'clock.</i> <i>By noon, I had answered 5 e-mails.</i>

### PREPOSITIONS – PLACE (POSITION AND DIRECTION)

PREPOSITION	USAGE	EXAMPLE
in	- room, building, street, town, country - book, paper etc. - car, taxi - picture, world	<i>in the kitchen, in Toronto</i> <i>in the book</i> <i>in the car, in a taxi</i> <i>in the picture, in the world</i>
at	- meaning <i>next to, by an object</i> - for <i>table</i> - for events - place where you do something typical (watch a film, study, work)	<i>at the door, at the station</i> <i>at the table</i> <i>at a concert, at the party</i>  <i>at the cinema, at school, at work</i>
on	- attached	<i>the picture on the wall</i>

PREPOSITION	USAGE	EXAMPLE
	<ul style="list-style-type: none"> <li>- for a place with a river</li> <li>- being on a surface</li> <li>- for a certain side (left, right)</li> <li>- for a floor in a house</li> <li>- for public transport</li> <li>- for <i>television, radio</i></li> </ul>	<p><i>London lies on the Thames.</i></p> <p><i>on the table</i></p> <p><i>on the left</i></p> <p><i>on the first floor</i></p> <p><i>on the bus, on a plane</i></p> <p><i>on TV, on the radio</i></p>
by, next to, beside	- left or right of somebody or something	<i>Jane is standing by / next to / beside the car.</i>
under	- on the ground, lower than (or covered by) something else	<i>the bag is under the table</i>
below	- lower than something else but above ground	<i>the slides are below the projector</i>
over	<ul style="list-style-type: none"> <li>- covered by something else</li> <li>- meaning <i>more than</i></li> <li>- getting to the other side (also <i>across</i>)</li> <li>- overcoming an obstacle</li> </ul>	<p><i>put a jacket over your shirt</i></p> <p><i>over 16 years of age</i></p> <p><i>walk over the bridge</i></p> <p><i>climb over the wall</i></p>
above	- higher than something else, but not directly over it	<i>a path above the lake</i>
across	<ul style="list-style-type: none"> <li>- getting to the other side (also <i>over</i>)</li> <li>- getting to the other side</li> </ul>	<p><i>walk across the bridge</i></p> <p><i>swim across the lake</i></p>
through	- something with limits on top, bottom and the sides	<i>drive through the tunnel</i>
to	<ul style="list-style-type: none"> <li>- movement to person or building</li> <li>- movement to a place or country</li> <li>- for <i>bed</i></li> </ul>	<p><i>go to the cinema</i></p> <p><i>go to New York / Finland</i></p> <p><i>go to bed</i></p>
into	- enter a room / a building	<i>go into the kitchen / the house</i>
towards	- movement in the direction of something (but not directly to it)	<i>go 5 steps towards the house</i>
onto	- movement to the top of something	<i>jump onto the table</i>
from	- in the sense of <i>where from</i>	<i>the CEO from California</i>

## OTHER IMPORTANT PREPOSITIONS

PREPOSITION	USAGE	EXAMPLE
from	- who gave it	<i>It's a present from Jane.</i>
of	- who/what does it belong to - what does it show	<i>a page of the book the picture of a palace</i>
by	- who made it	<i>a book by Mark Twain</i>
on	- walking or riding on horseback - entering a public transport vehicle	<i>on foot, on horseback get on the bus</i>
in	- entering a car / taxi	<i>get in the car</i>
off	- leaving a public transport vehicle	<i>get off the train</i>
out of	- leaving a car / taxi	<i>get out of the taxi</i>
by	- rise or fall of something - travelling (other than walking or horseriding)	<i>prices have risen by 10% by car, by bus</i>
at	- for age	<i>She learned to type at 45.</i>
about	- for topics, meaning <i>what about</i>	<i>We were talking about the merger.</i>

**Prepositional phrase** = a preposition + an object of the preposition --> modifies some noun or verb.

Function of a *prepositional phrase* = it provides more information about a noun or verb. As an adjective, the prepositional phrase will answer the question *Which one?*, whereas as an adverb, it will answer questions such as *How?*; *When?*; or *Where?*

Some examples of prepositional phrases are the following: *at home, in time, with me.*

Some examples of prepositional phrases that appear in the texts in this chapter are:

- |             |                 |               |
|-------------|-----------------|---------------|
| - impact of | - good at       | - progress in |
| - refer to  | - establish in  | - due to      |
| - export to | - base on       | - marked by   |
| - rely on   | - specialise in | - linked to   |



- rise of
- result in
- refuse to
- concentrate on
- result of
- improve(ment) in
- concern with
- benefit from

### EXERCISES

1. PROVIDE SENTENCES using the prepositional phrases above which clearly reflect their meaning.

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2. COMPLETE THE TEXT by filling in the gaps with the appropriate preposition:

Free trade is facilitated \_\_\_\_ organizations such \_\_\_\_ the European Union (EU) and the World Trade Organization (WTO). \_\_\_\_ fact, it is the WTO which enforces the rules \_\_\_\_ global trade, and as such they tend to work \_\_\_\_ the advantage \_\_\_\_ its member countries that are already rich. Some groups feel that the WTO increases the gap between rich nations and poorer countries struggling \_\_\_\_ compete. Furthermore, although the underlying basis of free trade was meant to be that it is used \_\_\_\_ the greater good of a society, today it has become a target \_\_\_\_ the anti-capitalist and anti-globalization supporters, who argue that the self-interest it promotes is damaging \_\_\_\_ society.

3. COMPLETE THE TEXT by filling in the gaps with the appropriate preposition:

Global capitalism has created wealth \_\_\_\_ the majority \_\_\_\_ people \_\_\_\_ the world. The world's output has risen \_\_\_\_ six times what it

was 50 years ago. There is more wealth in the world than there has been \_\_\_\_ any previous time \_\_\_\_ global history, and global capitalism has been a major contributor \_\_\_\_ this. Because \_\_\_\_ the global flow \_\_\_\_ commodities and ideas it is now possible to trade freely with partners around the globe. This growth \_\_\_\_ free trade has led \_\_\_\_ more prosperity in the countries compared \_\_\_\_ those that have stuck \_\_\_\_ an isolationist policy. The rise \_\_\_\_ global capitalism with the free flow of capital and ideas into new countries has brought economic growth \_\_\_\_ their population.

### *3. Practice and revision*

1. COMPLETE THE TEXT by filling in the gaps with an appropriate form of the word in brackets:

From a \_\_\_\_\_ (HISTORY) point of view, the first wave of globalization took place between 1880 and 1914, with Europe as the main \_\_\_\_\_ (FOCUS) point. It was \_\_\_\_\_ (ECONOMY) driven by the advance of \_\_\_\_\_ (INDUSTRY) capitalism and during the period through WWI, it was motivated by the rapid \_\_\_\_\_ (DEVELOP) of trade, increasing sources of information, and the significant modernization of transport infrastructure, especially railways, shipping and airplanes. These key factors improved geographic \_\_\_\_\_ (MOBILE) and accelerated trans-border flows of people and goods. This was a period of extensive \_\_\_\_\_ (MIGRATE) from poorer European countries (Italy, Ireland and Sweden) to the United States, which put the US economy at a disadvantage and resulted in the US immigration authorities \_\_\_\_\_ (TIGHT) entry policy. The years between 1914 and WWII were marked by economic \_\_\_\_\_ (DEPRESS) and \_\_\_\_\_ (PROTECT) and were, therefore, excluded from the globalization picture.

2. COMPLETE THE TEXT by filling in the gaps with the appropriate preposition:

The free market economy is often viewed \_\_\_\_ highly successful. However, \_\_\_\_ the aftermath \_\_\_\_ the terrorist attacks \_\_\_\_ the United States \_\_\_\_ September 11, 2001, it took a big hit leading \_\_\_\_

countries around the globe suffering slow growth and then an outright recession. The exception was China, where the economy remained strong.

Goldman Sachs International Vice Chairman Robert Hormats explained the situation: “\_\_\_\_\_ the extent the American economy weakens, which it will \_\_\_\_\_ sure, it will also weaken the global economy.” The disadvantage in the free market economy particularly hurt countries with close ties \_\_\_\_\_ the United States economy, including those linked to the North American Free Trade Agreement partners, such as Canada, Mexico and Asian countries dependent \_\_\_\_\_ the North American consumer markets. There was also a domino effect for Europe and in the South American economies \_\_\_\_\_ Brazil and Argentina. The global market has suffered a further recession post September 11th and this has had an effect \_\_\_\_\_ the free market economy. However, those \_\_\_\_\_ favor \_\_\_\_\_ the economic model argue that it does not maintain recovery but simply solves the problem over time by getting rid \_\_\_\_\_ the dead wood the economy no longer requires.

**3. COMPLETE THE SENTENCES** by filling in the gaps with the appropriate preposition. One preposition fills the gaps of all the sentences in one section. The following prepositions can be used – *about, as, in, on, to, up*:

i.

- Let’s talk \_\_\_\_\_ the time for setting up the website.
- How \_\_\_\_\_ paying me half when I start the work?
- Be very clear \_\_\_\_\_ the price of products.

ii.

- We’d like half the money \_\_\_\_\_ advance.
- We offer a discount to customers who buy \_\_\_\_\_ bulk.
- \_\_\_\_\_ order to get a full refund, customers must send back goods \_\_\_\_\_ the original packaging.

iii.

- They lost the deal due \_\_\_\_\_ their inflexible approach.
- The key \_\_\_\_\_ our success is that we treat the customer as a single individual.
- The prices that we show on the website are identical \_\_\_\_\_ the prices in the store.

iv.

- At Kelkoo, a shopper can compare prices \_\_\_\_\_ any product.

- Customers will sometimes order \_\_\_\_ the telephone.
- Our products depend \_\_\_\_ what our customers want.

v.

- Our priority is to have the website up and running as soon \_\_\_\_ possible.
- That could be all right I suppose, as long \_\_\_\_ I get some money ahead of time.
- Items such \_\_\_\_ televisions and DVD players have become common purchases.
- Retailers should probably try to integrate the two as much \_\_\_\_ possible.

vi.

- Customers will sometimes go into stores to pick \_\_\_\_ goods.
- You can call \_\_\_\_ a call center and enquire about your order.

#### 4. TRANSLATE THE FOLLOWING TEXT from English into Macedonian:

*Free market* refers to an economic system where the state only gets involved to collect taxes, and enforce contracts and private ownership. This means the government in countries with a free market economy does not set the price for goods and services. Instead, suppliers estimate and fix prices based on the supply and demand from consumers.

The government's involvement can become necessary in some spheres. For example, many developed countries with a free market economy literally subsidize their farm sectors. The same can also be said for other areas where the free market economy is unable to provide important goods and services needed by the people in general at costs they can afford, thus causing hardships.

The long-term success of the free market can be seen in countries such as the US, the UK, Germany and France. China and India are recent examples of how free trade can help a country to grow. In these nations, the free market has brought greater efficiency among its domestic producers and has significantly increased its growth market rate.

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# *Chapter 4*

## *Advertising and branding*

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### *1. Reading and vocabulary*

RELATED TOPICS: advertising; types of advertising; branding.

#### **Advertising**

*Advertising* broadly refers to the techniques and practices used to bring products, services, opinions, or causes to public notice for the purpose of persuading the public to respond in a certain way toward what is advertised. Most advertising involves promoting a good that is for sale, but similar methods are used to encourage people to drive safely, to support various charities, or to vote for political candidates, among many other examples. In many countries advertising is the most important source of income for the media (newspapers, magazines, or TV stations), through which it is conducted. In the 21<sup>st</sup> century, with a competitive consumer market, advertisers are increasingly using digital technology to call greater attention to products.

For an advertisement to be effective, its production and placement must be based on a knowledge of the public it is intended for (target group), and a skilled use of the media. Advertising agencies serve to prepare complex campaigns, whose strategies of media use are based on research into consumer behaviour and demographic analysis of the market area. A strategy will combine creativity in the production of the advertising messages with clever placement, so that the messages are seen by, and will have an effect on, the people the advertiser most wants to address. Given a fixed budget, advertisers face a simple choice: they can have their message seen or heard by many people fewer times, or by fewer people many times.

In a free-market economy effective advertising is essential to a company's survival because, unless consumers know about a company's product, they are unlikely to buy it. In criticism of advertising, it has been argued that the consumer must pay for the cost of advertising in the form of higher prices for goods; on the other hand, it is argued that advertising enables goods to be mass marketed, in this way bringing prices down. It has been argued that the



cost of major advertising campaigns is such that few firms can afford them, thus helping these firms to dominate the market. Conversely, whereas smaller firms may not be able to compete with larger ones at a national level, advertising at the local level or online enables them to hold their own ground.

## Types of advertising

Advertisers pay for advertising to accomplish a wide range of goals. Ad objectives generally come down to long-term branding communication, or short-term direct response advertising. Branding is about building and maintaining a reputation for a company that sets it apart from the others. Sales promotions are short-term inducements to drive revenue or cash flow. Based on the company's objectives, budget and target audience, one or more types of media may be used as channels through which to advertise. Calculating the return on investment is difficult, but measurable goals (percentage increase in awareness) need to be established to see success.

### Broadcast Media

TV and radio are two traditional *broadcast media* long used in advertising. TV offers creative opportunities, a dynamic message, and wide audience reach. They both have fleeting messages, meaning they disappear once the commercial spot ends. Radio is relatively affordable for small businesses, and allows for repetition and frequency. You do not have the visual element of TV, and you have to deal with a distracted audience, since most radio listeners nowadays are driving.

### Print Media

Magazines and newspapers are the two traditional *print media*. Magazines offer a highly selective audience that is generally interested in ads closely related to the topic of the magazine. Visual imagery is also stronger in magazines than in newspapers. Little is wasted since magazines target a niche market. However, they are costly and require long lead times, which limits timely promotions. They also have a limited audience reach. Newspapers are very affordable for local businesses and allow them to target a geographic segment if they have a universal product or service. They are also viewed as a credible medium, which enhances ad acceptance.

### Support Media

*Support media* include several options for message delivery that normally add to or expand campaigns delivered through more traditional media. Billboards,

transits, bus benches, aerial, directories, and trade publications are some common examples. They offer ways to reach a wider audience in a local or regional market, or to increase increased message exposure to targeted market segments.

### **Direct Marketing**

*Direct marketing* is an interactive approach to advertising, including direct mail, email, and telemarketing. These are direct response efforts to create an ongoing dialogue or interaction with customers. Weekly or monthly email newsletters allow for the brand, products and other messages to be kept before potential prospects and customers. Direct marketing has become more prominent because it makes it easy to keep track of customer response rates and it helps advertisers to better measure their return on an investment.

### **Product Placement**

This is another newer advertising technique, where compensation is offered to a TV show, movie, video game, or theme park to use a certain product while entertaining audiences. This ad method is a way for companies to integrate ads with entertainment, since customers have found ways to avoid messages delivered through more conventional media.

### **Internet**

The *internet* is used by online and offline companies to promote products or services. Banner ads, pop up ads, text ads, and paid search placements are common forms. They present an image or a message on a publisher's website or on a number of websites through a third-party platform like Google Adwords. Paid search placements, also known as cost-per-click advertising, is where you bid a certain amount to present your link and text message to users of search engines. Businesses can also create different target groups, and send (sponsored) ads on social media platforms to users that would be most interested in their products and services.

## **Branding**

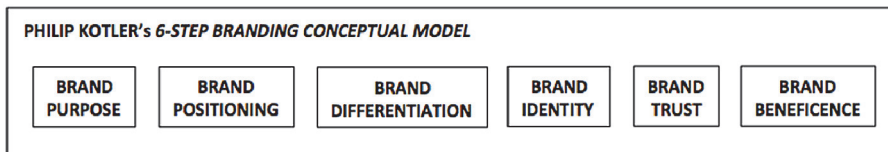
To understand branding, it is important to know what brands are. A *brand* is the idea or image of a specific product or service that consumers connect with, by identifying the name, logo, slogan, or design of the company that owns the idea or image. *Branding* is when that idea or image is marketed so that it is recognizable by more and more people, and identified with a certain service or product when there are many other companies offering the sa-

me service or product. Advertising professionals work on branding not only to build brand recognition, but also to build good reputations, and a set of standards to which the company should strive to maintain or surpass. A company should not start by setting the brand's identity, but by setting the brand's purpose. Brand purpose answers the question: what job is the brand promising to accomplish for the buyer?

Branding is a way to build an important company asset, which is a good reputation. Whether a company has no reputation, or a mediocre reputation, branding can help change that; it can build an expectation about the company's services or products, and it can encourage the company to maintain those expectations, or exceed them, bringing better products and services to the market place.

All cars will promise to get you from point A to point B. There is no differentiation in that claim. However, if one car's promise is to get you from A to B with maximum safety, its car has established a category, and an identity in that category. But, what if another car manufacturer also advertises its new car as a safe car? Both competitors will need to move to the next step, that of differentiation. If the other car sets a much lower price on its car, it has established a differentiator. It is offering a less expensive safe car. But the manufacturer must think carefully about doing this. Will a buyer who wants a safe car believe that the lower price one is as safe as the more expensive one? The company needs to use positioning and differentiation to communicate the brand's purpose, and ultimately enrich the brand's identity.

David Aaker, an expert in brand building, has suggested that a brand should not only define its functional purpose, the job that it is going to do, but to also express the brand's higher purpose, suggesting emotional and social benefits coming from choosing that brand. In fact, Philip Kotler has established a very effective 6-step branding conceptual model:



We live in an era of abundant information and connected communities. Inauthentic brands will not survive when word-of-mouth becomes the new advertising medium and consumers will rely more on acquaintances in their network community than on what companies say and advertise.

## DISCUSSION

1. *INFORMATION VS. MANIPULATION* – what are your views on the aim of advertising in the context of the said terms?
2. WHAT ARE SOME ETHICAL and legal issues advertisers must have in mind when creating ads?
3. WHAT ARE *INFLUENCERS*, and what type of advertising do they belong to?
4. WHAT DO YOU THINK the future of advertising will be like?
5. WHAT ARE SOME SIGNS that a brand is dying?
6. IN THE CONTEXT OF BRANDING, what do the following words/phrases refer to: brand identity, brand image, endorse, eponym, Hallmark, logo, tagline, trademark, umbrella branding.
7. STRONG BRANDS REQUIRE a clear strategic approach, especially if they want to be successful worldwide. What specific challenges do you think exist in global branding?
8. HOW CAN INFLATION affect brand value?
9. DESCRIBE AND EXEMPLIFY Kotler's 6-step branding conceptual model.
10. WHAT DO YOU THINK is the hidden message behind the ad below?



## ASSIGNMENT

In 250–300 words, **elaborate on one of the following:**

1. GIVE AN EXAMPLE OF a bad advertisement, and explain why you feel it is bad, as well as how you would change/improve it.
2. “MASS ADVERTISING CAN HELP build brands, but authenticity is what makes them last. If people believe they share values with a company, they will stay loyal to the brand.” (Howard Schultz) How else do people stay loyal to the brand?
3. DISCUSS AND ILLUSTRATE how colors affect advertising and branding.

## ***2. Grammar focus: prepositions. prepositional phrases: phrasal verbs: collocations***

A *preposition* is a word such as *after, by, for, in, to, on,* and *with*, among others. Prepositions are usually used in front of nouns or pronouns, and they show the meaningful relationship between the noun/pronoun and the other words in a sentence.

*Prepositional phrases* are groups of words consisting of a preposition as the first element of the phrase, followed by its object and other modifiers, such as *at the beginning, for the moment being, in my defence*.

A *phrasal verb* is a two- or three-word verb that is made up of a main verb together with an adverb or a preposition, or both. Typically, the meaning of phrasal verbs is not obvious from the meanings of the individual words themselves, as in *break out, put back, look up to*.

*Collocations* are series of words that go together to form fixed relationships. These language chunks sound 'natural' to English speakers, and there might not always be a good reason as to why a specific word collocates with another specific word/phrase, such as *the fast train / ~~the quick train~~*. Collocations may be of several types:

- adverb + adjective: completely (~~downright~~) satisfied
- adjective + noun: excruciating pain (~~joy~~)
- noun + noun: a surge (~~crash~~) of anger
- noun + verb: lions (~~shout~~) roar
- verb + noun: give (~~focus~~) a presentation
- verb + expression with preposition: burst into (~~blow up in~~) tears
- verb + adverb: wave (~~excellently~~) feverishly

(For more on prepositions, see Grammar Focus in Chapter 3)

### **EXERCISES**

1. COMPLETE THE SENTENCES by filling in the gaps with the appropriate preposition. Some prepositions are not used, while some are used more than once:

*at / away / before / by / for / from / in /  
into / of / off / on / out / to / up / with*

- a) When deciding on our new premises, we looked \_\_\_\_\_ location, cost and transport.
- b) Due to quality issues, I wanted to stay \_\_\_\_\_ from second-hand equipment.
- c) Very often, it is not just the sales staff that benefit \_\_\_\_\_ customer awareness training.
- d) Fortunately, business is growing, so we need to take \_\_\_\_\_ more staff.
- e) After weighing \_\_\_\_\_ the pros and cons, we finally rejected taking on a big bank loan.
- f) A lot of companies rely heavily \_\_\_\_\_ receiving market information \_\_\_\_\_ their sales force.
- g) Certain managers could do \_\_\_\_\_ improving their skills \_\_\_\_\_ instruction-giving.
- h) It was our choice to rule \_\_\_\_\_ the option of using a consultant for the first year.
- i) We will retain overall responsibility \_\_\_\_\_ the operation \_\_\_\_\_ the new system.
- j) The management had to lay \_\_\_\_\_ more than 150 people because of the financial crisis.

Underline the phrasal verbs in the sentences above. Think of five more phrasal verbs, and use them in a sentence.

2. COMPLETE THE SENTENCES by filling in the gaps with an appropriate preposition, so as to create prepositional phrases. Then, put them into the correct order as if you were writing an email. How many different emails can you make?

- a) Attached are the details \_\_\_\_\_ your recent purchase.
- b) Thank you for bringing this matter \_\_\_\_\_ our attention.
- c) Let me know if I can be \_\_\_\_\_ assistance.
- d) Thank you for inquiring \_\_\_\_\_ our product line.
- e) I'm writing to express my dissatisfaction \_\_\_\_\_ the customer service I received.
- f) I'm forwarding your request \_\_\_\_\_ our sales team.
- g) A representative will be waiting for you \_\_\_\_\_ the airport.
- h) Please contact me \_\_\_\_\_ your earliest convenience.

- i) We apologize \_\_\_\_\_ any inconvenience this may have caused.
- j) Your order should be ready \_\_\_\_\_ the end of the following week.
- k) Thank you \_\_\_\_\_ advance for your help.
- l) Please get back \_\_\_\_\_ me as soon as possible.

3. FIND THREE EXAMPLES of different collocations in the Reading and vocabulary section of this chapter. Make at least three collocations with the following words:

- do: \_\_\_\_\_
- meet: \_\_\_\_\_
- rate: \_\_\_\_\_
- pay: \_\_\_\_\_
- set: \_\_\_\_\_
- reach: \_\_\_\_\_
- raise: \_\_\_\_\_
- build: \_\_\_\_\_

4. COMPLETE EACH SET of sentences with the same word:

a) The plant's production capacity will \_\_\_\_\_ from 8 to 9 million tons next year.

We need to \_\_\_\_\_ into new markets because we have reached market saturation at home.

Liquid will contract and \_\_\_\_\_ with temperature changes.

b) In India and China, \_\_\_\_\_ for oil is rising incredibly fast.

The \_\_\_\_\_ for low-income housing is increasing as the economy is getting worse.

The boss is considering her \_\_\_\_\_ that she be given more time to finish the assignment.

c) The new regulations \_\_\_\_\_ to all companies employing 200 or more workers.

Different laws \_\_\_\_\_ in different jurisdictions.

Who is eligible to \_\_\_\_\_ for membership in the association?

d) How can we \_\_\_\_\_ vital information about the competitor's future plans?

We have an economic \_\_\_\_\_, i.e. a 5% increase in earnings in the past year.

I would like the sales staff to notice me, so how can I \_\_\_\_\_ their attention?

e) The majority of their customers are in the 17-25 age \_\_\_\_\_.

Things are going according to schedule - we finally have a broad \_\_\_\_\_ of clients worldwide.

The mountain \_\_\_\_\_ stretched away into infinity.

### *3. Practice and revision*

1. READ THIS TEXT and answer the questions below:

The idea that we can be influenced by ads we don't consciously detect is one of most intriguing in consumer psychology, and has attracted a lot of attention over the years. Since the 1950s people have feared that words or images briefly flashed on a screen or concealed in an ad have the power to make us buy certain products, or even vote for a certain political candidate. Are these fears founded, or is this more myth than reality? While there are widely held false beliefs about such advertising, it can certainly influence us. Can we ever be influenced outside awareness? The answer, actually, is yes. Research showed that when words relating to thirst were presented to thirsty people, they later did drink more, although the people did not report actually being thirstier.

a) What type of advertising is this text about?

b) Make three questions from this text (the answers should be contained in the text).

c) What is a synonym for the word 'founded'?

d) Which word means 'arousing one's curiosity or interest'?

e) Where in this text is the verb 'to do' used for emphasis?



2. READ THIS TEXT on 'small talk', then choose the best sentence (a-e) to fill in each gap. One sentence is not needed:

Did you know that 50% of business communication is actually small talk? Small talk is a vital part of working with other people: finding out what they're doing, what they're having problems with, and what they think they should be doing differently. [1] \_\_\_\_\_. Business is largely based on trusting people, helping and being helped by people, and persuading people to do things. [2] \_\_\_\_\_.

When is this relationship-building supposed to happen? An effective way to build good relationships between people is to allow small talk during meetings. [3] \_\_\_\_\_. The whole point of bringing people together for meetings is to generate discussion, to resolve misunderstandings, and to find solutions to problems. [4] \_\_\_\_\_.

If you're serious about making your meetings more effective, you need to give participants room to take the conversation in new directions, and, above all, get to know each other.

- a) Let's get a few things straight about them.
- b) If everything is carefully planned in advance, and the chair of the meeting sticks to the agenda, none of those things can take place.
- c) How can you achieve any of those things if you don't spend time getting to know each other?
- d) Perhaps even more importantly, it's about getting to know your colleagues and business partners as people, not just as business machines.
- e) It might lose its best employees and customers just as quickly.

## *4. Translation*

TRANSLATE THE FOLLOWING TEXT from English into Macedonian:

The first step toward modern advertising came with the development of printing in the 15<sup>th</sup> and 16<sup>th</sup> centuries. In the 17<sup>th</sup> century, weekly newspapers in London began to carry advertisements, and by the 18<sup>th</sup> century such advertising was successful. The great expansion of business in the 19<sup>th</sup> century was accompanied by the growth of an adverti-





# *Chapter 5*

## *Financial planning*

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### *1. Reading and vocabulary*

RELATED TOPICS: introduction; the (personal) financial planning process; key components of a financial plan.

#### **Introduction**

*Financial planning* refers to the process of preparing financial decisions and policies in relation to procuring (obtaining equipment and/or supplies), investing and using funds at a company or individual, that is, personal level. Basically, it is an ongoing process which helps in the making of sensible decisions about money, which can, in turn, result in the realization of different goals and objectives.

On a personal level, for example, it might involve putting together appropriate wills to protect the family, thinking about how the family will manage without an income if something unexpected happens, such as the loss of a job, illness, death, etc. Financial plans can be created individually, or, if the needs are more complex, with the help of a *financial planner*.

#### **Objectives of Financial Planning**

Financial planning, especially in the context of a company or business, has numerous objectives that need to be taken into consideration, such as:

– **Determining capital requirements:** this depends on factors like the costs of current and fixed assets, promotional expenses and long-term planning. Capital requirements have to be looked at in terms of both short-term and long-term requirements.

– **Determining capital structure:** the capital structure has to do with the nature of the capital, i.e., the kind and the amount of capital that is required in the business. This includes decisions about debt-equity (the value of the shares issued by a company) ratio, again, both in the short-term and in the long-term.

- **Shaping financial policies:** in terms of cash control, lending, borrowing, etc.
- **Ensuring that the scarce financial resources are utilized to the fullest, in the best possible manner:** at the least cost in order to get a maximum return on an investment - this is one of the tasks of the finance manager.

### **Importance of Financial Planning**

Financial planning is vital to being in control of your finances rather than letting your finances control you. Generally speaking, financial planning represents a process of creating and identifying objectives, policies, procedures, programs and budgets regarding the financial activities of a business enterprise, or at a more personal, individual, level. This results in effective and adequate financial and investment policies. In that context, the importance of financial planning can be summed up in the following points:

- Adequate funds have to be obtained;
- Financial planning helps in ensuring a reasonable balance between outflow and inflow of funds so that stability is maintained;
- Financial planning makes sure that the investors who are supplying funds can easily invest in companies that promote financial planning;
- Financial planning helps in the creation of growth and expansion programs, which helps in the long-run survival of the company;
- Financial planning reduces uncertainties with regards to changing market trends, which can be easily managed through enough funds;
- Financial planning helps to reduce the uncertainties which can pose a problem to the growth of a company, which, in turn, helps to ensure stability and profitability.

On a personal, individual, level, financial planning (i.e. planning finances) will result in:

- greater confidence in the direction in which one's life is going;
- less stress, and more enjoyment of life;
- control and peace of mind.

### **The (Personal) Financial Planning Process**

Most people want to handle their finances so that they get full satisfaction for their money. Typical financial goals include such things as a new car, a larger home, advanced career training, extended travel, and self-sufficiency

during working and retirement years. To achieve these, and other goals, people need to identify and set priorities. Financial and personal satisfaction result from an organized process that is commonly referred to as *personal money management* or *personal financial planning*.

*Personal financial planning* is the process of managing your money to achieve personal economic satisfaction. This planning process allows you to control your financial situation. Every person, family, or household has a unique financial position, and any financial activity, therefore, must also be carefully planned to meet specific needs and goals.

A comprehensive financial plan can improve the quality of your life and increase your satisfaction by reducing uncertainty about your future needs and resources. The specific advantages of personal financial planning include:

- Increased effectiveness in obtaining, using, and protecting your financial resources throughout your lifetime;
- Increased control of your financial situation by avoiding uncontrolled debt, bankruptcy, and dependence on others for economic security;
- Improved personal relationships resulting from well-planned and effectively communicated financial decisions;
- A sense of freedom from financial worries secured by looking to the future, predicting expenses, and achieving your personal economic goals.

We make hundreds of decisions each day; most of these decisions are quite simple and have few consequences, but some are more complex and may have long-term effects on our personal and financial situations. The financial planning process, though important, can be broken down into a logical procedure, consisting of the following steps:

1. Determine your current financial situation to see how close you are to achieving your goals, and work out, and write down, what assets and liabilities (financial responsibilities; debts) you have, i.e. determine your current financial situation with regard to income, savings, living expenses, and debts. Preparing a list of current asset and debt balances and amounts spent for various items gives you a foundation for financial planning activities;
2. Develop and establish financial goals, short-, medium- and long-term, prioritize them, and think about the likely cost of those goals, and when you will need the money. It is important to make an analysis of your financial values and goals from time to time. The purpose of this analysis is to separate your needs from your wants. Specific financial goals are vital to financial planning, as well as to deciding which goals to pursue;
3. Identify and establish alternative courses of action for unexpected events - developing alternatives is very important for making good decisions.

Although many factors will influence the available alternatives, possible courses of action usually fall into: i) continue the same course of action; ii) change the current situation; iii) take a new course of action. Not all of these categories will apply to every decision situation; however, they do represent possible courses of action;

4. Evaluate alternatives and possible courses of action, taking into consideration your life situation, personal values, and current economic conditions, since every decision closes off alternatives. Decision-making is an ongoing process, and you need to think about the lost opportunities that will result from the decisions you have made. Another important point here is that of uncertainty - a concept that is a part of every decision. In many financial decisions, identifying and evaluating risk is undoubtedly difficult.

5. Create and carry out a financial action plan by choosing ways how to achieve your objectives. As immediate or short-term goals are achieved, the goals next in priority come into focus. Applying your financial action plan may mean needing help from others, such as using the services of an insurance agent to buy property insurance, or the services of an investment broker to buy stocks or bonds.

6. Monitor and review your plan at least once a year and make adjustments when needed; reevaluate and revise the plan. Financial planning is a dynamic process and the financial decisions need to be evaluated regularly since personal, social, and economic factors result in changes. Regularly reviewing this decision-making process will help you make priority adjustments that will coordinate your financial goals and activities with your current life situation.

## Key Components of a Financial Plan

Although a number of points should be taken into consideration when creating a financial plan, the following are some of the key components:

**Goals and Objectives:** these should be listed by priority and should be as specific as possible; they should also be measurable, reasonable, and capable of planning.

**Balance Sheet:** a balance sheet or *Statement of Financial Position* is good to have, showing your net worth by listing all assets and liabilities. This should be updated from time to time to see the progress that has been made towards overall goals and to identify changes in your financial situation that need attention.

**Issues and Problems:** these consist of observations connected to the strengths and weaknesses of your current situation, as well as potential risks you (might) face.

**Risk Management and Insurance:** a sudden unexpected event can destroy even the most detailed plan unless unexpected events have been taken into consideration and planned for. Insurance products are useful in this context.

**Retirement, Education, and Special Needs:** refers to retirement, education, or any other special needs (for example, physically or mentally handicapped dependents or divorce settlements). Financial forecasts should be prepared for these needs, along with funding strategies.

**Cash Flow Statement:** this will show income from all sources, as well as expenses that occur regularly or are repeated. This should be periodically updated to monitor progress towards overall goals, as well as to identify changes in your financial situation that need attention.

**Answers to the Following Questions:**

- How long will I need to work before I can afford to retire?
- How much can I afford to spend and not run out of money?
- Am I saving enough to reach my retirement income goals?

## DISCUSSION

1. GENERAL FINANCIAL PLANNING consists of the following categories: 1) *buying a home* - buy or rent; type of mortgage; 2) *debt management* - ways to reduce overall debt; 3) *building a college fund* - ways to finance a child's education; 4) *savings goal* - appropriate amount in the emergency fund. Discuss which of these categories you feel is the most important to you personally, and how you would go about financially planning it?

2. *OPPORTUNITY COST* IS A CONCEPT connected to the financial planning process, specifically to the point of evaluating alternatives and possible courses of action, in terms of what you give up by making a choice. This cost is commonly referred to as the *trade-off* of a decision. How would you deal with a situation in which you are faced with two choices - 1) to hold a very well-paid job that you do not enjoy, or 2) to have a job you love but one that is not well-paid?

3. WOULD YOU DESCRIBE YOURSELF as a good financial planner of your finances? Explain and support your answer with examples.



## ASSIGNMENT

In 250–300 words, **elaborate on one of the two topics:**

1. THE ADVANTAGES THAT financial planning offers are obvious and numerous. However, as with anything, there are some disadvantages that exist as well. Discuss and provide examples of some of the drawbacks of financial planning, and how they might be dealt with.

2. FINANCIAL PLANNERS ARE business professionals who help people manage their money. As such, they may sometimes be faced with conflict of interest situations, or an ethical dilemma, in which it is important that they behave professionally. Think of an example where there might be a conflict of interests, or an ethical dilemma, and discuss the ways in which it may be resolved.

## *2. Grammar focus: Adjectives vs. adverbs. Phrase/sentence connectors*

### 1. ADJECTIVES VS. ADVERBS.

#### Definitions:

An *adjective* is a word – or a set of words – which **describes a noun or pronoun**.

Adjectives may come before the word they modify:

*e.g. She is a very **hard-working** employee.*

*e.g. He is a **powerful** CEO.*

Adjectives may also follow the word they modify:

*e.g. That employee is very **hard-working**.*

*e.g. I told you that CEO is **powerful**.*

An *adverb* is a word, or set of words, which **describes verbs, adjectives, or other adverbs**. Adverbs answer *how* (*adverbs of manner*), *when* (*adverbs of time*), *where* (*adverbs of place*), *why* (*adverbs of reason*) or *to what extent* - *how often* or *how much* (*adverbs of frequency*):

*e.g. He speaks so **slowly** that he is not the best candidate to do the presentation for the foreign clients; nobody will understand him.*

*e.g. The auction is **today**; I want to bid on Adam Smith's manuscript of "The Wealth of Nations".*

*e.g. Let's wait for him **outside** with the other protestors.*

*e.g. We looked **in the safe**, where we usually kept the valuables.*

*e.g. Bernie left to **avoid trouble** with the investors.*

*e.g. Niamh cleans our offices **daily**.*

#### RULES OF USE:

1. Many adverbs end in *-ly*, but, then, many do not:

*e.g. Our team leader speaks so **quickly**. - How does she speak? **Quickly**.*

*e.g. She types really **fast**.*

*e.g. He works very **hard**.*

*e.g. We performed **badly**.*

2. The ending *-ly* is not used with *linking verbs* (verbs that describe a state of being or condition) such as verbs related to the senses: *taste, smell, look, feel*, and all forms of *be*. Adverbs are often used incorrectly in such sentences, which require adjectives instead:

*e.g. That new perfume you've designed smells **sweet/sweetly**.*

*e.g. It smells **horrible/horribly**.*

*e.g. The protestors looked **angry/angrily** to us.*

*e.g. The protestors looked **angry/angrily** at the CEO and his entourage.*

*e.g. She feels **bad/badly** about the bankruptcy news.*

*e.g. She felt **bad/badly** about the misunderstanding she had caused.*

3. *Good* = adjective, *well* = adverb equivalent:

*e.g. You did a **good** job.*

*e.g. You did the job **well**.*

*e.g. You look **good** today.*

*e.g. You look **well** for someone who's just been laid off.*

4. *Well* can also be used an adjective, too. When referring to health, we often use *well* rather than *good*:

*e.g. - I feel **good** today. vs. - I feel very **well**, thank you.*

*e.g. - You look **good** today; I love your dress.*

*e.g. - You don't look **well** today. - I don't feel **well**, either.*

5. Adjectives and adverbs have three degrees, that is, a positive degree = the base form of the adjective/adverb, as well two degrees/forms used for comparison. The *comparative degree/form* = to compare two things; the *superlative degree/form* = to compare three or more things:

	Positive	Comparative	Superlative
Adjective	<i>low</i>	<i>lower</i>	<i>lowest</i>
Adjective	<i>big</i>	<i>bigger</i>	<i>biggest</i>
Adjective	<i>fat</i>	<i>fatter</i>	<i>fattest</i>
Adverb	<i>highly</i>	<i>more highly</i>	<i>most highly</i>
Adverb	<i>widely</i>	<i>more widely</i>	<i>most widely</i>
Adverb	<i>easily</i>	<i>more easily</i>	<i>most easily</i>

*Comparative forms* consist either of *-er* (words with one and two syllables) or *more* (words with three or more syllables), while *superlative forms* use *-est* (words with one and two syllables) or *most* (words with three or more syllables). It is important to note that *-er* and *more* or *-est* and *most* are never used together, either one or the other:

e.g. \**This is the more harder job.* (= This is the harder job.)

e.g. \**This is the most hardest job I've ever had.* (= This is the hardest job...)

6. In formal use, the *-ly* from an adverb is not dropped when the comparative form is used, rather *more* and *most* are used:

e.g. \**She worked quicker than he did.*

e.g. *She worked more quickly than he did.*

e.g. \**Talk louder.*

e.g. *Talk more loudly.*

7. When *this*, *that*, *these*, and *those* are followed by a noun, they are adjectives. When they appear without a noun following them, they are pronouns:

e.g. *This restaurant is for sale.* (*This* = an adjective)

e.g. *This is where I work.* (*This* = a pronoun)

8. Although it is very unusual to have more than three adjectives used together, they would usually come in this order: *general opinion* → *specific opinion* → *size* → *shape* → *age* → *color* → *nationality* → *material*:

e.g. *a nice diligent young stock broker*

e.g. *a small black Japanese car*

e.g. *that horrible big fierce security guard*

9. Nouns that can be counted (that is, countable nouns) use *few*, *fewer*, or *fewest* (\**little*, *less*, or *least*):

*e.g. If you have 5 products or \*less/fewer, wait at this cash register here.*

10. Mass nouns (that is, uncountable nouns, which cannot be counted) use *little*, *less*, or *least* (\**few*, *fewer*, or *fewest*):

*e.g. There's \*fewer/less money in the accounts than I expected.*

11. Nouns that can be counted (countable nouns), use the adjective *many*, whereas nouns that cannot be counted (uncountable, mass nouns) use the adjective *much*:

*e.g. I've held down many jobs.*

*e.g. I don't have much time now.*

## 2. PHRASE/SENTENCE CONNECTORS

### Definition:

*Connectors* are used to *join large groups of words*: phrases and sentences. They can be also used to connect paragraphs to give them coherence. Sentence connectors are usually placed at the beginning of a sentence and may be divided into several types.

### Types of sentence connectors:

- **contrast**: however, but, in contrast, nevertheless, nonetheless, yet, on the other hand, by comparison, on the contrary, instead, in any case, all the same, even so, though, on the contrary;
- **comparison**: similarly, comparable, in the same way, likewise, as with, equally, just as ... so too;
- **similarity**: likewise, similarly, correspondingly, in the same way, also;
- **result**: as a result, as a consequence, therefore, thus, accordingly;
- **listing**: first, firstly, first of all, in the first place, to begin with, for one thing, second, secondly, in the second place, for another thing, third, thirdly, in the third place, also, besides, in addition, furthermore, moreover, finally, last, lastly, in the last place;
- **order of importance**: most importantly, primarily, above all, most significantly, essentially, basically;
- **exemplification**: for example, for instance, to illustrate;
- **explanation**: that is to say, that is, in other words, put differently;

- **emphasizing**: as a matter of fact, in fact, actually, indeed;
- **focusing and linking**: as for (suggests disinterest or dislike), with respect to, regarding, with regard to, as regards, talking of, as far as ... concerned;
- **conclusion**: in conclusion, in brief, in summary, to sum up, all in all;
- **correction**: rather, to be more precise;
- **time**: at first, then, afterwards, later, in the meantime, meanwhile;
- **dismissal** (of what was said before): anyway, anyhow, at any rate;
- **summary**: in short, on the whole, in other words, to be sure, clearly, anyway, after all, in general, in brief.

## EXERCISES

1. COMPLETE the sentences with either GOOD or WELL:

- i) Henry is a \_\_\_\_\_ team player.
- ii) She explains things really \_\_\_\_\_.
- iii) The new company logo looks \_\_\_\_\_.
- iv) He did \_\_\_\_\_ at the job interview.
- v) My receptionist is 63 years old and she can't see very \_\_\_\_\_.
- vi) He plays hardball very \_\_\_\_\_.
- vii) What's the matter? You don't look \_\_\_\_\_.
- viii) Jackie looks \_\_\_\_\_ in the CEO's office!
- ix) How are you? I'm \_\_\_\_\_.
- x) We don't need her; she speaks \_\_\_\_\_ English, but she doesn't speak French very \_\_\_\_\_.

2. IDENTIFY THE WORD(S) in *italics* as adjectives or adverbs:

1. My *school* colors were red and black.
2. You need to hold on *firmly* and not focus on the *brightly colored* lights.
3. If the cops arrest a mime, do they tell her that she has the right to remain *silent*?
4. I bought it when she offered it for *half* price.
5. For three days after death, hair and fingernails continue to grow *slowly*.
6. She used a *big* rock to break the lock.

7. Is it true that cannibals don't eat clowns because they taste *funny*?
8. Murphy's Oil Soap is the chemical *most* commonly used to clean elephants.
9. Giraffes have no *vocal* cords.
10. He ordered a taco and asked the server for *minimal* lettuce.

3. UNDERLINE THE CORRECT word (adjective or adverb) to complete the sentences:

- i) The sales assistant *patient/patiently* answered all of our questions.
- ii) We're *cautious/cautiously* optimistic about the future of our company.
- iii) Our financial records are stored in a *secure/securely* area.
- iv) I *accidental/accidentally* deleted my project proposal.
- v) Our marketing plan was executed *perfect/perfectly*.
- vi) Steve seemed really *nervous/nervously* before the meeting.
- vii) He presented so *quick/quickly* that I barely understood what he was saying.
- viii) I'm following your work performance very *close/closely*.
- ix) Domenic looked *cheerful/cheerfully* for someone who's having money troubles.
- x) He got the job because his Spanish is really *good/well*.

### *3. Practice and revision*

1. UNDERLINE THE MOST APPROPRIATE sentence connector to complete the sentences:

- i) Alan seems quite diligent; *whereas/otherwise/nonetheless*, he often gets poor job performance evaluations.
- ii) This bank has some of the best financial analysts in the country. *In addition to/Moreover/Beside*, their customer service is excellent.
- iii) I've never been to the US *although/however/in spite of* having lots of business contacts there.

- iv) He is a reckless broker; *even so/even as/although*, he hasn't lost any huge amounts of money yet.
- v) My sister works three jobs in a day; *however/even as/moreover*, she doesn't earn much money.
- vi) We went out *although/despite/besides* the yelling and curses that greeted us outside from the protestors who had been let go.
- vii) I tried to look happy *however/although/in spite of* feeling miserable about the terrible sales figures.
- viii) The employees are dissatisfied and fed up with the low pay they receive. *Though/Anyhow/Furthermore*, they desperately need to have their working conditions improved.
- ix) The manager acted badly. *In addition/Actually/On the other hand*, he was extremely rude to everyone at the press conference.
- x) We have been trying to contact the factory owner for the past few days. *Afterwards/Indeed/Eventually* we managed to trace him to a hotel in town.

2. COMPLETE THE TEXT by filling in the gaps with HARD/HARDLY:

All that day I had been thinking \_\_\_\_\_ about whether or not to go to Jane's retirement party. I \_\_\_\_\_ ever go to such events, but this time I thought I'd make an effort. I worked \_\_\_\_\_ all day so that I could leave early and get ready. When I got home I looked for something nice to wear, and eventually decided on a red dress that I had \_\_\_\_\_ worn and \_\_\_\_\_ anyone had seen me in before. Unfortunately, I got caught in the rain and when I eventually arrived there was \_\_\_\_\_ anyone left, just a couple of Jane's colleagues from various other departments in the company. I had \_\_\_\_\_ ever talked to them before so making conversation was very \_\_\_\_\_. As I had \_\_\_\_\_ eaten anything all day, I spent the rest of the party behind the bar, with a plate in my hand, alone!

3. CHOOSE the best option:

1. I'd like to \_\_\_\_\_ your attention to the high number of sales in December due to our Christmas promotion.
- a) draw                                      b) give                                      c) take

2. That company no longer exists; it \_\_\_\_\_ for bankruptcy last year.  
a) asked                      b) entered                      c) filed
3. We're getting ready to \_\_\_\_\_ a new product that we believe will be very successful.  
a) discover                      b) launch                      c) take off
4. The company had to \_\_\_\_\_ dozens of staff members due to budget cuts.  
a) close out                      b) lay off                      c) send away
5. I'd like to get the opinions of the staff on this situation. Let's \_\_\_\_\_ a meeting to discuss it.  
a) do                      b) hold                      c) make
6. There was a breakdown in negotiations and we weren't able to \_\_\_\_\_ the deal.  
a) close                      b) firm                      c) nail
7. We have a partnership with that company, and we often do \_\_\_\_\_ ventures.  
a) cooperate                      b) joint                      c) together
8. Everyone agreed with the plan except for Sam, who \_\_\_\_\_ a few strong objections.  
a) rose                      b) said                      c) raised
9. I'll be out of the office next week; I'm going to \_\_\_\_\_ a conference on Business Management and Information Technology.  
a) attend                      b) presence                      c) watch
10. Our customer service department \_\_\_\_\_ problems people encounter while using our products.  
a) deals with                      b) gets off                      c) works away
11. Our company designs sophisticated business clothing for women. Our \_\_\_\_\_ market is female executives aged 35-45.  
a) commercial                      b) preferred                      c) target
12. I \_\_\_\_\_ for a loan of \$100,000 to start my own business.  
a) applied                      b) registered                      c) tried out









# *Chapter 6*

## *Money supply*

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### *1. Reading and vocabulary*

RELATED TOPICS: money supply; interest rates; digital currency.

#### **Money supply**

*Money supply* (or *money stock*) refers to the entire stock of currency and other liquid instruments circulating in a country's economy at a particular time. The money supply can include cash, coins, and balances held in checking and savings accounts. It does not include other forms of wealth, such as investments, home equity, or physical assets that must be sold to convert to cash. It also does not include various forms of credit, such as loans, mortgages, and credit cards. Although people use these as money to improve their standard of living, they are not considered part of the money supply. Economists analyze the money supply and develop policies revolving around it through controlling interest rates and increasing or decreasing the amount of money flowing in the economy. The money supply reflects the different types of liquidity each type of money has in the economy.

Money supply data is collected, recorded and published periodically, typically by the country's government or central bank. Public and private sector analysis is performed because of the money supply's possible impacts on price level, inflation and the business cycle. In the USA, the Federal Reserve policy is the most important deciding factor in the money supply, while for the UK, it is the Bank of England. These institutions regulate the money supply to stabilize their respective economies. The Federal Reserve Board, for example, can buy or sell government securities, in this way expanding or contracting the money supply.

An increase in the supply of money typically lowers interest rates, which, in turn, generates more investment and puts more money in the hands of consumers, thus stimulating spending. Businesses respond by ordering more raw materials and increasing production. The increased business activity raises

the demand for labor. The opposite can occur if the money supply falls, or when its growth rate declines.

Historically, the measure of money supply has shown that relationships exist between certain economic factors and inflation, which was used as a determinant of the future direction of price levels and inflation. Although money supply measures are still widely used, they are no more important than the wide range of economic data that economists and the Federal Reserve collect and review.

## Interest rates

The term *interest rate* refers to the amount charged, expressed as a percentage of principal, by a lender to a borrower for the use of assets. Interest rates are typically noted on an annual basis, which is known as the *annual percentage rate (APR)*. The assets borrowed may include cash, consumer goods, and large assets such as a vehicle or a building.

Interest is essentially a rental, or leasing charge to the borrower, for the use of an asset. In the case of a large asset (a vehicle or a building), the interest rate is sometimes known as the *lease rate*. When the borrower is low risk, they will usually be charged a low interest rate; if the borrower is high risk, the interest rate that they are charged will be higher. In terms of borrowed money, the interest rate is typically applied to the principal, which is the amount of money lent. The interest rate is the cost of debt for the borrower and the rate of return for the lender.

Interest rates are applied in a number of situations where lending and borrowing is concerned. People borrow money to buy homes, fund projects, start businesses, pay college tuition, etc. Businesses take out loans to fund capital projects and expand their operations by purchasing fixed and long-term assets such as land, buildings, machinery, trucks, etc. The money that is lent has to be repaid either in a lump sum at some pre-determined date or in monthly installments, which is usually the case. The money to be repaid is usually more than the borrowed amount since lenders want to be compensated for their loss of use of the money during the period that the funds are loaned out; for example, the lender could have invested the funds instead of lending them out. The difference between the total repayment sum and the original loan is the interest charged, which is, essentially, an interest rate that is applied on the principal amount.

Interest rate levels are, in essence, determined by the laws of supply and demand. In an economic environment in which demand for loans is high,

lending institutions are able to command more profitable lending arrangements. On the contrary, when banks and other institutions find that the market for loans is weak (or worse), interest rates are typically lowered accordingly to encourage businesses and individuals to take out loans.

Another key factor in determining interest rates is the lending agency's confidence that the money – and the interest on that money – will be paid in full and in a reasonable timeframe. Default risk encompasses a wide range of circumstances, from borrowers who completely fail to fulfill their obligations to those who are simply late with a scheduled payment. If lenders are uncertain about the borrower's ability to stick to the specifications of the loan arrangement, they will often demand a higher rate of return or risk premium. Borrowers with an established credit history, on the other hand, qualify for what is known as *prime interest rate*, which is a low interest rate.

All other factors being equal, higher interest rates in a country increase the value of that country's currency relative to countries offering lower interest rates. However, such simple straight-line calculations rarely exist in foreign exchange. Although interest rates can be a major factor influencing currency value and exchange rates, the final determination of a currency's exchange rate with other currencies is the result of a number of interrelated elements that reflect the overall financial conditions of a country in respect to other countries.

Higher interest rates tend to attract foreign investment, increasing the demand for and value of the home country's currency. Conversely, lower interest rates tend to be unattractive for foreign investment and decrease the currency's relative value.

Interest rates alone do not determine the value of a currency. Two other factors - political and economic stability, and the demand for a country's goods and services - are often even more important. Factors such as a country's balance of trade between imports and exports can be a crucial factor in determining currency value.

## Digital currency

The term *digital currency* refers to a payment method which exists only in electronic form and is not tangible. Digital currency can be transferred between entities or users with the help of technology like computers, smartphones and the internet. Although it is similar to physical currencies, digital money allows a borderless transfer of ownership, as well as immediate transactions. Digital currencies can be used to purchase goods and services, but

can also be restricted to certain online communities, such as gaming or social networks.

At the moment, digital currency has only a limited user base, and the regulatory framework, as well as tax treatments of digital currencies are still evolving. The infrastructure needed to support digital currency is still being determined and developed. *Cryptocurrencies* and *virtual currencies* are categories of digital currencies. As payments are made directly between payors and payees, digital currencies can eliminate intermediaries, process steps and costs related to infrastructure, unlike traditional payment methods which cannot bypass banks. They can also help make the funds flow more simply and transparently.

There are many benefits associated with digital currencies, such as the ability to easily make payments on time, as well as lower transaction costs. Another way in which digital currencies can help an organization is by reducing or eliminating the exposure risks by using them as a transport currency. At present, digital currencies are not accepted by banks, and as a result, interest cannot be earned on them by individuals or organizations. There are also risks associated with digital currencies, such as security, currency volatility, and payment beneficiary identification. Some areas of uncertainty, like following regulations and customer identification, along with the risk, also limit digital currencies being accepted in the payment industry.

*Cryptocurrencies* are a special case of digital currencies. The term itself came about with Bitcoin, as it was the first to use cryptographic digital signatures to make transactions valid. Cryptocurrencies are the class of digital currencies that has grown immensely in recent years, and that growth is probably the main reason for the recent increase in research and public debate on the nature of digital currencies. So, it is a digital currency where transactions are recorded on a public digital ledger called a *blockchain*, and every process along the way is secured by cryptography. The main difference between cryptocurrency and bank credit is that instead of banks and governments issuing the currency and keeping ledgers, an algorithm does. Meanwhile, cryptocurrencies are traded on online cryptocurrency exchanges, like stock exchanges.

Cryptocurrency works in the following way: transactions are sent using software called *cryptocurrency wallets*. The person creating the transaction uses the wallet software to transfer balances from one account (or a public address) to another. To transfer funds, knowledge of a password (or a private key) associated with the account is needed. Transactions are encrypted and then broadcast to the cryptocurrency's network and lined up to be added to the public ledger. Transactions are then recorded on the public ledger via a process called *mining*. The transaction amounts are public, but who sent the

transaction is encrypted (it is pseudo-anonymous). Each transaction leads back to a unique set of keys. Whoever owns that set of keys owns the amount of cryptocurrency associated with those keys (just like whoever owns a bank account owns the money in it). Many transactions are added to a ledger at once. These 'blocks' of transactions are added sequentially by miners. That is why the ledger and the technology behind it are called 'block' and 'chain' - it is a 'chain' of 'blocks' of transactions.

## DISCUSSION

1. WHAT IS THE CORRELATION between money supply and: a) inflation; b) GDP?
  2. a) IF AN INDIVIDUAL takes out a \$300,000 loan from the bank and the loan agreement stipulates that the interest rate is 15%, how much will the borrower have to pay back to the bank?
    - b) IF A COMPANY secures a \$1.5 million loan from a lending institution that charges it 12% interest, how much must the company repay?
3. HOW DOES WAR affect interest rates?
4. WHAT MAKES A CURRENCY strong? What are the strongest currencies in the world? Why?
5. WHAT DO THESE WORDS/PHRASES refer to: accrued interest, broad money, circulation, compound interest, economic bubble, Ethereum, exchange rate, Federal Reserve discount window, Fiat money, ICO, lump sum, narrow money, nominal interest, quantitative easing.
6. IF THE GOVERNMENT HAS a national debt, why would it not just print more money and pay off the debt?
7. PROVIDE EXAMPLES of financial crimes. What punishments would be suitable for them?
8. DISCUSS THE RISKS associated with digital currencies in more detail?

## ASSIGNMENT

In 250–300 words, **elaborate on one of the following:**

1. COMPARE the Federal Reserve to the Bank of England.
2. AT THE END OF 2018 and the beginning of 2019, there was a government shutdown in the USA. What effect would a shutdown have on the US economy and institutions?



– OR – DISCUSS WAYS in which Brexit could affect the global economy.

3. WHAT KIND OF POTENTIAL for the future does digital currency have as a monetary instrument? Will society become cashless one day? What would be the advantages/disadvantages of a cashless society?

– OR – OPINIONS ARE DIVIDED on the Bitcoin, its use, security, etc. What is your opinion concerning the Bitcoin? Would you invest in it? Explain and support your answer.

## ***2. Grammar focus: sentence connectors: commonly confused words***

*Sentence connectors* or *linking words (phrases)* are used to show relationships between ideas. They can be used to join two or more sentences or clauses, which means that they serve as a transition between the sentences/clauses. The functions of connectors in English vary, but what they all have in common is that they express a certain relationship between the elements they are connecting. Using them in speaking and writing adds maturity and sophistication, as well as clarity, so that the listener or reader can easily follow the speaker's/writer's stream of thoughts.

*Coherence* refers to the connection of ideas at an idea level, while *cohesion* means the connection of ideas at a sentence level. Basically, coherence refers to the 'rhetorical' aspects of speaking/writing, which include developing and supporting, as well as organizing and clarifying ideas. Cohesion, on the other hand, focuses on the 'grammatical' aspects of speech/writing.

(For more on connectors, see Grammar Focus in Chapter 5)

The following paragraph is an example that illustrates ideas which are not well connected:

*This hotel is top-class. It is one of the most well-known hotels in the country. The latest regional PitchFest was held at the hotel. The hotel spent loads of money to advertise the event. Because the hotel wanted to gain international reputation. But not many people attended the event.*

However, they are much better linked in the paragraph below:

*The latest regional PitchFest was held at this top-class hotel, which is one of the most well-known hotels in the country. The hotel spent loads of money on advertising the event since it wanted to gain international reputation; however, not many people attended the event.*

## EXERCISES

1. PLACE THE SENTENCE CONNECTORS in the categories below, in terms of their function, and then translate them into Macedonian and discuss the differences in both languages:

accordingly – all in all – also – alternatively – as a consequence – as a result – as far as – besides – consequently – conversely – correspondingly – despite – essentially – firstly – for example (e.g.) – for instance – furthermore – given – hence – however – in addition – in brief – in conclusion – in contrast – in fact – in other words – in particular – in regards to – in spite of – indeed – inevitably – likewise – moreover – namely – nevertheless – on the contrary – on the other hand – otherwise – overall – particularly – provided – regarding – regardless – similarly – so – specifically – to illustrate – that is to say (i.e.) – then – therefore – thus – until – whereas – while – with respect to.

a) Cause/effect (result): \_\_\_\_\_

b) Comparison: \_\_\_\_\_

c) Contrast: \_\_\_\_\_

d) Similarity: \_\_\_\_\_

e) Emphasis: \_\_\_\_\_

f) Clarification: \_\_\_\_\_

g) Exemplification: \_\_\_\_\_

h) Addition: \_\_\_\_\_

i) Condition: \_\_\_\_\_

j) Ordering and listing: \_\_\_\_\_

k) Transition: \_\_\_\_\_

l) Summary: \_\_\_\_\_

2. Connect each pair of sentences with the most appropriate sentence connector(s) (the function of the connector is given in brackets):

a) Fluctuation in exchange rates causes instability. It makes forecasting more difficult. (addition)

\_\_\_\_\_

\_\_\_\_\_

b) The product was launched ten years ago, when competition was fierce. It was tough for us to get the commitment of the senior management. (cause and effect)

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c) The system lacked originality, efficiency and ingenuity. It was a complete failure. (summary)

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d) The recession in the building industry hit us hard. Our competitors saw an increasing load of orders. (contrast)

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e) Good business people should be able to read between the lines. They should be able to make inferences about information that is conveyed indirectly or given only partially. (clarification)

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f) I am making a large order, which we will pay up front. We should be given a considerable discount. (condition)

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g) Our Head is going to present the figures in detail. He is going to take on any questions you might have. (ordering and listing)

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**3. CHOOSE THE CORRECT OPTION:**

Budgets are most commonly used by organizations to exercise control. They are, (1) \_\_\_\_\_, barriers to changes, and fail to do well what most managers think they do well, (2) \_\_\_\_\_, provide order and control. They are barriers for many reasons. (3) \_\_\_\_\_, they

reinforce the command-and-control management model and (4) \_\_\_\_\_ undermine attempts at organizational change, such as delegation and empowerment. (5) \_\_\_\_\_, they tend to set a ceiling on growth potential and a floor for cost reductions, thus stifling real improvement breakthroughs. Strong brands, skilled people, excellent management processes, strong leadership, and loyal customers are assets that are outside the measurement orbit of the accounting system. (6) \_\_\_\_\_, budgets are typically extrapolations of existing trends, with little attention being paid to anticipatory models.

- |                  |                |                |             |
|------------------|----------------|----------------|-------------|
| 1) a) besides    | b) until       | c) in fact     | d) while    |
| 2) a) i.e.       | b) likewise    | c) similarly   | d) e.g.     |
| 3) a) As far as  | b) Besides     | c) Firstly     | d) Given    |
| 4) a) until      | b) however     | c) despite     | d) thus     |
| 5) a) Namely     | b) In addition | c) Provided    | d) Although |
| 6) a) Conversely | b) Regardless  | c) In contrast | d) Indeed   |

4. BELOW ARE PAIRS / GROUPS of words that are commonly confused in regards to their meaning. All of them have appeared in this textbook. First, explain and translate the words, then use each word in an example, i.e. in a sentence in a business context:

account / bill	hard / hardly
accounting / accountability	hope / wish
advise / advice	i.e. / e.g.
anticipate / predict / foresee	late / lately
appraise / apprise	lend / borrow
asset / income	loan / credit / mortgage
broke / bankrupt	motto / tagline / phrase
capitol / capital	overpriced / exorbitant
client / customer	policy / politics / political / politic
cost / value / price	principal / principle
council / counsel	safety / security
date / appointment	save money / invest money
discount / refund / exchange	than / then
economic / economical	travel / trip
effect / affect	wage / salary / fee / commission
ensure / insure / assure	whose / who's
estimate / evaluate	work / job / profession
former / latter	worthless/priceless/valueless/invaluable

### *3. Practice and revision*

1. PARAPHRASE THE SENTENCES below, using the given beginning or the word/structure in brackets, keeping their meaning as similar as possible:

a) It is rare for me to complain about the product's quality, but this time I have to. (SELDOM)

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b) The fire resulted in damage to their retail premises. (RESULT)

---

c) Lower tax revenue has arisen from increased numbers of business failures. (RISE TO)

---

d) We regret that this machine is unable to provide all the goods you require. (INCAPABLE)

---

e) In the event of loss of raw materials, you must immediately inform your contractual partner.

If \_\_\_\_\_

f) I was most annoyed by the fact that I had never been promoted in my previous workplace.

What \_\_\_\_\_

g) Conducting business negotiations in Norway is easier than in Sweden. (AS... AS)

---

h) The service we receive is not good enough for us to continue with that supplier. (SO... THAT)

---

i) There won't be a confidentiality clause, nor a dispute resolution clause. (NEITHER)

---

2. SUMMARIZE THIS TEXT in a paragraph of 50-60 words::

Regardless of whether your organization is legally obligated to have a code of conduct (as public companies are), every organization should have one. A code has value as both an internal guideline and an external statement of corporate values and commitments. A well-written code of conduct clarifies an organization's mission, values and principles, linking them with standards of professional conduct. The code articulates the values the organization wishes to foster in leaders and employees, such as accountability, and, in doing so, defines desired behavior. As a result, written codes of conduct or ethics can become benchmarks against which individual and organizational performance can be measured. Additionally, a code is a central guide and reference for employees to support day-to-day decision making. A code encourages discussions of ethics and compliance, empowering employees to handle ethical dilemmas they encounter in everyday work. It can also serve as a valuable reference, helping employees locate relevant documents, services and other resources related to ethics within the organization.

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## *4. Translation*

TRANSLATE THE FOLLOWING TEXT from Macedonian into English:

Каматната политика на банките во РМ долго време беше оценувана како политика на високи и нефлексибилни каматни стапки. Ниското ниво на штедење и, следствено, ниската понуда на кредити, недоволната конкуренција во банкарскиот систем, незадоволителната ефикасност и профитабилност на банките, неизвесноста во економското опкружување, наследениот послаб квалитет на



# *Chapter 7*

## *Management functions*

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### *1. Reading and vocabulary*

RELATED TOPICS: the management process; types of managers; management roles.

#### **The Management Process**

*Management* may be defined as a process with which organizational goals can be achieved. The term process, furthermore, refers to a set of activities that are both continuous and interrelated, that is, first, the activities are not done in a step-by-step way where responsibility is passed from one activity to the next, but, in fact, they are continued as new activities are started, and the results of each activity influence the other activities and tasks. The responsibility of management is to see that essential activities are done both efficiently - in the best possible way, and effectively - doing the right thing.

*The management process* consists of four primary functions that managers must perform: 1) planning; 2) organizing; 3) leading; and 4) controlling. The management process is not always arranged in a straight line, that is, although the key functions in the management process are connected, it does not always start with planning and continue through each step until the organizational goals are achieved. This is because it is not possible to plan for every problem that might arise. As the management process moves along, changes and modifications are made when unexpected events come up. It is up to the managers to make sure that necessary changes are implemented, and that the unity and integrity of the entire process is maintained.

#### **Planning**

*Planning* has to do with defining performance goals for the organization, as well as determining what actions and resources are needed to achieve those goals. Through planning, management defines what the future of the organization should be, and how to get there. *Strategic plans* are long-term and affect the entire organization. A strategic plan closes the gap between what an organization is and what it will become. *Tactical plans* turn strategic





*The key functions in the management process*

plans into specific actions that need to be implemented by departments throughout the organization. The tactical plan defines what has to be done, who will do it, and the resources needed to do it.

### **Organizing**

Once plans have been made, decisions must be made about how to best carry out those plans. The organizing function involves deciding how the organization will be structured (by departments, job responsibilities, etc.).

In fact, organizing involves delegating authority and responsibility to various departments, distributing resources across the organization, and defining how the activities of groups and individuals will be coordinated.

### **Leading**

Nearly everything that is accomplished in an organization is done by people. The best planning and organizing will not be effective if the people in the organization are not willing to support the plan. Leaders use knowledge, character, and charisma to create enthusiasm and inspire effort to achieve goals. Managers must also lead by communicating goals throughout the organization, by building commitment to a common vision, by creating shared values and culture, and by encouraging high performance. Managers can use the power of reward and punishment to make people support plans and goals. Leaders inspire people to support plans, creating belief and commitment. Leadership and management skills are not the same, but they can and do appear in the most effective people.

It is important to bear in mind that it may be very challenging to motivate people when plans involve radical changes, especially if they include staff reduction and layoffs. Many people are naturally resistant to change. When the change means loss of jobs or status, people will show great unwillingness.

### **Controlling**

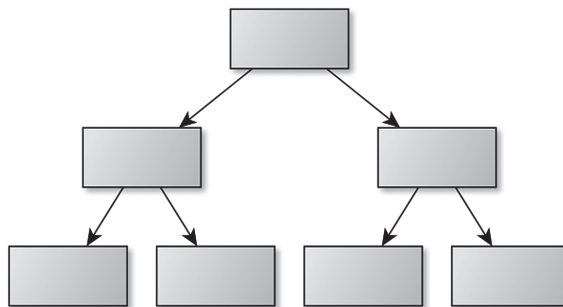
Planning is necessary for making preparations, but when it is time to carry out the plan, everything may not go as planned; unexpected things will happen. Observing and dealing with what actually happens is called controlling. *Controlling* is the process of monitoring activities, measuring performance, comparing results to objectives, and making changes and corrections when needed.

Controlling may be the most important out of the four management functions. It provides the information that keeps the corporate goal on track. By controlling their organizations, managers keep themselves informed of what is happening; what is working and what is not; and what needs to be continued, improved, or changed.

## Types of Managers

Managers function in a number of roles including leading, sharing information, and making decisions. How often they play a particular role depends on the level they occupy, as well as the type of organization. Generally speaking, managers may be classified as *top-level managers*, *middle managers*, *first-line managers*, and *team leaders*.

*Top-down management*, also known as *vertical management*, refers to the various levels of management within an organization. Managers at different levels are free to focus on different aspects of the business, from strategic thinking to communicating information to operational efficiency. During the 19th century and much of the 20th century, top-down, i.e. vertical, management was highly structured with many layers of management (as depicted by a pyramid). In industries where processes and conditions are stable and where ongoing innovation is less critical, the vertical structure of management can still be very efficient. Workers in labor-intensive industries such as manufacturing, transportation, and construction need to follow established procedures and meet specific goals. Everyone knows who is in charge and assumes the job they do today will be the same next year or in five years.



*Top-down, i.e. vertical, management in a traditional organizational structure*

A key disadvantage of this type of management is that it limits the flow of information from the lower levels of the organization to the upper levels (like water, information flows downhill easily). Without easy two-way communication, top management can become isolated and out of touch with how its

plans affect the fundamental processes in the organization. It also encourages vertical thinking, that is, using traditional and recognized methods to solve particular problems. This is the opposite of the 'thinking outside of the box' approach. The digital age exposed the drawbacks of management that addressed problems in formal or bureaucratic approaches at the expense of creativity and innovation. Today, many organizations use 'flatter' structures, with fewer levels between the company's chief executives and the employee base. Most organizations, however, still have four basic levels of management: top, middle, first line, and team leaders.

**Top-Level Managers.** The *top-level managers* (or *top managers*) are the 'bosses' of the organization. They have titles such as chief executive officer (CEO), chief operations officer (COO), chief marketing officer (CMO), chief technology officer (CTO), and chief financial officer (CFO). A new executive position known as the chief compliance officer (CCO) is showing up on many organizational charts to help follow and respect complex rules and regulations. Depending on the size and type of organization, executive vice presidents and division heads would also be part of the top management team.

Top managers are basically responsible for the long-term success of the organization. They set long-term goals and define strategies to achieve them; they pay careful attention to the external environment of the organization: the economy, proposals for laws that would affect profits, stakeholder demands, and consumer and public relations. In addition, they make the decisions that affect the whole company, such as financial investments, mergers and acquisitions, partnerships and strategic alliances, and changes to the brand or product line of the organization.

**Middle Managers.** *Middle managers* have titles like department head, director, and chief supervisor. They are links between the top managers and the first-line managers, and have one or two levels below them. Middle managers receive broad strategic plans from top managers and turn them into operational plans with specific objectives and programs for first-line managers. They also encourage, support, and look after talented employees within the organization. Middle managers provide leadership, both in carrying out the instructions and directives of the top managers, and enable first-line managers to support teams and effectively report both positive performances and difficulties in meeting objectives.

**First-Line Managers.** *First-line managers* are the entry level of management, the individuals 'on the line' and in the closest contact with the workers. They are directly responsible for making sure that organizational

objectives and plans are carried out effectively. They may be called assistant managers, shift managers, foremen, section chiefs, or office managers. First-line managers are focused almost exclusively on the internal issues of the organization, and are the first to see problems with the operation of the business, such as untrained labor, poor quality materials, machinery breakdowns, or new procedures that slow down production.

**Team Leaders.** A *team leader* is a special kind of manager who may be appointed to manage a particular task or activity. The team leader reports to a first-line or middle manager. The responsibilities of the team leader include developing timelines, creating specific work assignments, providing needed training to team members, communicating clear instructions, and generally making sure that the team is working at maximum efficiency. Once the task is complete, the team leader position may be eliminated and a new team may be formed to complete a different task.

## Management Roles

All managers must be comfortable with three main types of activities or roles. To do their jobs, managers take on these different roles, since no manager stays in any one role all of the time, but shifts back and forth. These roles are: 1) leadership (or interpersonal); 2) informational; and 3) decision-making.

### Leadership and Interpersonal Roles

*Leadership* is the ability to communicate a vision and inspire people to accept that vision, and all effective managers display leadership characteristics. Top managers are often required to fulfill *figurehead* activities. They are the public face of the management team and represent the business in legal, economic, and social forums. Middle managers are also leaders, though their focus may be placed more on *interpersonal* skills, such as motivating employees, negotiating salaries, and encouraging innovation and creativity. First-line managers lead by example, when they actively participate in the tasks given to their workers, and by modeling the policies and work ethics of the organization.

### Informational Roles

*Informational* roles involve receiving and sending information, whether as a spokesperson, a mentor, a trainer, or an administrator. A top manager is a voice of the organization and has to be aware that even personal opinions will

reflect on the business. With the free flow of information on the internet, it is very challenging for top managers to separate their personal identities from their corporate positions.

Middle managers must decide what information from top management should be shared with others, how it should be interpreted, and how it should be presented. Also, they must consider the value of the information they receive from first-line managers and employees in order to decide what to forward to top management. If the information passed on is untrue or unimportant, then the manager will be seen as an unreliable source and their opinions will not be taken into account.

The informational role for first-line managers is primarily one of sharing what they have been given, and helping the employees to see how their own contributions help achieve the organizational goals. They have a responsibility to see that the employees understand what they need to be successful in their jobs.

### Decision-Making Roles

All managers are required to make decisions, but managers at different levels make different kinds of decisions. Generally speaking, there are four primary types of management decision roles, and they are the following: 1) *Entrepreneur* – usually top-level managers; they identify economic possibilities, lead the initiative for change, and make product decisions; 2) *Disturbance handler* – top and middle managers react to disturbances (unexpected events) in the organization, whether internal or external, and they decide what corrective actions should be taken to resolve the problems; 3) *Resource allocator* – all levels of management make decisions concerning the division of resources, depending upon whether the decision affects the entire organization, a single department, or a particular task or activity; and 4) *Negotiator* – depending on the effect on the organization, most negotiation is done by top and middle-level managers, with top managers dealing with negotiations that affect the entire organization, such as union contracts or trade agreements, and middle-level managers negotiating most salary and hiring decisions.

## DISCUSSION

1. WHAT SIMILARITIES EXIST among the four management functions? Use examples to illustrate how they are related. Which management function, out of the four, do you feel is the most important - explain your answer in terms of the following points: how does it interact with the others; what would hap-

pen to management without that particular function; what factors cause you to feel that this is the most important management function?

2. IN YOUR OPINION, what makes a good manager? What are the qualities that a good manager needs to have? In that context, what do you feel are the characteristics of an effective team, and what are the characteristics of well-designed goals? What makes a bad manager? Discuss and explain.

3. IN YOUR OWN WORDS, describe the concept of motivation, and briefly discuss what would motivate you at work – salary, job perks (benefits), job satisfaction, etc. In addition, think about what a company would get out of motivating their staff, as well as what the best way to motivate them would be. Discuss and explain using examples.

## ASSIGNMENT

In 250–300 words, **elaborate on one of the two topics:**

1. IN THE CONTEXT OF the management roles discussed earlier (leadership, informational, and decision-making), how much would the assertion that “People don’t buy what you do; they buy why you do it” influence how a manager performs these roles? Do you agree or disagree with this assertion? Explain your opinion, providing examples to support your arguments for or against.

2. IN 2017 THERE WAS a consumer backlash when Uber CEO Travis Kalanick accepted a seat on President Trump’s economic advisory council. Kalanick initially said that he was “going to use [his] position on the council to stand up for what’s right.” He resigned a few days later in response to the protest. In your own words, explain what this is an example of in terms of management roles, and discuss in more detail why things developed in the manner they did.

## *2. Grammar focus: conditional sentences*

*Conditional sentences* are also known as *conditional clauses* or *if-clauses*. They are used to express that the action in the main clause can only take place if a certain condition is fulfilled. There are three main types of conditional sentences:

### CONDITIONAL SENTENCE TYPE 1

→ It is possible and also *very likely* that the condition will be fulfilled.

**Form:** if + present simple + will + (bare) infinitive

*e.g. If she gets the job, she'll be so happy.*

*e.g. If you send your order by fax, we will deliver the goods immediately.*

**Note:** The main clause can also appear at the beginning of the sentence. In this case, a comma is not used:

*e.g. She'll be so happy if she gets the job.*

### CONDITIONAL SENTENCE TYPE 2

→ It is possible but *very unlikely* that the condition will be fulfilled.

→ It indicates what could happen if a present situation were different (= hypothetical present).

**Form:** if + past simple + would + (bare) infinitive

*e.g. If I had Jen's number, I would call her to tell her about the job opening.*

*e.g. If we had more employees, we would be more efficient.*

*e.g. If we delivered poor quality, we would not be the leading company in our business.*

**Note:** The main clause can also appear at the beginning of the sentence. In this case, a comma is not used:

*e.g. I would call Jen to tell her about the job opening if I had her number.*

**Note:** in Type 2 conditional sentences the form *were* is frequently used, even if the pronoun is I, he, she or it:

*e.g. If I were you, I would not reveal company secrets.*

### CONDITIONAL SENTENCE TYPE 3

→ It is *impossible* that the condition will be fulfilled because it refers to the past (= hypothetical past).

**Form:** if + past perfect + would + have + past participle

*e.g. If I had known you were looking for a job, I would have sent you to the interview.*

*e.g. If you had read the paper, you would have seen the advertisement.*

*e.g. If I had started earlier, I would have met the deadline.*

**Note:** The main clause can also appear at the beginning of the sentence. In this case, a comma is not used:

*e.g. I would have sent you to the interview if I had known you were looking for a job.*

Sometimes conditional sentences Type 1, 2 and 3 can also be used with other tenses:

**CONDITIONAL SENTENCE TYPE 1 (LIKELY)**

CONDITION REFERS TO:	IF-CLAUSE		MAIN CLAUSE	
FUTURE ACTION	<b>present simple</b>	<i>If the trade show is interesting, ...</i>	<b>future</b>	<i>...I will visit it.</i>
			<b>imperative</b>	<i>...visit it.</i>
			<b>modal auxiliary</b>	<i>...you can visit it.</i>
ACTION GOING ON NOW	<b>present continuous</b>	<i>If he is being disloyal to our company, ...</i>	<b>future</b>	<i>...I will fire him.</i>
			<b>imperative</b>	<i>...fire him.</i>
			<b>modal auxiliary</b>	<i>...you can fire him.</i>
FINISHED ACTION	<b>present perfect</b>	<i>If he has lost his job, ...</i>	<b>future</b>	<i>...we will comfort him.</i>
			<b>imperative</b>	<i>...comfort him.</i>
			<b>modal auxiliary</b>	<i>...we can comfort him.</i>
IMPROBABLE ACTION	<b>should + infinitive</b>	<i>If she should get the advertising account, ...</i>	<b>future</b>	<i>...I will give her a raise.</i>
			<b>imperative</b>	<i>...give her a raise.</i>
			<b>modal auxiliary</b>	<i>...we can give her a raise.</i>
PRESENT FACTS	<b>present simple</b>	<i>If he doesn't follow the company rules, ...</i>	<b>present simple</b>	<i>...he is not for us.</i>

**CONDITIONAL SENTENCE TYPE 2 (UNLIKELY)**

CONDITION REFERS TO:	IF-CLAUSE		MAIN CLAUSE	
PRESENT/FUTURE EVENT	<b>past simple</b>	<i>If I had more money, ...</i>	<b>Conditional 2</b>	<i>...I would buy some more stock.</i>
CONSEQUENCE IN THE PAST	<b>past simple</b>	<i>If I knew what a troublemaker he was, ...</i>	<b>Conditional 3</b>	<i>...I would have never hired him.</i>

**CONDITIONAL SENTENCE TYPE 3 (IMPOSSIBLE)**

CONDITION REFERS TO:	IF-CLAUSE		MAIN CLAUSE	
PRESENT	<b>past perfect</b>	<i>If I had known this on time, ...</i>	<b>Conditional 2</b>	<i>...I would not accept anything to do with it.</i>
PAST	<b>past perfect</b>	<i>If he had prepared for the meeting, ...</i>	<b>Conditional 3</b>	<i>...he would not have made such a mess of it.</i>

Besides the three basic types of conditional sentences, there is another conditional construction, and that is known as the zero conditional:



**Form:** if + present simple + present simple, or  
if + past simple + past simple

This conditional is used when the result will always happen, i.e. when the result always happened in the past. The zero conditional is used when we are talking in general, not about one particular situation; the result of the *if-clause* is always the main clause. In that context, the *if* in this conditional construction can usually be replaced by *when* without changing the meaning:

*e.g. People don't put in 100% in their job if they are not motivated enough.*

*e.g. If you goof off at work, you get demoted, and then fired.*

*e.g. If shares dropped, they made us work overtime.*

## EXERCISES

1. THE FOLLOWING SENTENCES refer to safety procedures at a chemical factory. Combine a clause from the left (1-6) with a clause from the right (a-f) to make conditional sentences:

- |  |  |
|--|--|
| 1. <i>If you make an error, ...</i>                      | a. <i>... it will go off.</i>                    |
| 2. <i>If there was a serious error, ...</i>              | b. <i>... unless the supervisor tells you.</i>   |
| 3. <i>As long as the bell has been reset, ...</i>        | c. <i>... you will hear a warning signal.</i>    |
| 4. <i>So, if you hear the alarm, ...</i>                 | d. <i>... you can check in the manual.</i>       |
| 5. <i>You mustn't re-enter the building, ...</i>         | e. <i>... everybody must leave the building.</i> |
| 6. <i>Finally, if you want to know more on this, ...</i> | f. <i>... the alarm would ring three times.</i>  |

2. COMPLETE THE CONDITIONAL sentences (type I, II or III) by putting the verbs into the correct form:

- If I \_\_\_\_\_ (HAVE) time, I will come to inspect the new facility.
- If we sneak in quietly, nobody \_\_\_\_\_ (NOTICE).
- If we \_\_\_\_\_ (KNOW) about your money problems, we would have helped you.
- If I \_\_\_\_\_ (BE) you, I would not sell my stock in the company.

5. We \_\_\_\_\_ (FINISH) on time if we had not worked so slowly.
6. If I didn't have a mobile phone, my life \_\_\_\_\_ (NOT, BE) complete.
7. Okay, I \_\_\_\_\_ (TYPE) if you proofread the document later.
8. If I \_\_\_\_\_ (TELL) you a secret, you would have to promise not to reveal it.
9. She \_\_\_\_\_ (LEND) you some money if you had only asked her.
10. I would not have read your secret notes if you \_\_\_\_\_ (NOT, LEAVE) them in such an obvious place.

3. COMPLETE THE CONVERSATION by putting the verbs into the most suitable (conditional) form:

**Chris:** If we \_\_\_\_\_ (WANT) to recruit better workers, we need to offer better salaries.

**Maria:** I disagree. Just look at Manfred's. If we \_\_\_\_\_ (FOLLOW) their example, we \_\_\_\_\_ (BE) bankrupt by now. If we \_\_\_\_\_ (OFFER) the highest salaries, I doubt that it would make us a better employer.

**Chris:** Well, look at it the other way around. If we don't attract better workers, we simply \_\_\_\_\_ (NOT, GET) the orders.

**Maria:** Why not?

**Chris:** Because of investment. If a company \_\_\_\_\_ (WANT) to succeed, it must invest in all aspects of the business. And that includes the workforce.

**Maria:** So, if we were to invest in the workforce, how \_\_\_\_\_ you \_\_\_\_\_ (SUGGEST) going about it?

**Chris:** I \_\_\_\_\_ (RECOMMEND) a study of the average wage in this area for different types of work. And then we should offer a competitive rate for different grades, as long as everyone \_\_\_\_\_ (agree).

**Maria:** And what if they \_\_\_\_\_ (NOT, AGREE)?

**Chris:** Then Bob \_\_\_\_\_ (MUST) make the final decision.

### 3. Practice and revision

1. COMPLETE THE TEXT by filling in the gaps with an appropriate form of the word in brackets:

People are considered resources because well-trained and experienced \_\_\_\_\_ (EMPLOY) are the main source of \_\_\_\_\_ (EFFECT), \_\_\_\_\_ (EFFICIENT), and sustainability. They are effective when they understand the goals of the \_\_\_\_\_ (ORGANIZE) and focus their energy on tasks that support the goals. Second, people are efficient by being very good at doing the tasks that support the goals. They provide sustainability because the people in an organization are both \_\_\_\_\_ (CHARACTER) and \_\_\_\_\_ (LAST). Most of the \_\_\_\_\_ (SOURCE) an organization has are not unique and can be copied by the \_\_\_\_\_ (COMPETE). \_\_\_\_\_ (EQUIP), technology, and methods can all be copied by competitors. It may take time, but eventually competitors can duplicate most of the things an organization has or does. But competitors cannot copy people. The skills and experience of people and the way they are managed to achieve high \_\_\_\_\_ (PERFORM) is very difficult for competitors to reproduce.

2. FILL IN THE GAPS in the following texts using the words/phrases below. Do not use a word/phrase more than once:

*contribute*

*promotion*

*referees*

*short-listed*

*install*

*maintenance*

*stick*

*any other business*

*breakdown*

*assembly line*

*overhaul*

*applicants*

*dominate*

*recruiting*

*address*

It was agreed that the cause of the \_\_\_\_\_ was very simple. The equipment used to deliver the components to the \_\_\_\_\_ has been in need of an \_\_\_\_\_ for some time. We had decided to \_\_\_\_\_ a fully automated robot system but there were insufficient \_\_\_\_\_ engineers to run it if significant problems arose.

A good chairperson should start the meeting on time and \_\_\_\_\_ to the agenda. Everyone should be given a chance to \_\_\_\_\_ their views and individuals should not be allowed to \_\_\_\_\_ the discussion. It's not important for everyone to \_\_\_\_\_ the

chair but order should be maintained. Allow time for \_\_\_\_\_  
\_\_\_\_\_ to be considered before the meeting is drawn to a close.

We are presently \_\_\_\_\_ new graduates as management trainees. Prospects for \_\_\_\_\_ on completion of the training program are excellent. \_\_\_\_\_ will be selected for an initial assessment and those who are then \_\_\_\_\_ will be invited to return for a second interview. If you are interested, please submit a full CV, including the names of three \_\_\_\_\_.

### 3. CHOOSE the best option:

1. Neither the customers nor the salespeople want to feel \_\_\_\_\_ over a deal.  
a) checked    b) changed    c) cheated    d) charged
2. The retailer was allowed to order the goods on a sale or \_\_\_\_\_ basis.  
a) return    b) revert    c) restore    d) retract
3. The service engineer was \_\_\_\_\_ to guarantee the work for six months.  
a) granted    b) conceded    c) accepted    d) prepared
4. They agreed to refund the full cost if the goods were returned in perfect \_\_\_\_\_.  
a) condition    b) state    c) situation    d) shape
5. We are willing to supply the goods \_\_\_\_\_ a discount of 5%.  
a) in    b) after    c) at    d) over
6. To negotiate a good deal you need to know the strengths and weaknesses of \_\_\_\_\_ products.  
a) connecting    b) conflicting    c) competing    d) commanding
7. A good salesperson can \_\_\_\_\_ almost anybody to buy anything.  
a) satisfy    b) appeal    c) persuade    d) adapt
8. Once they had agreed terms, the deal was pushed \_\_\_\_\_ very quickly.  
a) over    b) through    c) in    d) by



5. TRANSLATE THE FOLLOWING TEXT from Macedonian into English:

Во 1916 година, французинот Анри Фајол (Henri Fayol), директор на рудник, напишал книга со наслов „Општ и индустриски менаџмент“ (*General and Industrial Management; Administration Industrielle et Generale*); во неа тој наведува пет поединечни функции на раководење, за коишто смета дека се исти и применливи во сите индустрии. Во 50-тите години на минатиот век, идеите на Фајол се јавуваат во повеќе учебници за раководење, а и до денес се застапени во бројни курсеви и предмети, каде се изучуваат тајните на успешното менаџирање и успешниот менаџер. Според Фајол, има пет функции на менаџирање, но подоцна експертите од оваа област го намалуваат тој број на четири: планирање, организирање, водење и контролирање. Петтата функција е функцијата на персонал, односно, на вработувањето.



# *Chapter 8*

## *Business skills*

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### *1. Reading and vocabulary*

RELATED TOPICS: presenting; negotiating; networking.

#### **Presenting**

*Presentation skills* and *public speaking skills* are very useful in many aspects of work, and life in general. Effective presentations and public speaking skills are essential in business, sales and selling, training, and generally feeling comfortable speaking to groups of people. Developing the confidence and ability to give good presentations are extremely helpful skills for self-development and social situations. Like most areas of expertise, this requires preparation and practice. The formats and purposes of presentations may differ, e.g. using multimedia (visuals, audio, etc.) or Powerpoint, short impromptu or long planned presentations, as well as training sessions/seminars/workshops/lectures, talks, press conferences or briefings, and product launches.

Presentation skills are key to both individual success and business success. Presenting information clearly and effectively is a valuable skill to get a message across. Even if you do not need to make regular presentations in front of groups, there are plenty of situations where good presentation and public speaking skills can help to advance your career and create a variety of opportunities. Initial fears may be reduced by good preparation, which will lay the groundwork for making an effective presentation. So, how can presentations be made effective and memorable? Below are some tips to achieve precisely that:

#### **Subject preparation**

Research and have facts to support your speech. Create an outline, and once you have prepared your presentation, do not be afraid to revise it. To develop your presenting skills and increase your confidence, it is important that you prepare, practice, and learn from each presentation. Rehearse what you are going to say out loud, since this will help you to eliminate any filler words.



### **Focus and enthusiasm**

No one is impressed by a presentation that moves without a definite purpose because this happens when the speaker is both unrestrained and disorganized. The purpose of the presentation must be specifically directed to the interests of your listeners or they will mentally shut you down. Also, if you are not interested in the subject, then you have no chance with the listeners. Try and feel the adrenalin from your nerves as an advantage, and use it as a boost.

### **Media only to enhance**

Powerpoint, visuals and videos are powerful presentation tools only when used correctly, but they can be terrible distractions when misused. They should never replace the speaker as the provider of expertise. A good speaker will always use their own notes to prompt the listeners, and keep them on track, while a bad speaker will use the slides as their notes. The slides are not supposed to be used as a crutch, since they are for the audience only.

### **Stay true to yourself**

It is very important to remember: the more you try to act like someone you are not on stage, the more people will see right through you. Gestures should be a reflection of what you are feeling, helping convey that to your audience. They should come naturally, and should be one of the only unplanned parts of your speech. The more you act like yourself, the more confident you will seem, and the more the audience will be able to relate to you, and take something away from the presentation.

## **Negotiating**

*Business negotiators* have recognized that the most effective negotiators are skilled at both creating and claiming value, that is, they both collaborate and compete. So, how can negotiations be successful? Here are some tips that may help achieve exactly that:

### **Negotiate the process**

Do not assume you are both on the same page when it comes to determining when to meet, who should be present, and what your agenda will be. Instead, carefully discuss how you will negotiate in advance. Discussing such procedural issues will clear the way for much more focused talks.

**Listen actively**

Once you start discussing substance, resist the urge to think about what you are going to say next while your counterpart is talking. Instead, listen carefully to their arguments, then paraphrase what you believe they have said to check that you have understood. Acknowledge any difficult feelings, like frustration, behind the message. Not only are you likely to get valuable information, but the other party may imitate your listening skills.

**Ask good questions**

You can gain more in negotiation by asking many questions, especially ones that are likely to get helpful answers. Avoid asking 'yes/no' questions, and leading questions, such as “Don’t you think that’s a great idea?” Instead, create neutral statements or questions that encourage detailed responses, such as “I’d like to hear more about the issues you’re facing this quarter”, or “Can you tell me about the challenges you’re facing this quarter?”

**Search for smart tradeoffs**

Parties can often be stuck making compromises and demands on a single issue, such as price. In negotiation, you can take advantage of the presence of multiple issues to get both sides more of what they want. Specifically, try to identify issues that your counterpart cares deeply about, but that you value less. Then suggest making a compromise on that issue in exchange for a concession from them on an issue that is important to you.

**Plan for the implementation stage**

Another way to improve the long-term duration of a contract is to place points and deadlines in the contract to ensure that commitments are going to be met. You might also agree, in writing, to meet at regular intervals throughout the course of the contract to check in and, if necessary, re-negotiate. In addition, adding a dispute-resolution clause that calls for the use of mediation or arbitration if a conflict arises can be a wise move.

## **Networking**

*Business networking* is the process of establishing a mutually-beneficial relationship with other business people and potential clients and/or customers. The primary purpose of business networking is to tell others about your business, and hopefully turn them into customers.

The most obvious benefit of networking is to meet potential clients and/or generate referrals, which you can then follow up on to potentially add to your client base. Networking can also help you identify opportunities for partnerships, joint ventures, or new areas of expansion for your business.

Additionally, you need to meet and communicate with potential clients and business partners on a regular basis to maintain your business relationships. Meeting people in person seems old-fashioned in the digital age, but wherever possible you should network face-to-face. Social media platforms are excellent ways to communicate, but they do not substitute for meeting people in person. A lot of local business is still done on a handshake basis.

The most important skill for effective business networking is *active listening* (and asking questions). Focusing on how you can help the person you are listening to rather than on how they can help you is the first step to establishing a mutually beneficial relationship.

It is vital that you do not spread yourself too thin. Business networking is about cultivating relationships, so you need to be an active participant in whatever networking group you join. It is contributing that will result in the benefits of networking, such as more business, hence, increased revenue. You need to not only attend the meetings of your networking group regularly, but to go prepared to offer something of value to the group.

In an ever-changing business climate it is important to keep up with the target market conditions, as well as the overall trends in the industry; knowing the market is essential to developing a successful marketing plan.

There are two kinds of networks in place in organizations – the *formal (organized) networks*, which the management explicitly encourages, and the *informal ('organizational grapevine') networks*, in which news information is exchanged in a more relaxed atmosphere. More often than not, the first people who are informed of impending announcements related to promotions and launches of new products are those who have their ears to the ground. Moreover, informal networks can be a good source of bonding and stress relief. However, the grapevine is not trustworthy as it does not follow an official path of communication, and is spread more by unconfirmed reports.

The conclusion is that the best networking comes from genuine relationships, not just a simple emotionless greeting and a business card exchange. No matter who you are trying to build a relationship with, treating that person as a friend rather than a business contact will take you much further.

## DISCUSSION

1. WHAT OTHER *DO'S* AND *DON'TS* for presenting, negotiating, and networking would you add to those given in the *Reading and vocabulary* section above?
2. EXPLAIN THE FOLLOWING words/phrases: 10/20/30 Rule, bargaining ploy, call someone's bluff, common ground, concede, death by Powerpoint, eleventh-hour negotiations, follow-up, impasse, non-negotiable, Pecha Kucha, rapport, sidetracking.
3. WHAT DOES *non-verbal communication* refer to, and how important is it when presenting?; Along those lines, how important is voice in the context of presenting?
4. IT IS TEMPTING to focus on analytical skills when discussing business qualities, but soft skills are as important. What are *soft skills*? (give examples to illustrate).
5. WHAT ARE SOME PHRASES used in these negotiating stages: starting, finding out the other side's position, making an offer, refusing an offer, compromising, and concluding?
6. WHAT TIPS should people keep in mind during salary negotiations?
7. WHAT ARE SOME networking questions that might be asked to find out more about a person's field of work, and their future plans?
8. WHAT DOES THE TERM *misconduct* encompass? (give examples in the context of networking)

## ASSIGNMENT

In 250–300 words, **elaborate on one of the following:**

1. WHAT IS THE IMPORTANCE of presentation and public speaking skills in life? Discuss and illustrate.
2. DISCUSS HOW cross-cultural differences can affect business negotiations, and ways with which to deal with potential issues that may arise to result in a negative outcome.
3. THERE IS A SAYING that “you don't get a second chance to make a first impression”. Do you agree or disagree? Discuss and exemplify.

## ***2. Grammar focus: conditional sentences (I. II. III. mixed). inversion: 'wish' sentence constructions***

**Conditional sentences** are used to express the fact that the action in the main clause (clause without *if*) can only take place if a certain condition (in the *if*-clause) is fulfilled. There are different types of conditional sentences, and each one can usually be transformed into an inverted construction (for more emphasis).

**I conditional** indicates what will happen provided that a certain situation is given.

structure: *if* + present simple — *will* + infinitive

*e.g. If the product is a success in China, we will introduce it in other Asian markets.*

*(inv.) Should the product be a success in China, we will introduce it in other Asian markets.*

**II conditional** indicates what would happen if a present situation were different.

structure: *if* + past simple — *would* + infinitive

*e.g. If markets weren't so tough, we'd definitely invest more.*

*(inv.) Were markets not so tough, we'd definitely invest more.*

**III conditional** indicates what could have happened in the past if a situation had been different.

structure: *if* + past perfect — *would* + *have* + -ed/past participle

*e.g. If you had informed them of the delay in production, they wouldn't have cancelled the order.*

*(inv.) Had you informed them of the delay in production, they wouldn't have cancelled the order.*

**Mixed conditionals** indicate hypothetical or alternative past situations and their probable effects in the present (past condition + present result).

structure: *if* + past perfect — *would* + infinitive (mixture of II and III conditional)

*e.g. If Karen hadn't taken time off to raise her children, she might be a CEO now.*

*(inv.) Had Karen not taken time off to raise her children, she might be a CEO now.*

In all cases, a comma is used after the *if*-clause when the *if*-clause comes before the main clause. In addition, other modal verbs can be used in the main clause besides *will* and *would*.

(For more on conditionals, see Grammar Focus in Chapter 7)

**‘Wish’ sentence structures:** past tense forms to talk about *wishes*, *hypothetical states*:

– Modal verbs *would* and *could* are used to talk about wishes for the present/future when the speaker does not expect that things will change:

*e.g. I don't like my work. I wish I could get a better job.*

– *Past simple* is used to talk about wishes for the present:

*e.g. I wish I had more free time between projects.*

– *Past perfect* is used to talk about wishes/regrets about the past:

*e.g. She wishes she had reported the misconduct to Human Resources.*

## EXERCISES

1. CHANGE THE FOLLOWING conditional sentences into inverted constructions and state/discuss the type of conditional used:

a) If a customer wishes to renew a contract, they must notify the company before the expiry date.

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b) The company shall be entitled to terminate the agreement if the customer does not contact the company before the expiry date.

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c) If the customer subsequently decided to renew the policy, the company would charge an introductory fee.

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d) If the partners had refused to follow the prescribed rules, the company could end any further collaboration.

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e) If the partners had refused to follow the prescribed rules, the company could have ended any further collaboration.

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2. MATCH THE SENTENCE BEGINNINGS (i-ix) with their endings (a-i) to make conditional sentences which might be said during a negotiating session between staff and management. Discuss the types of conditional sentences:

- i) As long as we keep talking, ...
  - ii) Had you offered us that percentage last year, ...
  - iii) Were it not for the economic downturn, ...
  - iv) If you agree to raise productivity by 5%, ...
  - v) Should you give all our members permanent contracts, ...
  - vi) If you had given more reasonable demands, ...
  - vii) In the event of a deadlock in these negotiations, ...
  - viii) Provided our members vote in favor, ...
  - ix) Unless you accept a 5% cut in the workforce, ...
- 
- a) ... we won't be able to meet your demands.
  - b) ... industrial action will, unfortunately, be inevitable.
  - c) ... we might have accepted it, but inflation is higher this year.
  - d) ... I'm sure we'll be able to find a solution which is acceptable to both parties.
  - e) ... we'd be making more profits and we'd be in a position to make you a more generous offer.
  - f) ... we might now be collaborating, but you were quite rigid.
  - g) ... we'll accept some of your flexibility proposals.
  - h) ... everyone's salary shall be raised by 3%.
  - i) ... we'll certainly sign the contract.

3. COMPLETE EACH SENTENCE so that the meaning of the 'wish' structure is clear:

- a) I wish I could prepare the product launch speech \_\_\_\_\_  
\_\_\_\_\_.
- b) I wish I prepared the product launch speech \_\_\_\_\_  
\_\_\_\_\_.
- c) I wish I had prepared the product launch speech \_\_\_\_\_  
\_\_\_\_\_.

4. FOR EACH OF THESE three situations, there are two reasonable options (a/b). Work in pairs and decide on which option is better. Make appropriate conditional sentences:

A) You run a small business. One of your business customers has told you that she'll order twice as many of your products if you allow her to pay in 90 days. This may cause you cashflow problems. Do you...

- a. sell the goods and give her 90 days?
- b. insist she pay in cash and sell her fewer products?

B) In the event of a recession, it could be quite risky for your company to be employing so many customer service staff. Recently one member of the management team suggested axing the customer service department and outsourcing their function. Do you...

- a. keep the function in-house?
- b. outsource?

C) One of your best customers has run into cashflow problems and is unable to settle their account with your company. This could give you similar problems with your suppliers. Do you...

- a. go to the bank for a loan?
- b. become a late-payer yourself?

Read on to find out the consequences of each decision. Make appropriate conditional sentences and sentences with 'wish':

One year later...

A - a) You sold her the goods and she went bankrupt. You lost a lot of money.

A - b) She went to one of your rivals and bought the goods. Then she went bankrupt and your rival lost a lot of money.

B - a) When the downturn came, your company survived.

B - b) When the downturn came, you had to make a lot of employees redundant, which was expensive, causing severe financial difficulties for the company.

C - a) The bank felt you were being too easy on your customer and refused to give you a loan. You lost the customer, and are still waiting for their payment.

C - b) Unfortunately, your suppliers put you on a blacklist and it's been very difficult to get machine parts as a result.



### 3. Practice and revision

1. COMPLETE THE TEXT by filling in the gaps with the most appropriate phrase. Two phrases are not used:

*along with / by all accounts / combining / in terms of / for instance / much less / take into account / to be exact / unlike / you can see*

Right, well, I've got two main points to make in this presentation: firstly, the Chinese market, \_\_\_\_\_ markets here in Europe and the USA, is growing steadily and rapidly, so it represents a major business opportunity. Last year, \_\_\_\_\_, the total market \_\_\_\_\_ ice cream sales was 23 billion yuan, which is about 2.3 billion euros, so pretty considerable. China is likely to overtake the USA as the leading market for consumer goods within the next 25 years, and when you \_\_\_\_\_ that the market growth is a steady 10% a year, \_\_\_\_\_ that there's an opportunity there, if we can get in. Now, my second point: at the moment there are five major players selling in the Chinese market, \_\_\_\_\_ a lot of smaller local companies. These big ones have a market share between them of more than half, or 57%, \_\_\_\_\_, and that's split up among our three usual competitors. \_\_\_\_\_, they seem to hold the greatest power.

2. THERE ARE 12 WORDS in this text that are not necessary. Cross out the words that should be omitted:

By studying of the strength of your customers' emotional connection to your brand, you can be determine where to invest resources to get the best ROI. Research by *Harvard Business Review* showed that moving a customer from the satisfied to fully connected resulted in a 52% increase in customer value. Strengthening for the customer experience for emotional motivators that result in a fully connected customer was more shown in the Harvard research to result in the highest ROI. Those specific motivators should be a driver for much customer experience investments. Should locations of fully connected customers have be mapped, brands can make such better determinations about store locations, leading to a higher ROI. Since analyzing point-of-sale data for fully connected customers can help brands identify opportunities for merchandising improvements. Pursuing emotional motiva-



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# *Chapter 9*

## *Money markets*

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### *1. Reading and vocabulary*

RELATED TOPICS: introduction; the international money market; the money markets of other countries.

#### **Introduction**

*Money market* can be defined as a set of institutions, conventions, and practices, the aim of which is to make the lending and borrowing of money on a short-term basis easier. There is no formal money market; rather it is an informal network of banks, brokers, dealers and financial institutions that are linked electronically. In that sense, the term *money market* is an umbrella that covers several market types, which vary according to the needs of the lenders and borrowers. Generally speaking, it represents a section of the financial market where financial instruments with high liquidity and short-term maturities are traded. One of the most important functions of the money market is providing an outlet for large companies with temporary excess cash to invest that cash in short-term money market instruments.

#### **The International Money Market**

Each central bank usually has some form of reserve that is acceptable in settling international transactions. International monetary reserves are mainly gold, or 'money market assets' in some country whose currency is widely used, such as the US dollar. The monetary laws of all countries guarantee some kind of equality between their currencies and those of other countries. This equality may be defined either in terms of gold or in relation to a key currency such as the British pound or the US dollar, which has a fixed equality with gold.

Because world trade needs to have payments made in various currencies, an international money market must exist so that traders with an excess of one currency can use it to buy another currency they need. This trading in

currencies is usually carried out by banks or specialized foreign exchange brokers and dealers. Prices vary according to changes in supply and demand.

Changes in a country's balance of payments may affect the usefulness or prestige of its currency. A constant and large balance of payments deficit (outpayments larger than inpayments), for example, will result in continuous large increases in the world supply of its currency, possibly leading to a fall in the currency being accepted abroad and to a loss of international monetary reserves.

Since 1944 most of the countries that have domestic money markets or that play a role in the international money market have been joined together in the International Monetary Fund (IMF), which represents a pooling of some of the foreign exchange reserves (including gold) of more than 100 member countries. Withdrawing from the pool may be made by member countries to meet some of the reserve outflows resulting from balance of payments deficits and in amounts related to the quota that each has agreed to.

The internal money markets of a high number of the countries of the world are quite basic. The work of the money market in these countries is done largely by transfers of deposit balances, government securities, or foreign exchange among a few banks, and between them and the central bank.

## **The Money Markets of Other Countries**

Every country with a monetary system of its own has to have some kind of market in which dealers in short-term credit can buy and sell.

### **The British Money Market**

In Great Britain the money market consists of a number of linked markets, all of them concentrated in London. The 12 specialist banks, known as *discount houses*, have the longest history as money market institutions, going back to the early 19th century. Important changes were introduced into the British monetary system in 1971, but money at call (payable immediately) with the discount houses kept its role as a reserve asset.

The British government accounts are kept with the Bank of England, which does not lend at call as other banks do. The Bank of England can allow shortages or surpluses to affect interest rates, or it can balance them by buying or selling bills or by lending overnight to the discount houses at market rates. Even if the Bank of England does not act in this way to meet a shortage of funds, the discount houses are always finally able to secure the funds they need by their right to borrow from the Bank of England.

### **The American Money Market**

The domestic money market in the US carries out the largest amount of transactions of any such market in the world; its participants include the most mixed group of financial and non-financial organizations to be found in any money market; it permits trading in an unusually wide variety of money substitutes; and it is less centralized geographically than the money market of any other country. Although there has always been a clustering of money market activities in New York City, and much of the country's participation in the international money market centers there, a process of continuous change during the 20th century has produced a genuinely national money market.

Nevertheless, one of the most famous financial districts in the US is located precisely in New York City - on Wall Street. In fact, Wall Street is the original home of the New York Stock Exchange and the historic headquarters of the largest U.S. brokerages and investment banks. The term 'Wall Street' is also used as a general name for the financial and investment community, which includes stock exchanges and large banks, brokerages and big businesses, and it expands to institutions located around the world. While Wall Street is an important location where a number of financial institutions are based, the globalization of finance has led to institutions being established around the world. In this context, Wall Street is often shortened to simply 'The Street.'

### **The Canadian Money Market**

The Canadian money market was significantly broadened in 1954 with the introduction of day-to-day bank loans against Government of Canada treasury bills and other short-term government and government-guaranteed securities. Treasury bills of 91 days' and 182 days' maturity are issued weekly with the occasional offering of a longer maturity of up to one year. Government of Canada bonds and Government of Canada guaranteed bonds are issued at less regular intervals.

Groups involved in the money market are: the government, as the issuer of the securities; the Bank of Canada, as issuing agent for the government and as a large holder of market material; the chartered banks, as large holders and as distributors and potential buyers and sellers of bills and bonds at all times; the security dealers, as carriers of inventories and traders in such securities; and the public, mainly provincial and municipal governments and larger corporations, as short-term investors.

### **The German Money Market**

In what was formerly West Germany, where the money market developed strongly after WWII, transactions have been to a large extent limited to interbank loans. In addition, insurance companies and other non-bank investors are also important lenders of short-term funds. Treasury bills and other short-term bills and notes from government agencies (railways and post) gained importance by the 1960s, whereas in 1955 certain non-marketable securities held by the Bundesbank were transformed into short-term marketable securities in order to get suitable market material for the open-market operations of the Bundesbank.

In Germany, banks are not used to dealing in short-term government securities between each other. They generally either hold these securities to maturity or resell them to the central bank at its buying rates, so that a true money market has not developed.

### **The French Money Market**

The French money market is established fairly well, but its size is limited by the fact that in France currency continues to play an important role in the money supply, while regulations exclude the non-financial private sector of the economy from dealing in the market.

Banks, as well as a few public or semi-public agencies working in the financial sphere and intermediaries (brokers and discount houses), make up the market. Transactions take place in commercial paper and in treasury bills.

The central bank's open-market operations, which were normally limited to dealing with troubles in the local money market, have gained importance in recent years.

### **The Japanese Money Market**

In Japan's rapidly growing economy the demand for funds, both short-term and long-term, has been persistently strong. The monetary authorities (the Ministry of Finance and the Bank of Japan) have not been willing to allow market forces to keep in balance demand and supply in many financial markets out of fear that interest rates would become extremely high.

Under these circumstances, Japan has had a very restricted money market. The market for short-term government securities is insignificant; the low, fixed interest rate means that the Bank of Japan is the main buyer and that open-market operations are impossible. Transactions in commercial paper are minimal, and they are discouraged because they might weaken the structure of interest rates and financial institutions.

### Money Markets in Developing Countries

Well-developed money markets exist in only a few high-income countries. In other countries money markets are narrow, poorly integrated, and, in many cases, practically non-existent. Despite the many differences among countries, the general conclusion is that the degree of development of a country's financial system, including its money markets, is directly related to the level of its economy. Most very-low-income countries have limited financial systems in which money markets play no role. In many former colonies, such as in Africa, for example, expatriate commercial banks have taken the place of a local money market. Persistent inflation is another factor that has restricted the growth of money markets in developing countries, such as in Latin America.

Most developing countries, except those having socialist systems, have made it a policy objective to encourage the development and growth of money markets. At the same time, many of these governments offer low-interest-rate policies in order to reduce the cost of government debt, and to encourage investment.

Nevertheless, a demand for short-term funds and a supply of them exist in all market-oriented economies. In many developing countries these pressures have resulted in the appearance of 'unorganized money markets,' which are often highly developed in urban areas. Such markets are unorganized because they are outside 'normal' financial institutions; they manage to escape government controls over interest rates; but, at the same time, they do not function very effectively because interest rates are high and contacts between localities and among borrowers and lenders are limited.

## DISCUSSION

1. THE EURO AREA MONEY MARKET is among the most integrated parts of the financial system. The start of the euro on January 1, 1999 was a historic event, where 11 national currencies were converted into one single currency overnight. Greece became the 12th EU Member State to adopt the single currency on January 1, 2001. The common currency of the 12 participating European Union Member States has considerable significance in the world economy. It accounts for around 20% of world GDP and world exports. The successful launch of the euro, which is a key element in the creation of a stable and prosperous Europe, has increased the integration of financial markets in the euro area. What are the advantages and/or disadvantages to having a single, joint currency, that is, an integrated financial system? Which outweighs the other? Explain and exemplify.



2. WHAT COMES FIRST – economic stability or a developed money market? What is the relationship that exists between the two ideas? Discuss and illustrate.

3. WHAT DO YOU THINK WILL BE the impact of Brexit on the financial markets? Are there any means to deal with and reduce potentially negative impacts, and how? Who would be the most affected, that is, who would feel it the most, and why? Discuss and illustrate.

## ASSIGNMENT

In 250–300 words, **elaborate on one of the two topics:**

1. DISCUSS AND EXEMPLIFY how the money market is organized and how it functions in the Republic of Macedonia.

2. COMPARE AND CONTRAST the money markets in three developed countries (of your choice), and discuss which country has the best organization, and why.

## ***2. Grammar focus: modal verbs (+ present infinitive)***

### **Definition:**

*Modal verbs* = a type of an auxiliary (helping) verb that is used to express modality, that is: ability, possibility, permission, likelihood, advice, obligation, etc.

*Semi-modal verbs* (or *modal phrases*) = express the same ideas as modal verbs, but are a combination of an auxiliary verb and *to*.

Modal and semi-modal verbs give additional information about the function of the main verb that follows them, and they have a number of communicative functions.

### **Form and characteristics:**

- modal verb + bare (without *to*) infinitive;
- never change their form: -s, -ed, -ing cannot be added to them;
- allow the speakers to express permission, prohibition, certainty, possibility, ability, obligation, (lack of) necessity, advice, willingness, etc.

The modals and semi-modals in English are:

- can/could (be able to)
- may/might
- shall/should/ought to
- must (have to)
- will/would
- need/dare - these can be used both as modal and as lexical verbs.

### Uses:

#### **1. can/could (be able to)**

– ability or lack of ability = can/can't (present/future); could/couldn't

(past):

*e.g. He can fix computers.*

*e.g. She can't type very fast.*

*e.g. Tom could function on 3 hours of sleep when he had a presentation to do.*

– possibility or impossibility:

*e.g. You can finish the project on time if you work really hard on it.*

*e.g. I can't talk now, I'm busy.*

*e.g. I could pay less if I buy the computer now.*

– asking/giving permission:

*e.g. Can you lend me your notes, please?*

*e.g. Could I talk to the manager, please?*

*e.g. You can't come in here, sorry.*

– making a suggestion:

*e.g. You could call her and apologize for forgetting to send her the report.*

#### **2. may/might**

– formal permission/prohibition:

*e.g. May I come in?*

*e.g. You may not wear jeans to work.*

– polite request:

*e.g. May I see you for a moment, please?*

*e.g. How may I help you, sir?*

– possibility/negative possibility:

*e.g. Our company may/might get the order if the client agrees to the price.*

*e.g. Real estate prices are very high; we might not buy a house, after all.*

– making a suggestion when there is no better alternative/polite suggestion:

*e.g. We might as well go, there is nothing else we can do here.*

*e.g. You might wish to try this one instead.*

### **3. shall/should/ought to**

– offering help/making a polite suggestion (expecting a positive answer):

*e.g. Shall I do that for you?*

*e.g. Shall I close the door?*

– offering help/making a polite suggestion (a positive answer is not certain):

*e.g. Should I call for the manager?*

– prediction/expectation that something will happen:

*e.g. The report should be finished on time.*

*e.g. The goods should arrive there by this afternoon.*

*e.g. I shouldn't be late; the meeting will be over in an hour at most.*

– giving advice (especially about something considered wrong / unacceptable):

*e.g. You shouldn't be so rude to him.*

### **4. must (have to)**

– necessity or requirement/obligation = must (present); had to (past); will have to (future):

*e.g. You must have a college degree if you want to work for us.*

*e.g. I had to work 50 hours a week when I was starting out.*

*e.g. You will have to send in the forms by the end of the week.*

– positive deduction (almost 100% certainty):

*e.g. He has worked for them for over 20 years; he must be very loyal to them.*

– persuasion/very strong advice:

*e.g. You really must try this new computer program, it's very easy to use.*

– prohibition:

*e.g. You must not leave the report where others have access to it.*

### **5. will/would**

– expressing future:

*e.g. I will call you at noon.*

*e.g. He'll send you the documents by registered mail.*  
*e.g. She won't be happy with the preliminary results when she gets them.*

– polite request/statement:

*e.g. Will you help me, please?*

*e.g. Would you mind if I wait here?*

*e.g. I would like to sign up for the free trial period, please.*

– habitual past action:

*e.g. When I was younger I'd spend hours working on additional projects.*

*e.g. She wouldn't say a word in meetings before, but now she won't shut*

*up.*

**6. need/dare** - these two verbs can appear both as modal verbs and as lexical verbs, depending on how they are used, that is, depending on their form. Namely, when their form is need/dare + present bare (without to) infinitive = modal verbs. As modal verbs, need/dare are used in questions and in negative statements. On the other hand, when their form is need/dare + present full (with to) infinitive = lexical verbs. As lexical verbs, need/dare are used in affirmative statements.

– Need = necessity/lack of necessity (needn't; don't need to; don't have to; haven't got to):

*e.g. Need I come in today? (modal verb)*

*e.g. Do I need to (Do I have to; Have I got to) come in today? (lexical verb)*

*e.g. You needn't wait up for me to start. (modal verb)*

*e.g. You don't need to/have to/haven't got to wait up for me. (lexical verb)*

*e.g. We need to talk. (lexical verb)*

*e.g. I dare you to tell everyone what the client said. (lexical verb)*

*e.g. We daren't increase prices in this terrible economic climate. (modal verb)*

*e.g. Dare we go in now, 30 minutes after the meeting started? (modal verb)*

MODAL VERB	EXPRESSING	EXAMPLE
must	- strong obligation	<i>You must bow to the new Japanese CEO.</i>
	- positive deduction / certainty	<i>He must be very tired. He's been working all day.</i>
must not	- prohibition	<i>You must not smoke anywhere in the building.</i>

MODAL VERB	EXPRESSING	EXAMPLE
can	- ability - permission - possibility	<i>I can type 18 words a minute. Can I come in now? Postponing the meeting can cause them to reject our offer.</i>
could	- ability in the past - polite permission - possibility	<i>When I was younger I could function on 3 hours of sleep. Excuse me, could I just say something? He could come in and see you doing nothing!</i>
may	- permission - possibility, probability	<i>May I use your phone please? It may be all over by tomorrow!</i>
might	- polite permission - possibility, probability	<i>Might I suggest something interesting? I might sell my shares here.</i>
need not	- lack of necessity/ obligation	<i>I need not do anything; the manager will take care of it.</i>
should / ought to	- 50 % obligation - advice - positive deduction	<i>I should / ought to talk to our financial analysts. You should / ought to go over your notes. He should / ought to be very tired. He's been working on his speech all day long.</i>
had better	- advice	<i>You'd better offer them a better deal if you want to keep them.</i>

## EXERCISES

1. COMPLETE THE SENTENCES with the correct form of the appropriate modal verb. In some cases, there may be more than one possibility:

- i) If you're not ready for the meeting, you \_\_\_\_\_ go to work. You'll destroy everything.
- ii) Managers \_\_\_\_\_ support and motivate their employees.
- iii) You \_\_\_\_\_ finish the proposal today. You can finish it tomorrow.

- iv) The workers \_\_\_\_\_ do so much more now with the new equipment.
- v) \_\_\_\_\_ I ask the clients to wait for you outside?
- vi) You \_\_\_\_\_ pick us up from the airport; we'll take the airport shuttle.
- vii) You \_\_\_\_\_ smoke here. It's a smoke-free building.
- viii) You \_\_\_\_\_ treat your employees like that; eventually nobody is going to want to work for you.
- ix) \_\_\_\_\_ you mind working a little faster? We're going to miss the deadline at this rate.
- x) I'm sorry. I \_\_\_\_\_ help you with the report; I simply don't have the time.

2. UNDERLINE the correct word to complete the sentences:

1. May/Can/Have you use Excel?
2. Liz has/must/should get tired of her job. It is so boring.
3. Where's Nick? He might/mustn't/is to be in his office.
4. Take your CV with you just in case. It has to/need/might come in handy.
5. Jack must/had to/need go to work yesterday even though he's on vacation.
6. You look tired. You should/ought/are to go home.
7. You must not/need not/ought not do it. I've already typed it out.
8. Must/May/Can it be true that the company is bankrupt?
9. Will/Would/Shall we wait or sell our shares now?
10. You must/need/should to call me as soon as the buyers get here.

3. WRITE A SENTENCE using a suitable modal verb to express what you want in each situation:

- a) When you need help finishing the annual report...
-

b) When you are feeling anxious before a job interview...

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c) When you want your assistant to bring you the phone messages...

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d) When it is not necessary for your staff to come in on the weekend...

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e) When you did not hear what the interviewer said to you...

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f) When you need some money from the bank...

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g) When you want to invite your business partner for a celebratory dinner...

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h) When somebody does something wrong (bad, inappropriate)...

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i) When you ask your boss for more time to finish the project...

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j) When you ask your business partners to postpone an important meeting...

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### *3. Practice and revision*

1. COMPLETE THE TEXT by filling in the gaps with an appropriate form of the word in brackets:

1. Stanley has a \_\_\_\_\_ (PROMISE) future with this firm.

2. This is a new government \_\_\_\_\_ (INITIATE).

3. How will my \_\_\_\_\_ (PERFORM) be evaluated?
4. He hasn't been fired yet, but he has been suspended \_\_\_\_\_ (DEFINITE).
5. We require written \_\_\_\_\_ (CONFIRM) for large orders.
6. He invested most of his \_\_\_\_\_ (SAVE) in the Stock Exchange.
7. \_\_\_\_\_ (COMPETE) on the PC market has increased significantly over the past few years.
8. Trade union \_\_\_\_\_ (MEMBER) has declined in the US.
9. They decided to enter into a \_\_\_\_\_ (PARTNER) when starting the business so as to have more starting capital.
10. My stockbroker advised me to make several safe \_\_\_\_\_ (INVEST).

2. FILL IN THE BLANKS with one word that forms collocations with all the words in that group:

1. plan, lunch, trip, partner, investment, acumen \_\_\_\_\_
2. exchange, market, index, options \_\_\_\_\_
3. increase, controls, war, tag, range \_\_\_\_\_
4. payer, law, measures, reform, cuts, credit, exemption \_\_\_\_\_
5. laundering, market, problems \_\_\_\_\_
6. placement, line, range, design, development \_\_\_\_\_
7. ballpark, preliminary, rough, conservative \_\_\_\_\_
8. natural, human, adequate, scarce, renewable \_\_\_\_\_
9. inalienable, basic, fundamental, equal, human \_\_\_\_\_
10. enduring, lasting, long-term, business, professional, love-hate \_\_\_\_\_

3. REPLACE THE PHRASES in italics with the appropriate phrasal verb:

1. We *hired him* to help us with the new website.  
 a) brought him on      b) brought him up      c) brought him in
2. Mattel had to *reduce* their advertising budget.  
 a) come off              b) cut back on              c) let down
3. We *rejected* the offer because we weren't happy with some of their demands.  
 a) let off                  b) brought out              c) turned down



4. That issue *was never raised* during the meeting.  
 a) didn't come up      b) didn't draw up      c) didn't measure up
5. This product *is not as effective* as its predecessors.  
 a) doesn't work up      b) doesn't bring up      c) doesn't measure up
6. *We don't have any more* paper.  
 a) have run off      b) have run out of      c) have run out
7. No one likes to sit through *extremely lengthy* negotiations.  
 a) drawn-out      b) drawn-off      c) drawn-up
8. Make sure you *complete* all the necessary paperwork.  
 a) write off      b) fill out      c) fill off
9. I'm sure they'll recover. Let's not *assume that they're finished*.  
 a) write them out      b) write them off      c) write them up
10. We usually *reserve* 15% of our budget for marketing.  
 a) sit aside      b) place aside      c) set aside

4. TRANSLATE THE FOLLOWING TEXT from English into Macedonian:

The money market is an unregulated and informal market and not structured like the capital markets, where things are organized in a formal way. Money markets are different from capital markets as they are for a shorter period of time, while capital markets are used for longer time periods. In addition, withdrawing money from the money market is easier.

The definition of money for money market purposes is not limited to bank notes, but includes a variety of capital that can be turned into cash at short notice, such as short-term government securities, bills of exchange, and bankers' acceptances.

The basic functions of a money market must be performed in any kind of modern economy, even one that is largely planned or socialist, but the arrangements in socialist countries do not usually take the form of a market.





# *Chapter 10*

## *Pricing and planning*

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### *1. Reading and vocabulary*

RELATED TOPICS: pricing; promotions and discounts; market segmentation, business plans.

#### **Pricing**

“Of all the words associated with marketing, the one we should focus on the most is value. This is because when you boil down what marketers do, it is about creating, generating, communicating and then harvesting value.” These are the words of Professor Mark Ritson, leader of Marketing Week’s Mini MBA in Marketing. But getting pricing right is a complex art, and one that many marketers struggle with. As Harley Mathieson, social media manager, says: “It’s easy to get involved in the glamorous creative side of the marketing process; I suspect fewer of us have a strong foundation in the fourth ‘P’.” The pricing P is different to the other Ps in the marketing mix because it is not about creating value for the customer, it is about reaping value for the organisation.

Ritson quotes Professor Mark Bergen, who describes *pricing* as the point “where all of your marketing strategy really meets that final decision point with your customers”. In addition, pricing is the ultimate moment of truth, as it is the final decision point for consumers. It is a make-or-break point. Get it right, and everyone is happy; get it wrong, and all of the months or years of work which have preceded it go out the window.

Regarding the issue of how to best communicate price to potential customers, several questions arise:

- What is the optimal price range for my type of offer?
- How should I display my price? Round numbers? Fractional?
- When should I reveal the price? Early in the process, or later?
- Is it possible to know I have the right price? Can I test it?

Price is a delicate issue and it can fluctuate greatly based on perceived value. A customer may be turned off by a low price, and discredit it automati-

cally. If a customer has no idea about professional custom logo design, and sees two different websites that create logos for \$300, then the customer will, from then on, believe that it is a fair price for this kind of professional work, until their belief is otherwise reframed by a different source.

Prices ending in the number 9 may be more appealing than others, which can work better for both low- and high-end ticket items alike. In total, eight studies published from 1987 to 2004 revealed that prices ending in the number 9 (\$39, \$2.49, \$89, etc.) boosted sales by an average of 24% as compared to other prices. In an experiment, a mail order catalog was printed in three different price points: \$39, \$34 and \$44. The \$39 price catalog won.

Marketers can either reveal price in the beginning or near the end – it depends on the industry and the company. By revealing price early on, you may disqualify a lead that would otherwise consume your time, only to conclude it does not fit the customer's budget, while your sales team could have focused on other pursuits. By revealing price later on, you have the opportunity to build value and uncover needs that the customer might not reveal directly and you would only find out by precise questioning.

It may be possible to know if a company has the right price if you have an understanding of how it operates. For example, if a company sells video creation for \$800, but outsources it for \$300 to freelancers, once you have that knowledge, you can skip directly to the freelancers, or approach a company which will produce quality work according to the original price point you were willing to pay.

Charging too little is far more dangerous than charging too much. A company not only foregoes significant revenues and profits, but also fixes the product's market value position at a low level. Once prices hit the market, it is difficult, if not impossible, to raise them. It is believed that too often price is left to the sales team, who are chasing volume rather than value. Marketing really needs to be a consideration at every point of a product's life cycle. This further shows the importance of value in marketing, and how ill-considered pricing can negate an otherwise brilliant marketing strategy. "I have one single piece of advice when it comes to discounting – don't," states Ritson.

## Promotions and discounts

Price promotions are a major category of sales promotions where companies reduce the selling price of a product or service to tempt customers to buy. While each approach is unique, pricing incentives are generally intended to bring in customers, drive revenue and cash flow, and turn over inventory.

## Online Promotions

In the not-so-distant past, *online promotions* were things like snipping coupons from the weekly mailers. Today's coupon is presented to consumers through print media, but it is also widely recognized as a popular internet and email promotional feature. Likewise, coupon apps make it easy for consumers to save money at the till, using their handheld devices to show coupon codes. Loyalty membership cards remain popular, too, offering bargains to repeat buyers, and reward points toward products. Free shipping on minimum order amounts is another form of online promotion used by savvy e-retailers and some brick-and-mortar companies. Offering free shipping may even reduce the rate of shopping-cart-abandonment on e-commerce sites.

## Point-of-Sale Discounts

An amount-off or percent-off *point-of-sale discount* is the simplest type of price promotion method. With this approach, once a discount price is determined, employees change the price on the product bar code. The point is to convey better value because of the lowered price. Companies often promote an in-store discount through weekly ad mailers or newspaper inserts. In some cases, the deals are offered as a surprise in-store special.

## Bulk Buys

Other price promotions are driven by volume purchases. A common retail promotion is buy-one-get-one-free, or BOGO. Similarly, companies may offer promotions such as buy two, get one free. Frequency shopper programs or loyalty programs similarly offer price incentives to customers who make frequent or large purchases.

## Trade Promotions

Price promotions are also offered in the business-to-business market. Businesses that buy for consumption receive similar incentives to consumers. Trade buyers that purchase products from suppliers for resale receive several distinct price promotions. Off-invoice discounts are simply offers of a certain percentage off a given order. Bulk buys are a common trade market incentive.

While there are several ways to discount the list price for an item on a website, the two most popular discount incentives tend to be a *dollar discount* and a *percentage discount*. In fact, there is a difference between offering a \$20 item with either a \$2 discount or a 10% discount – these end up being the same discount, though one is a dollar amount and the other a percentage one. According to some, a dollar discount is the worst incentive because the face value is limiting. Other sources have shown that given the choice between a dol-

lar discount and a percentage discount (for example, \$50 off versus 15% off), customers will choose the dollar discount (\$50) because they perceive it to be a better deal. It all comes down to the perceived value of the item for the customer, a metric of performance that is becoming more and more prominent in the e-commerce marketplace. *Perceived value* is defined as the worth of a product in the mind of the customer – and it is a worth that may or may not be grounded in reality.

## Market segmentation

*Market segmentation* is a marketing term that refers to the grouping of potential buyers into categories or segments with common needs, and who respond similarly to a marketing activity. Market segmentation enables companies to target different groups of consumers who perceive the full value of certain products and services differently from one another.

Companies can generally use three criteria to identify different market segments: *homogeneity*, or common needs within a segment; *distinction*, or being unique from other groups; and *reaction*, or a similar response to the market. For example, an athletic footwear company might have market segments for basketball players and long-distance runners.

Companies can segment markets in several ways: *geographically* - by region or area; *demographically* - by age, gender, family size, income or life cycle; *psychographically* - by social class, lifestyle or personality; or *behaviorally* - by benefit, uses or response. The objective is to enable the company to differentiate its products or message according to the common dimensions of the market segment.

By dividing the market into segments, marketing managers can acquire a better understanding of the needs and wants of the customers. This enables them to customise or to ‘tailor’ the company’s marketing activities more accurately to the individual customers’ preferences. Market segmentation supports businesses in meeting and exceeding their customers’ requirements. It may also allow them to evaluate the competitors’ strengths and weaknesses. In this way, they may discover business opportunities in markets which were not served well. Customer segmentation enables marketers to adopt a more systematic approach when planning ahead for the future. This leads to better use of marketing resources, resulting in the development of a more finely-tuned marketing program.

## Business plans

It pays to plan. Entrepreneurs who write business plans are more likely to succeed, according to research. But, while this might persuade some entrepreneurs to make writing a business plan their very first task, studies show that this is actually a bad idea. It is much better to wait, not to devote too much time to writing the plan, and, crucially, to synchronize the plan with other key start-up activities. However, the real key to succeeding in business is being flexible and responsive to opportunities. Entrepreneurs often have to improve their business once it becomes clear that their original customer is not the right customer, or when it turns out that their product or service fits better in a different market. Because of these realities, business plans written at the start end up nothing more than fantasy. Writing a plan also takes time – time that may be spent evaluating opportunities. Another thing is that there is ‘danger’ in that a plan might just soothe the entrepreneur into a false sense of security.

These key points should be taken into consideration when designing a *business plan*:

- Executive summary (target market, goals);
- Company description;
- Products/Services;
- Marketing plan (SWOT analysis, competitor data collection, marketing expenses strategy, advertising and promotion, pricing strategy, distribution channels);
- Management and organization;
- Financial plan.

## DISCUSSION

1. THINK OF COLLOCATIONS with the term *price*, and discuss their meanings.
2. WHAT FACTORS NEED to be taken into consideration when pricing a product/service?
3. HOW IS a value-based price reached?
4. MARKETERS OFTEN USE the offer of a free gift or a discount to make customers buy their merchandise, which is known as *incentive marketing* or *sales promotion*. In modern terminology, *push and pull incentives* are used. Explain in your own words what these concepts mean, and why they are used. Provide examples.



5. WHO BENEFITS MORE from *Black Friday* and *Cyber Monday*: buyers or sellers? Why?

6. WHAT DO THE FOLLOWING TERMS refer to: *a doorbuster*, *a door crusher*, and *bait and switch*?

7. YOUR FRIEND HAS JUST LAUNCHED a new brand of organic chocolates. What advice would you give her for attracting new customers through promotional strategies and discounts?

8. WHAT PROBLEMS MIGHT a business encounter if it does not have proper market segmentation?

9. RELATED TO THE KEY POINTS when preparing a business plan (see section on Business plans), discuss where you would place the following points: competitive advantage, customer service policy, discounts, industry analysis, legal regulations, mission statement, planned future activities, quality control procedures, staff training, startup expenses, technical resources, word-of-mouth.

## ASSIGNMENT

In 250–300 words, **elaborate on one of the following:**

1. WHAT WOULD BE more worrying: a competitor that suddenly charges more or less for the same product/service you are offering? Discuss and exemplify.

2. ACADEMIC AND BEHAVIORAL SCIENTIST Dan Ariely has stated that “zero is a special price.” Discuss this quote.

3. DISCUSS THE RELATIONSHIP between *market segmentation* and *customer loyalty*.

## 2. Grammar focus: modal verbs

*Modal verbs* in English are a small class of auxiliary (helping) verbs used to express the following characteristics: *ability*, *advice*, *certainty*, (*positive/negative*) *deduction*, *intention*, (*lack of*) *necessity*, *obligation*, *offer*, *permission*, (*polite*) *request*, *possibility*, *prediction*, *probability*, *prohibition*, *promise*, *recommendation*. They do not express tense, and are characterized by the fact that they do not have participle (*-ing*) or full infinitive forms. In addition, they do not take the ending *-(e)s* in 3rd person singular. They can refer to the present, past or future.

For present/future time: modal verb + present infinitive.

For past time: modal verb + perfect infinitive (modal verb + have + -ed/  
past participle).

The following verbs are considered to be modal verbs in English: *can*, *could*, *may*, *might*, *must*, *ought to*, *shall*, *should*, *will*, *would*, *dare* and *need* (in some contexts, *dare* and *need* are also used as lexical verbs). '*Have to*' possesses some of the characteristics of modal verbs, and is classified as a 'semi-modal verb'.

(For more on modal verbs, see Grammar Focus in Chapter 9).

## EXERCISES

1. PUT THESE MODAL VERBS and phrases in order of how strong the possibility is, starting from weakest to strongest:

Must — Almost certainly won't — Certainly (definitely) won't —  
Almost certainly will — Probably will — Can't — May (might) —  
Certainly (definitely) will — Could possibly — Probably won't —  
Could

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2. CIRCLE the most appropriate option:

a) If your latest project blows up in your face, you *mustn't* / *shouldn't* / *can* / *should* / *must* quit your job as soon as possible.

b) If you get off on the wrong foot with your colleagues, you *mustn't* / *shouldn't* / *can* / *should* / *must* tell your boss about the problem and ask for advice.

c) If you're sure there's something wrong with the latest business plan, but can't quite put your finger on it, you *mustn't* / *shouldn't* / *can* / *should* / *must* mention your concerns.

d) You *mustn't / shouldn't / can / should / must* use the rules of thumb in most business situations.

e) To give our customers the best shopping experience, we go the extra mile. We are aware that we *couldn't / don't need to / might not / should / won't* give discounts, but they appreciate it.

f) You're wrong – what you read *won't / might not / couldn't / can / needn't* have been the project proposal because it was rejected in its first phase.

**3. MAKE SENTENCES WITH appropriate modals/semi-modals for the following situations:**

a) Ending a conversation:

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b) Insisting:

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c) Interrupting:

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d) Getting down to business:

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e) Requesting a discount:

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**4. IDENTIFY THE MODAL/SEMI-MODAL VERB, explain what it expresses, and the time it refers to in each sentence:**

a) The council cannot afford to maintain them anymore.

b) We will see an economic recovery in the next few weeks.

c) I could have finished the task on time if I had had more time.

d) You should accept the job! Just think about all the traveling!

e) Does the store have to be open on Sunday?

f) He must submit the grant proposal by noon./He must've submitted the grant proposal by noon.

g) There must be some confusion because the meeting is actually tomorrow morning.

h) I'm wondering if you might arrange for a timetable change.

- i) The supervisor might have been with a client, but I wasn't wearing my glasses.
- j) The Agent shall keep an account of all orders.
- k) You didn't need to remind me to place the order – I've already done it.
- l) Need I remind you of your job responsibilities?
- m) The trip should have taken 12 days, but we returned earlier.

Translate only the modal/semi-modal verbs in each sentence above. Also, compare the time and meanings of the modal verbs in f), g), h) and i). What conclusion can you come to about modal verbs and time?

### *3. Practice and revision*

1. COMPLETE THE TEXT by filling in the gaps with one word:

I am sending you this email \_\_\_\_\_ inform you that I have purchased all of the interest of my former partner, Jonathan Drisel, and that he is \_\_\_\_\_ longer associated \_\_\_\_\_ the firm of DrisOil. This business \_\_\_\_\_ continue to provide the same high-quality products and services \_\_\_\_\_ which we have built our reputation, and this internal change will \_\_\_\_\_ no way affect the company policy or manner \_\_\_\_\_ conducting business.

I \_\_\_\_\_ like to take this opportunity to thank \_\_\_\_\_ for the courtesies you have \_\_\_\_\_ us in the past, and hope that you will let me continue to serve your business in a way \_\_\_\_\_ is mutually beneficial and profitable to \_\_\_\_\_ of us..

2. COMPLETE THE TEXT with one of the following words. There are two words that are not used:

*able / allowed / banned / can / enforce / forced / impose / permitted / prohibited / unable*

RE: Dispatch of our order number TR/09/4577

The import of certain products which we have in the past obtained from you is no longer \_\_\_\_\_ since the introduction of tougher safety controls last month. In fact, we are \_\_\_\_\_ to make extensive changes. I will send you a full list of regulations as

they affect your products. In the meantime, please note that we have stocks of certain products that we are \_\_\_\_\_ to sell. Please tell us if you \_\_\_\_\_ take back these items. You should be \_\_\_\_\_ to modify them.

Please note the following: attachments of the type used on TR396 are now \_\_\_\_\_; we are \_\_\_\_\_ from selling existing stock of TR431; we are not \_\_\_\_\_ to sell TR397 on account of the metal ring.

Awaiting your response to this new information.

## *4. Translation*

TRANSLATE THE FOLLOWING TEXT from Macedonian into English:

Постојат повеќе фактори што влијаат на цената на одреден производ или услуга. Ниту една компанија, кога го одредува нивото на цени, не треба да се ограничува, туку да направи анализа на сите внатрешни и надворешни фактори. Меѓу нив најважни се: висината на трошоците, пазарот, цените на конкуренцијата, понудата и побарувачката, а и законските регулативи. Формирањето на цената на производот или услугата го одредува успехот на компанијата на долгорочен план.

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# *Chapter 11*

## *International financial institutions*

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### *1. Reading and vocabulary*

RELATED TOPICS: introduction; the importance of international financial institutions; fundamental international financial institutions.

#### **Introduction**

As WWII came to an end, international institutions, in general, began to develop more intensely than before, and they came to lead discussions of security, as well as legal and economic issues.

*International Financial Institutions* (IFIs), including the World Bank Group, other multilateral and regional development banks, and national development banks with international objectives, are of great importance because in addition to policy expertise, economic analysis and knowledge products, they also offer considerable development resources and strong ties to national governments.

In many parts of the world, international financial institutions play a major role in the social and economic development programs of nations with developing or transitional economies. This role includes advising on development projects, funding them and assisting in their implementation. They all have the common goals and objectives:

- to reduce global poverty and improve people's living conditions and standards;
- to support sustainable economic, social and institutional development; and
- to promote regional cooperation and integration.

These objectives may be achieved through loans, credits and grants to national governments. Such funding is usually tied to specific projects that focus on economic and socially sustainable development. IFIs also provide technical and advisory assistance to their borrowers and conduct considerable research on development issues. In addition to these *public procurement*

opportunities, in which multilateral financing is provided to a national government for the implementation of a project or program, IFIs are increasingly lending directly to sub-national government entities, as well as to the private sector.

During recent years, IFIs have made significant progress in coordinating and balancing the way they obtain goods and services. In many cases, they are using similar policies and procedures, although the interpretation of these approaches may still vary at the level of the individual institution.

Since International Financial Institutions (IFIs) are established by more than one country, they fall under the radar of international law. Their owners, or shareholders, are mainly national governments, although other international institutions and other organizations may occasionally show up as shareholders. The most prominent IFIs are creations of multiple nations, although some bilateral financial institutions (created by two countries) exist and are technically IFIs. Many of these are *Multilateral Development Banks* (MDBs), which are basically the largest source of development finance in the world. The MDBs, and in particular the World Bank, are also a primary source of development knowledge and policies. With large amounts of funds joined together with planned policy advice, MDBs are central in establishing the direction of development policy, including approaches to sustainability across Latin America, Asia, Africa, and Central and Eastern Europe.

## The Importance of International Financial Institutions

The International Financial Institutions (IFIs) include the World Bank, the regional development banks, and the International Monetary Fund (IMF). They are the largest source of development finance in the world, typically lending between US\$30-\$40 billion to low and middle-income countries each year.

The IFIs, and in particular the World Bank, are a primary source of development knowledge, publishing research that shapes the debate on development issues. Other donor institutions often take their lead from the World Bank and the IMF, thus increasing the impact of those institutions' lending approaches and decisions.

IFI loans to finance investment projects and policy reforms in developing countries are intended to reduce poverty and encourage economic development. However, badly-thought out IFI loans have often caused widespread environmental and social damage, including irreversible impacts on natural habitats and dislocated communities.

IFI activities are often carried out without the informed participation of affected people, non-governmental organizations (NGOs), and, in many cases, even the legislatures of the Banks' borrowing countries. Furthermore, despite some progress, the IFIs still do not release detailed information quickly during project design and implementation. As publicly financed institutions, the IFIs should be held responsible for the consequences of the funds they loan to developing countries.

## Fundamental International Financial Institutions

### World Trade Organization (WTO)

The *World Trade Organization* (WTO) is the only international financial institution that controls the global trade rules between nations. The WTO is based on agreements signed by the majority of the world's trading nations. The main function of the organization is to help producers of goods and services, exporters and importers, to protect and manage their businesses.

Those who support the WTO, particularly multinational corporations, believe that it is beneficial to business. Skeptics, on the other hand, believe that the WTO weakens the principles of organic democracy and widens the international wealth gap. According to the official website of the organization, there are 164 member countries in the WTO, and 23 'observer' countries.

The World Trade Organization is essentially an entity that gets involved so as to maintain the international rules of trade between nations. However, the WTO has both positive and negative effects on globalization. On one hand, the WTO's efforts have increased global trade expansion, but, on the other hand, there has been a negative impact on local communities and human rights.

Supporters of the WTO consider the stimulation of free trade and a decrease in trade disagreements as beneficial to the global economy. Critics of the WTO, on the other hand, point to the decline in domestic industries and increasing foreign influence as negative impacts on the world economy.

WORLD TRADE ORGANIZATION	
<b>Formation</b>	January 1, 1995
<b>Type</b>	International trade organization
<b>Purpose</b>	Regulate international trade
<b>Headquarters</b>	Centre William Rappard, Geneva, Switzerland
<b>Region served</b>	Worldwide



<b>Membership</b>	164 member states (as of July 29, 2016)
<b>Official language</b>	English, French, Spanish
<b>Budget</b>	197.2 million Swiss francs (approx. 209 million US\$) in 2017
<b>Staff</b>	640
<b>Website</b>	<a href="http://www.wto.org">www.wto.org</a>

### International Monetary Fund (IMF)

The *International Monetary Fund* (IMF) is an international organization that aims to promote global economic growth and financial stability, to encourage international trade, and to reduce poverty.

It is based in Washington, D.C. and it currently consists of 189 member countries, each of which has representation on the IMF's executive board in proportion to its financial importance, so that the most powerful countries in the global economy have the most voting power.

The IMF's mission is “to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.” Its primary methods for achieving these goals are monitoring, capacity building, and lending.

The IMF collects massive amounts of data on national economies, international trade, and the global economy as a whole, and provides regularly updated economic forecasts at the national and international level. These projections (calculations) are published in the *World Economic Outlook* and they appear with lengthy discussions of the effect of fiscal, monetary and trade policies on growth possibilities and financial stability.

Furthermore, the IMF provides technical assistance, and training and policy advice to member countries through its capacity building programs. These programs include training in data collection and analysis, which are connected to the IMF's project of monitoring national and global economies. In addition, the IMF makes loans to countries that are experiencing economic difficulties in order to prevent or ease financial crises. Members contribute the funds for this lending to a pool based on a quota system. These funds total around \$645 billion as of September 2017.

Historically speaking, the IMF was originally created in 1945 as an attempt to encourage international financial cooperation by introducing a system of convertible currencies at fixed exchange rates. Since the 1970s, however, the IMF has promoted the system of floating exchange rates, meaning that market forces determine the value of currencies relative to one another. The

IMF also had the role of a gatekeeper: countries could not obtain membership in the International Bank for Reconstruction and Development (IBRD) unless they were members of the IMF.

INTERNATIONAL MONETARY FUND	
<b>Formation</b>	December 27, 1945
<b>Type</b>	International financial institution
<b>Purpose</b>	Promote international monetary co-operation, ease international trade, enable sustainable economic growth, provide resources to members with balance of payments difficulties
<b>Headquarters</b>	Washington, D.C., U.S
<b>Region served</b>	Worldwide
<b>Membership</b>	189 countries
<b>Official language</b>	English
<b>Main organ</b>	Board of governors

### International Bank for Reconstruction and Development (IBRD)

The *International Bank for Reconstruction and Development* (IBRD) is a component of the United Nation's *World Bank Group*, which was established in 1944/45 with the original objective of providing funding towards the post-WWII rebuilding efforts. Thus, its main aim was to provide financing for the European nations which had been destroyed in WWII. In the modern era, the IBRD's main objective is to provide loans and other financial services to less fortunate countries in the hope of reducing global poverty. The IBRD and its lending arm, the *International Development Association* (IDA), are collectively known as the *World Bank* as they share the same leadership and staff.

The International Bank for Reconstruction and Development (IBRD) is a global development association owned by 189 member countries. As the largest development bank in the world, it supports the World Bank Group's mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries, as well as by coordinating responses to regional and global challenges.

The IBRD raises capital for the loans through issuing AAA rated bonds. Around \$10-15 billion worth of bonds are issued yearly. The IBRD has had its AAA credit rating since 1959.



In terms of the concept of *credit rating* – it refers to an evaluation of how credit-worthy a borrower is generally or with respect to a particular debt or financial responsibility. A credit rating can be given to any entity that wishes to borrow money - an individual, corporation, state or provincial authority, or sovereign government. Credit evaluation for companies and governments is generally done by a credit rating agency, and these agencies typically assign letter grades to indicate ratings, such as on a credit rating scale ranging from AAA (excellent) and AA+ to C and D (for example, a rating below BBB- means that there is a great likelihood of failure to repay loans).

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	
<b>Formation</b>	1944/45
<b>Type</b>	Development finance institution
<b>Purpose</b>	Development assistance, poverty reduction
<b>Headquarters</b>	Washington, D.C., U.S
<b>Legal status</b>	Treaty
<b>Membership</b>	189 countries
<b>Parent organization</b>	World Bank Group
<b>Website</b>	<a href="http://worldbank.org/ibrd">worldbank.org/ibrd</a>

## DISCUSSION

1. WHAT IS THE MAIN GOAL of the International Monetary Fund (IMF), and what means does it have at its disposal to carry out its aims? Is it better for potential financial assistance to be concentrated in one group, or in several institutions that would have similar or the same jurisdictions? Why? Expand and explain.

2. IS THE REPUBLIC OF MACEDONIA a member of any of the previously mentioned international financial institutions? What is the procedure for a country to become a member? What are the advantages/disadvantages of belonging to one of the said international financial institutions? Which outweighs the other - the advantages or the disadvantages? Expand and explain.

3. IS IT BETTER FOR A COUNTRY to seek financial assistance from any of the said international financial institutions or to use different means of dealing with a given financial difficulty? In what cases would it be better to ask for financial aid from any of the mentioned international financial institutions and when would it be better to avoid asking them for financial help? Why? Has the Republic of Macedonia turned to any international financial institutions for financial aid? If yes, when and why?

## ASSIGNMENT

In 250–300 words, **elaborate on one of the two topics:**

1. AS PART OF HIS BROADER ATTEMPTS to renegotiate the United States' international trade deals, President Trump has recently threatened to withdraw from the WTO, calling it a 'disaster'. If the US does withdraw, trillions of dollars in global trade would be disrupted. Discuss Trump's decision in more detail, and provide reasons for his potential actions, as well as the possible consequences if he carries out his threat. Do you agree or disagree with Trump? Explain and support your opinion.

2. IMF FUNDS OFTEN CARRY THE CONDITION that those who receive the money should make reforms to increase their growth potential and financial stability. These conditional loans are known as structural adjustment programs, and they have been criticized for increasing poverty and reproducing the structures of colonialism. What is your opinion concerning this statement – do you agree or disagree? Why? Explain and support your opinion?

## *2. Grammar focus: passive voice*

In English, there are *two voices* in which a sentence may be constructed:

1. *the active voice* = the focus is on the subject of the verb, i.e., on the 'doer' of the action, the agent; (S + V + O), and

2. *the passive voice* = the focus is more on the action, on what happened rather than on who did it, which means that it is not important or not known who or what is performing the action; (O + V {+ by + agent/doer of the action}).

e.g. *My PC was stolen* = the focus is on the fact that my PC was stolen; however, I do not know who did it;

Sometimes a statement in passive is more polite than in active voice, such as in:

e.g. *A mistake was made* = the focus is on the fact that a mistake was made, but nobody is being blamed for it (as opp. to *You have made a mistake*).

### FORM OF PASSIVE

– Subject + form of to be + past participle

The following changes take place when active sentences go into the passive voice:

– the object of the active sentence becomes the subject of the passive sentence;

– the subject of the active sentence becomes the object of the passive sentence (or is dropped).

	ACTIVE	PASSIVE
present simple	<i>Mr. Smith writes the delivery notes.</i>	<i>The delivery notes are written (by Mr. Smith).</i>
present continuous	<i>Mr. Smith is writing the delivery notes.</i>	<i>The delivery notes are being written (by Mr. Smith).</i>
past simple	<i>Mr. Smith wrote the delivery notes.</i>	<i>The delivery notes were written (by Mr. Smith).</i>
past continuous	<i>Mr. Smith was writing the delivery notes when the clients came in.</i>	<i>The delivery notes were being written when the clients came in.</i>
present perfect	<i>Mr. Smith has written the delivery notes.</i>	<i>The delivery notes have been written (by Mr. Smith).</i>
past perfect	<i>Mr. Smith had written the delivery notes.</i>	<i>The delivery notes had been written (by Mr. Smith).</i>
future	<i>Mr. Smith will write the delivery notes.</i>	<i>The delivery notes will be written (by Mr. Smith).</i>
auxilliary verbs	<i>Mr. Smith must write the delivery notes.</i>	<i>The delivery notes must be written (by Mr. Smith).</i>

### USES OF PASSIVE

In an average English text, no more than 10% should be in passive voice. Thus, although, in general, active sentences should be preferred, there are certain contexts in which the passive construction is more appropriate, such as in:

- formal or academic writing; essays, reports, articles;
- news: headlines, reporting;
- when the object (person or thing) receiving the action is more important than the person or thing performing the action (e.g. *The meeting was concluded by the manager*);
- or when we do not know, or we do not care, who or what performed the action (e.g. *My office was broken into last night; Citizens are forced to pay taxes*).

### EXERCISES

1. UNDERLINE the correct option to complete the sentences:

i) The meeting *be chaired / will be chaired / will being chaired / is been chaired* by Mr. Lewis.

ii) The documents *has been destroyed / have destroyed / have been destroyed / were been destroyed*.

iii) The designs *is being prepared / are being prepared / are been prepared / were been prepared* by the art department.

iv) The new law *going to be passed / have been passed / will passed / is going to be passed*.

v) The stores *were been / was being / were being / had being* shut down.

2. REWRITE THE SENTENCES in passive voice:

i) I confirm the reservation.

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ii) We will deliver the goods immediately.

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iii) We arranged a meeting.

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iv) You can cancel the contract within five business days.

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v) They execute all orders carefully.

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vi) You have made a mistake.

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vii) We are processing your order.

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viii) Jane had cancelled the business trip.

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ix) He has not answered our e-mail.

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x) She did not sign the contract.

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**3. COMPLETE THE SENTENCES with an appropriate passive form of the verbs in brackets:**

i) Often problems \_\_\_\_\_ (cause) by misunderstandings.

ii) The goods \_\_\_\_\_ (order) last week.

iii) He \_\_\_\_\_ (promote) next month.

iv) Duties \_\_\_\_\_ (assign) every other week.

v) Prices \_\_\_\_\_ (discuss) in more detail during our next meeting.

vi) A discount \_\_\_\_\_ (offer) if necessary.

vii) The new model of the car \_\_\_\_\_ (launch) last night.

viii) Further collaboration \_\_\_\_\_ (agree) upon.

ix) They \_\_\_\_\_ (fire) this morning without any prior notice.

x) The contract \_\_\_\_\_ (sign) yet so I have time to change my mind.

### 3. Practice and revision

1. COMPLETE THE TEXT by filling in the gaps with an appropriate form of the word in brackets:

No \_\_\_\_\_ (NEGOTIATE), mediation or \_\_\_\_\_ (RESOLVE) would be possible without the foundational WTO agreements. These agreements set the \_\_\_\_\_ (LAW) ground rules for \_\_\_\_\_ (NATION) commerce that the WTO oversees. When a member country signs an agreement, that country's government is bound to a set of rules that it must observe when setting future trade policies. These agreements protect producers, importers and exporters while encouraging world governments to meet specific social and \_\_\_\_\_ (ENVIRONMENT) standards.

2. COMPLETE THE TEXT with one of the following words/phrases: *pleasure, in, enclosed, touch, further, sincerely, of, draw, catalogue, forward.*

Dear Mr. Jacobs,

Thank you very much for your letter \_\_\_\_\_ March 5. \_\_\_\_\_ answer to your request, we have the \_\_\_\_\_ to enclose our latest \_\_\_\_\_ and price list. I would like to \_\_\_\_\_ your attention to the special offers. These products are available at a reduced price for a limited time only. If you would like any \_\_\_\_\_ information, please get in \_\_\_\_\_ with me.

I look \_\_\_\_\_ to hearing from you.

Yours \_\_\_\_\_,

Howard Johnson

Sales Manager

\_\_\_\_\_ : catalogue, price list, special offers supplement.

3. CHOOSE the best option:

1. I was one of the three candidates \_\_\_\_\_ for the second interview.

a) invited                      b) selective                      c) evicted

2. We have to \_\_\_\_\_ this issue at the next meeting.

a) rise                              b) raise                              c) raze



3. A \_\_\_\_\_ worker is one who is active and wants to do their work well.  
 a) motivated                      b) motivating                      c) motive
4. While Marco was away, I took over his \_\_\_\_\_.  
 a) responses                      b) results                      c) responsibilities
5. The success of our company is \_\_\_\_\_ on having a strong and capable staff.  
 a) adept                      b) defendant                      c) dependent
6. We are hoping that you will remain with us for many years \_\_\_\_\_.  
 a) to come                      b) of future                      c) ahead
7. Several of the sales \_\_\_\_\_ told me that they have received numerous complaints from customers.  
 a) persons                      b) personnel                      c) personal
8. I can't help you right now; I'm on my \_\_\_\_\_.  
 a) break lunch                      b) lunch break                      c) lunchtime
9. This job requires you to work \_\_\_\_\_ pressure.  
 a) on                      b) with                      c) under
10. I have it under control; I'm on \_\_\_\_\_ of it.  
 a) tip                      b) top                      c) over

**4. TRANSLATE THE FOLLOWING TEXT from English into Macedonian:**

**The WTO as a Negotiation Forum**

The World Trade Organization (WTO) provides a platform that allows member governments to negotiate and resolve trade issues with other members. The WTO was created through negotiation, and its main focus is to provide open lines of communication concerning trade between its members. For example, the WTO has lowered trade barriers and increased trade among member countries. On the other hand, it has also maintained trade barriers when it makes sense to do so in the global context. Therefore, the WTO attempts to provide negotiation mediation that benefits the global economy.





# *Chapter 12*

## *Public relations*

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### *1. Reading and vocabulary*

RELATED TOPICS: PR concepts; PR 2.0; PR crisis management.

#### **PR concepts**

Defining the term *public relations* (*PR*) has proven to be as complex as the term itself. Wikipedia provides a good overall explanation of the concept (updated: January 10, 2019), defining it as: the practice of managing the spread of information between an individual or an organization (such as a business, government agency, or a non-profit organization) and the public. PR may include an organization or individual gaining exposure to their audiences using topics of public interest and news items that do not require direct payment. This makes it different from advertising as a form of marketing communications. An advertising message is a paid endorsement with a specific and controlled message. It is harder to establish credibility with an advertisement because the public knows the advertiser has paid for the space. PR is the idea of creating coverage for clients for free, rather than marketing or advertising. Advertising is now also a part of broader PR activities. An example of good PR would be generating an article featuring a client, rather than paying for the client to be advertised next to the article. The aim of PR is to inform the public, prospective customers, investors, partners, employees, and other stakeholders, and, ultimately, persuade them to maintain a positive or favorable view about the organization, its leadership, products, or political decisions.

The concept of PR has been modernized, now incorporating 'engagement' and 'relationship building', so it represents a strategic communication process that builds mutually beneficial relationships between organizations and their publics.

Jobs central to PR include account coordinator, account executive, account supervisor, and media relations manager. PR specialists establish and maintain relationships with an organization's target audience, the media, relevant trade media, and other opinion leaders. Common responsibilities include

designing communications campaigns, writing news releases and other news content, working with the press, arranging interviews, writing speeches for company leaders, acting as an organization's spokesperson, preparing clients for press conferences, doing media interviews and speeches, writing website and social media content, and managing the company's reputation (crisis management). A PR specialist is an image shaper. Their job is to generate positive publicity for their client and enhance their reputation. PR is not publicity, and the two terms are not interchangeable. Publicity is only one phase of a total PR effort. It is the distribution of information to gain public awareness, and just one strategy in the PR arsenal. PR is also not a quick fix, but a valuable tool for creating awareness, establishing credibility, and even, in many cases, increasing sales. None of this happens overnight, but it takes a well-directed effort and a plan of action in a variety of contexts.

In the government, PR people are called press secretaries, who keep the public informed about the activities of government agencies, and manage political campaigns. Though the job often involves the dissemination of information, it is termed *spin doctoring*: a term to define PR activities for political institutions, political actors or corporations that emphasize or exaggerate the most positive aspects of something.

*Negative (dark, black) PR* is a process of destroying the target's reputation, brand and/or corporate identity. Its objective is to discredit someone else who may pose a threat to the client's business, or be a political rival (negative campaigning). It relies on IT security, industrial espionage, and competitive intelligence for the purpose of producing misleading facts about a competitor, publically running negative ads that attack the competitor's identity, and leaking secret information to the public.

## PR 2.0

*PR 2.0* uses a combination of social media tools that are readily available to communications professionals to reach and better communicate with influencers and consumer audiences directly. Social media is a direct-to-consumer approach that allows audiences to drive the communication in their communities. PR professionals incorporate *PR 2.0* into their strategy as an effective way to communicate directly to audiences and increase overall brand exposure, leading to deeper engagement and loyalty.

This concept was actually created in the 90s of the previous century, through the analysis of how the Web and multimedia were redefining PR and marketing communications, while also building the toolkit to reinvent how

companies communicate with people. It was, and still is, a chance to not only work with traditional journalists, but also engage directly with a new set of influencers. Working in the field of PR today allows people to take a new approach to communications from the inside out. Social media changes the way communication is carried out, with a different mix of media, and ultimately meaningful content is delivered in order to achieve valuable outcomes for a business. The dissemination of information is two-way, transparent and collaborative, where brands listen and are active in the dialogue.

PR 2.0 is a game-changer in participating with people in a more informed and intelligent way. It is about putting the ‘public’ back in Public Relations.

## **PR crisis management**

Any business, at some point, will face some sort of a PR crisis, and the way the PR team will respond can either give a much-needed image boost or significantly damage the brand, ultimately distancing the customer base. Especially in this day and age, when news goes viral almost instantly, organizations need to be ready to respond to any PR crisis quickly and efficiently, using all available platforms. Disaster management is probably one of the best-known roles of any PR company. These are some golden rules of PR crisis management any company would be wise to stick to:

### **Take responsibility**

Covering up the PR crisis will only worsen the damage. Instead, the situation should be managed by taking responsibility, being proactive and transparent, reacting immediately, and responding to feedback. It is in the company’s best interests to acknowledge people’s concerns and questions, and respond appropriately. Writing a press release and posting on social media to take control of the situation may be one possibility; however, they should also be ready for a social media backlash. The worst thing a company can do is ignore the possibility that a firestorm could explode on social media. Just because a company is not marketing on social media does not mean their customers will not criticize them on those platforms when something goes wrong.

### **Remember to be human**

Saying “we’ll look into it” does not make anyone feel better. Saying you are deeply upset by what happened and will work on making things better is important. Then, immediately share how policies will be put in place so it does

not happen again. Act fast before people lose faith in your brand. Extending a heartfelt apology is key to moving forward; not doing so adds fuel to the fire and delays changing the narrative. Following a public apology, the company must offer a call to action. They must do something substantial to show that they are changing their ways moving forward.

### **Monitor, plan and communicate**

Have your social team on high alert. If they start noticing sparks of negativity or increased activity, follow a crisis plan to respond in a proactive manner. Never let executives do their own thing without communicating their ideas. It is very easy to be reactive, especially when the company's brand and reputation are at stake. However, be sure that the first external communication following the crisis is a well-thought-out response that the consumers can relate to. Different customized messages should be devised for different stakeholders, such as investors, employees, customers, the press, and the general public.

### **Be prepared**

In handling a PR crisis, the first 48 hours are the most important. Ignoring the situation with a head-in-the-sand approach is the worst possible reaction. No one wants to be at the center of a scandal, but scrambling around because you are not prepared to handle it makes things go from bad to worse. Potential crisis scenarios should be anticipated, and internal protocols for handling them established. Before a crisis hits, there should be an outline in terms of who needs to be notified, the internal review process, and the individuals who are authorized to speak publicly on the company's behalf.

**Case study:** In February 2018, KFC had to close more than half of its 900 locations in the UK because of a shortage of chicken. The social media enjoyed the irony of a chicken shop without any chicken. Loyal customers expressed their anger on Twitter. Then KFC, even while struggling to get the restaurants reopened, managed to switch the narrative entirely. It ran an apology advertisement that was extremely funny (especially to the brand's core younger consumers), while taking control of the problem. The company was widely applauded by customers and the media for knowing its target market, and how to cleverly handle a crisis. The result was a decrease in criticism for the closed locations, and gaining people's trust back.





## 2. Grammar focus: *passive: causative 'have'*

The *passive voice* is used to express what is done to someone/something, as in the sentence *The company was sold for \$5 million*. The subject of the sentences does nothing; rather, something is done to the subject, i.e. the focus is on the object of the action. Who does something is less important than what was done. This is especially useful in business settings when the focus is placed, for example, on a product. By using the passive voice, the product becomes the focus of the sentence, and this makes a stronger statement than using the active voice. Only transitive verbs (verbs followed by an object) in the active sentence can be turned into passive verbs. This is not the case with intransitive verbs. Also, some tenses tend not to be used in the passive voice. Generally speaking, this refers to the perfect continuous tenses.

*Impersonal passive* sentence structures help to create formality and an impersonal stance. It is a common way of stating what is said by people, or by an unspecified group of people, as in *It has been reported that the Minister will resign*, or *The Minister has been reported to resign*. Common verbs used in such passive constructions are: *agree, allege, announce, assume, believe, calculate, claim, consider, declare, discover, estimate, expect, find, know, mention, propose, recommend, rumour, show, state, suppose, suggest, understand*.

*Causative 'have'* sentence structures are similar to the passive construction. They are used when we want to talk about something that someone else did for us, or for another person. It means that the subject has caused the action to happen, but did not do it themselves, as in the sentence *We will have the offices repainted next week*. The verb *get* can also be used, but it is a less formal equivalent of *have*.

*Passive voice:* Subject (active object) + to be + -ed/past participle

*Impersonal passive:* It + passive verb (to be + -ed/past participle) + that-clause  
Subject (active object) + passive verb (to be + -ed/pp) + to-inf.

*Causative 'have':* Have/get + object + -ed/past participle

The verb *to be* in both passive and impersonal passive constructions is in the same tense as the verb in the active sentence.

(For more on passive voice, see Grammar Focus in Chapter 11)

## EXERCISES

1. TURN THESE ACTIVE sentences into passive sentences, and make any necessary changes:

a) This powerpoint slide shows the manufacturing process of leather handbags.

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b) We have always bought the rods from local suppliers.

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c) Who checked the quality of the raw materials?

---

d) Can we avoid conflict with the unions by making small concessions?

---

e) My boss and several other managers had to warn the company about the risks.

---

f) As soon as the press secretary released the statement, a scandal erupted.

---

2. COMPLETE THE RESPONSES to the following statements explaining what **must have been** / **should have been** / **might have been** / **needn't have been** / **would have been** / **could have been** done in the following situations, using the verb in brackets:

a) We haven't received an acknowledgement for our order yet.

– I apologize. The order \_\_\_\_\_ (acknowledge) by June 30.

b) We haven't received an invoice yet.

– I'm sorry. You \_\_\_\_\_ (invoice) at the end of the month.

c) We couldn't lease the company cars last year.

– But the laws have changed and \_\_\_\_\_ (lease) at the beginning of the year.

d) I have checked this bill and we have definitely paid too much.

– Yes, there's been a mistake and you \_\_\_\_\_ (overcharge).

e) We thought we had to pay in advance.

– Not at all, the bill \_\_\_\_\_ (pay) in advance.

f) We paid the invoice by credit card.

– You should have seen in our payment terms that it \_\_\_\_\_ (pay) by wire transfer.

g) I can't find any record of your order.

– So do you think the order \_\_\_\_\_ (cancel)?

h) We didn't receive the discount you offered.

– To receive the discount, the goods \_\_\_\_\_ (re-order) within 15 days.

3. MATCH THE SENTENCE beginnings (1-6) with their endings (a-f), in order to make impersonal passive sentences:

1) It was rumored among UK branches...

2) The PR team is known...

3) Prospects won't be assumed...

4) It had been rightly estimated...

5) Spin doctors are considered...

6) It is going to be soon announced...

a) ...that property values would show a slight fall.

b) ...that strict sanctions will be implemented.

c) ...to manage company reputation.

d) ...that our HQs were being relocated to Asia.

e) ...to improve until interest rates fall.

f) ...to exaggerate the positive sides of something.

4. REWRITE THESE SENTENCES using 'have'/'get' where needed, and putting the verbs in the correct form and position in order to form causative 'have' sentences:

a) The Prime Minister want / pass the new legislation / by next month.

---

b) The TV company still try / approve the joint venture / by the government.

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c) Many still believe the only way to / bring business in line / is through global rules.

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d) The City Council hope / elect the citizens / for a four-year term.

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e) Some businesses are punished for illegal deals by / revoke their licences.

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5. TURN THESE ACTIVE SENTENCES into passive and causative 'have' sentences, and discuss the differences in emphasis:

a) The press secretary wrote a statement, and then released it.

– passive: \_\_\_\_\_

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– causative 'have': \_\_\_\_\_

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b) Manufacturing companies have been facing major problems because of Brexit.

– passive: \_\_\_\_\_

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– causative 'have': \_\_\_\_\_

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### 3. Practice and revision

1. COMPLETE THE TEXT by filling in the gaps with an appropriate form of the word in brackets:

Famous for its elegantly-shaped green bottle, *Perrier* is the ultimate \_\_\_\_\_ (REFRESH) to satisfy people's thirst. In the 2000s, this water became available in 100% \_\_\_\_\_ (RECYCLE) bottles. At the end of the 20<sup>th</sup> century, *Perrier* was the market leader in \_\_\_\_\_ (BOTTLE) mineral water as it was claimed that the water was \_\_\_\_\_ (NATURAL) sparkling. The brand's image was built around the concepts of \_\_\_\_\_ (PURE) and quality. However, a US health authority detected traces of a chemical called benzene in a \_\_\_\_\_ (SHIP) of *Perrier* water from France. Different *Perrier* spokespersons in the US and France made \_\_\_\_\_ (STATE) to the media before the company had established the 'facts', which were later shown to be false. This immediately tarnished the company's reputation and \_\_\_\_\_ (CREDIBLE). Its image was further destroyed by the fact that at no time did the company board \_\_\_\_\_ (APOLOGY) to its \_\_\_\_\_ (FAITH) customers. What followed was immediate \_\_\_\_\_ (HOSTILE) through negative media \_\_\_\_\_ (COVER).

2. CHOOSE THE BEST OPTION (a, b or c) as a paraphrase to the sentence given, and discuss:

- i) No customer complaint is ever left unanswered.
  - a. We reply to most customer complaints.
  - b. We reply to all customer complaints.
  - c. We reply to certain customer complaints.
  
- ii) He had never taken responsibility for any crisis.
  - a. Never before he had taken responsibility for any crisis.
  - b. Never before had he taken responsibility for any crisis.
  - c. Never he had taken responsibility before for any crisis.
  
- iii) The media relations manager was rude and unapologetic on the phone.
  - a. The media relations manager was not only rude but also unapologetic on the phone.

- b. The media relations manager was not rude only but apologetic also on the phone.
  - c. The media relations manager not only was rude and apologetic on the phone.
- iv) Under no circumstances should a PR crisis be ignored.
- a. A PR crisis can be ignored.
  - b. A PR crisis should be ignored.
  - c. A PR crisis should never be ignored.

## *4. Translation*

TRANSLATE THE FOLLOWING TEXT from Macedonian into English:

Голем број луѓе ги сведуваат односите со јавноста на односи со медиумите. Оттука, не зачудува фактот што некои менаџери сметаат дека нивните односи со јавноста ќе бидат успешни и ефикасни доколку ангажираат новинар како свој гласноговорник. Но ваквото размислување е само заблуда. Новинарите сами по себе не се гаранција за успешноста на една организација во контекст на односите со јавноста. Тука станува збор за умешност, уметност, наука за познавање и анализа на општествените трендови. Затоа луѓето кои се вклучени во односи со јавноста треба да се добро образовани, да имаат одлично познавање на општествениот контекст, да поседуваат аналитички способности и вештини за лесна и убедлива комуникација со луѓето, да знаат да се уверливи и објективни, како и да почитуваат кратки рокови.

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# *Chapter 13*

## *Joint ventures*

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### *1. Reading and vocabulary*

RELATED TOPICS: introduction; legal structure of joint ventures; types of joint ventures; benefits and risks of joint ventures.

#### **Introduction**

A *joint venture* is a business activity undertaken by two or more persons or organizations to share the expense and profit of a particular business project. A joint venture is not a business organization in the sense of an ownership, partnership, or corporation. It is an agreement between parties for a particular purpose and usually a defined timeframe. Joint ventures may be very informal, such as a handshake and an agreement for two firms to share a booth at a trade show, or they may be extremely complex, such as a consortium of major electronics firms joining to develop new microchips. The key factor in a joint venture partnership is its single, definable objective.

Most joint ventures are formed for the ultimate purpose of saving money, and they are attractive because they allow companies to share both risks and costs. Thus, a joint venture represents a business arrangement in which two or more parties agree to combine their resources for the purpose of achieving a specific task. This task can be a new project or any other business activity. In a joint venture, each of the participants is responsible for profits, losses and costs associated with it.

The key elements to a joint venture may include the following:

1. The number of parties involved;
2. The extent in which the joint venture will operate (geography, product, technology);
3. What and how much each party will contribute to the joint venture;
4. The structure of the joint venture itself;
5. Initial contributions and ownership split of each party;
6. The kind of arrangements to be made once the deal is complete;
7. How the joint venture is controlled and managed;
8. How the joint venture will be staffed.



## Types of Joint Ventures

Joint ventures may be of different types, depending on what the aim of the business is. The most common types of joint venture are the following:

1. **Limited co-operation** – an agreement to collaborate with another business in a limited and specific way. For example, a small business with an exciting new product might want to sell it through a larger company's distribution network. The two partners agree on a contract setting out the terms and conditions of how this would work.

2. **Separate joint venture business** – a separate joint venture business is set up, possibly a new company, to handle a particular contract. A joint venture company like this can be a very flexible option. The partners each own shares in the company and agree how they should manage it.

3. **Business partnership** – in some cases, instead of a joint venture, a business partnership or a limited liability partnership may be formed, or even a merger of two businesses. It is important to note that a joint venture is not the same as a partnership.

### Joint Ventures vs. Business Partnerships

As previously mentioned, a *joint venture* is an agreement with a contract that joins together two or more parties for the purpose of carrying out a particular business undertaking. All the sides involved agree to share the profit and loss of the enterprise. Thus, a joint venture is an association of two or more persons formed to carry out a single business enterprise for profit in which they combine their property, money, efforts, skill, and knowledge. The contributions of the respective parties do not need to be equal or of the same character. However, there must be some contribution by each side involved in the enterprise.

A *partnership*, on the other hand, represents an association of two or more persons to carry on as co-owners of a single business enterprise for profit. Although, generally speaking, the differences between a joint venture and a (business) partnership are not enormous, and a joint venture may even be considered as a form of partnership, the two are, nevertheless, two separate concepts, different from each other, where the business partnership represents a single business entity formed by two or more people, whereas the joint venture joins several different business entities (each of which may be any type of legal entity) into a new entity.

### Joint Ventures vs. Consortiums

Just like the term *partnership* is often considered to be the same as the concept of *joint venture*, so is the term *consortium* – used frequently to

explain a joint venture. In fact, just like a joint venture is not the same as a partnership, it also differs from that of consortium. A consortium, then, is a looser arrangement between several different and distinct business entities and, unlike a joint venture, a consortium does not create a new entity. In the travel industry, for example, a consortium of travel agencies allows memberships with benefits. The consortium would negotiate on behalf of its members for special rates from hotels, resorts, and cruise lines.

## **Benefits and Risks of Joint Ventures**

A joint venture is a common way of combining resources and expertise (knowledge) of two otherwise unrelated companies. It usually offers great advantages, but it can also present certain risks, since arrangements of this sort are generally highly complex.

### **Benefits of a Joint Venture**

1. *New insights and expertise:* starting a joint venture provides the opportunity to gain new insights and expertise.

2. *Better resources:* forming a joint venture provides access to better resources, such as specialized staff, technology, and funds.

3. *It is temporary:* a joint venture is only a temporary arrangement between one company and another, which means that there is no long-term commitment.

4. *Shared risks and costs:* in case the joint venture fails, the costs of its failure will not be handled alone; sharing the expenses also means supporting the losses.

5. *Flexibility:* a joint venture may be limited in terms of duration, and may cover only a part of what the company does, which means that the commitment is limited, as well as the original business's exposure.

6. *Personal stakes can be sold individually:* firms can separate their business from the rest of the organization, and then later, sell it to the other parent company. Approximately 80% of all joint ventures end in a sale, from one partner to the other.

7. *Success is more likely:* the chances of success are higher since there is the association with a renowned brand. As a result of this, success is very likely, as well as an increase in credibility. Furthermore, access to new markets opens up, as well as to distribution networks, since the customer database of the joint venture partner can be used to market the product(s) of the other company, and the other company's services and products can be offered to

the partner's existing customers. Overall, joint ventures help businesses grow faster, increase productivity and generate greater profits.

8. *Creates relationships and networks*: even though the partnership is only for a specific goal, this will undoubtedly result in long-lasting business relationships.

9. *Limitless potential*: despite having little to no money available on hand, more venture deals may be created in the process, as well as momentum, all the while having partners.

10. *Money is saved by sharing advertising and marketing costs*: and this applies for a lot of other types of costs, since starting a joint venture is a great way to save money and/or split costs. At the same time, capacity is increased since joint ventures have to do with joining forces in purchasing, research and development.

### **Risks of a Joint Venture**

1. *Vague, unclear or unrealistic objectives*: the objectives of a joint venture may not be 100% clear and may not be communicated clearly to all the people involved; sometimes a relationship may be formed with businesses whose abilities or resources do not match, or the partners may even have different objectives for the joint venture. In order for the joint venture to be successful, the business plan should be effectively communicated to everyone involved.

2. *There is no such thing as equal involvement*: equal pay may be possible, but it is extremely unlikely for all the companies working together to share the same involvement and responsibilities.

3. *Great imbalance*: because different companies are working together, there is a great imbalance of expertise, assets, and investment and this can have a negative impact on the effectiveness of the joint venture.

4. *Clash of cultures*: a clash of cultures and management styles may result in poor co-operation and integration. People with different beliefs, tastes, and preferences can get in the way if left uncontrolled.

5. *Limited outside opportunities*: joint venture contracts may limit outside activities of the partner companies while working on a venture project.

6. *A lot of research and planning are necessary*: the success of a joint venture highly depends on thorough research and a detailed analysis of the objectives.

7. *It may be difficult to exit the partnership*: even though a joint venture is temporary, there are still agreements and contracts involved that need to be followed.

8. *Unreliable partners*: because of the separate nature of a joint venture, it is possible that the partners do not devote 100% of their attention to the project and become unreliable.

9. *Flexibility can be restricted*: when this happens, participants have to focus on the joint venture, and their individual businesses may suffer in the process.

10. *Reputations may be destroyed*: by deciding to work together with another company, the partners are putting the reputations of their individual companies on the line. Sometimes a company's good reputation may be ruined by association alone.

## DISCUSSION

1. JOINT VENTURES HAVE GROWN in popularity in recent years, despite the relatively high failure rate of such efforts for one reason or another. Creative small business owners have been able to use this business strategy to good advantage over the years, although the practice tends to be primarily associated with larger corporations. How might small business owners use this strategy of joint ventures to their advantage? Discuss the benefits and risks for small businesses of entering a joint venture - which would outweigh the other, the benefits or the risks? Would you decide to enter a joint venture if you were a small business owner? Explain and support your opinion.

2. WHAT ARE THE KEY CONSIDERATIONS to think about when deciding whether to enter into a joint venture? What is the most significant benefit that would cause you to decide positively about a joint venture, and what is the biggest risk that would dissuade you against entering a joint venture? Explain and support your opinion.

3. PUT THE BENEFITS in order of importance, from the most to the least important, and explain and support your decision. What are some other benefits/risks to joint ventures that might be added that have not been mentioned here.

## ASSIGNMENT

In 250–300 words, **elaborate on one of the two topics**:

1. IT HAS OFTEN BEEN STATED that there are substantial differences between developed and developing country joint ventures. The location of a joint venture decides whether it belongs to a developed or a developing coun-

try, and those differences tend to be in relation to goals, degree of conflict, patterns and mechanisms of control, and finally, performance measurement criteria. In your opinion, what are the reasons for these differences, why and how do they arise? What are the implications to the managers engaged in those joint ventures, and how might they be alleviated? Explain and support your opinion with examples.

2. JOINT VENTURES ARE especially popular with businesses operating in different countries, for example, within the transport and travel industries. Why do you think this is so? Explain using examples.

## ***2. Grammar focus: reported (indirect) speech***

**Reported (indirect) speech** is used to report what someone else said:

*e.g. "I'm on the phone."*

*Clara said that she was on the phone.*

*e.g. "The atmosphere in the office was extremely tense as the boss came in."*

*He commented/said that the atmosphere in the office had been extremely tense as the boss had come in.*

When using reported speech, the main reporting verb of the sentence is usually in the past tense:

– *He said ...*

– *She told me ...*

– *They asked ...*

When using reported speech, the word *that* can be left out, especially in informal situations:

*e.g. I said (that) she should have started the report earlier.*

*e.g. I told them (that) I didn't want a party to mark my retirement.*

### **Reporting statements**

Indirect reports of statements consist of a reporting clause and a *that-clause*, which, as previously mentioned, may be omitted.

When the reporting verb is in the past tense, the following changes in tense occur:

TENSE	DIRECT SPEECH	TENSE	REPORTED SPEECH
present simple	<i>I am unemployed at the moment.</i>	past simple	<i>She said (that) she was unemployed at the moment.</i>
present continuous	<i>I am looking for a job.</i>	past continuous	<i>She said (that) she was looking for a job.</i>
past simple	<i>I bought shares in the company.</i>	past perfect / past simple	<i>She said (that) she (had) bought shares in the company.</i>
past continuous	<i>I was typing out my report...</i>	past perfect continuous	<i>She said (that) she had been typing out her report...</i>
present perfect	<i>I haven't seen the boss for two months.</i>	past perfect	<i>She said (that) she hadn't seen the boss for two months.</i>
past perfect*	<i>I had arranged everything previously.</i>	past perfect	<i>She said (that) she had arranged everything previously.</i>
will	<i>I'll send you an e-mail later.</i>	would	<i>She said (that) she would send me an e-mail later.</i>
would*	<i>I would help, but...</i>	would	<i>She said (that) she would help but...</i>
can	<i>I can explain.</i>	could	<i>She said (that) she could explain.</i>
could*	<i>I could persuade people from a very young age.</i>	could	<i>She said (that) she could persuade people from a very young age.</i>
shall	<i>I shall come later.</i>	would	<i>She said (that) she would come later.</i>
should*	<i>You should call to apologize for being late.</i>	should	<i>She said (that) I should call to apologize for being late.</i>
might*	<i>I might not come to work tomorrow.</i>	might	<i>She said (that) she might not come to work the next day.</i>
must	<i>I must finish the annual report this weekend.</i>	must / had to	<i>She said (that) she must / had to finish the annual report that weekend.</i>

\* does not change

The changes in tense generally occur when the reporting verbs used are *say, tell, ask*. There are other reporting verbs that may be used to reflect the context of the direct statements, such as *advise, direct, suggest, warn, threaten, promise, refuse*, etc.

### Reporting orders, commands and requests

Indirect reports of commands consist of a reporting clause, and a reported clause beginning with a to-infinitive:

*e.g. "Get out!"*

*The security guard ordered the men **to get out**.*

*e.g. "Sit down and stop interrupting!"*

*The chairperson told him **to sit down and (to) stop interrupting**.*

Besides say and tell, in indirect reports the to-infinitive clause can be used with other verbs that mean wanting or getting people to do something, such as *advise, encourage, warn, ask*:

*e.g. "You should wait until tomorrow to tell him that."*

*They advised me **to wait** until the following day to tell him that.*

*e.g. "You must not enter the conference room without prior consent."*

*The PA warned us **not to enter** the conference room without prior consent.*

*e.g. "Give me your password, please."*

*He asked me **to give** him my password.*

*e.g. "Close the door and sit down."*

*She told me **to close** the door and (to) sit down.*

### Note: Say or Tell?

*Tell* needs an object:

*e.g. Paul told me he was retiring.*

*e.g. I told him to take notes during the meeting.*

*e.g. We told the boss that his figures were wrong.*

*Say* does not take an object:

*e.g. Doug said that he was leaving the company.*

*e.g. I said she was very disorganized.*

*e.g. They said that the atmosphere at work was very tense*

### Reporting questions

In terms of their structure, questions may be divided into two types: *yes/no questions* (those that can be answered with a simple *yes* or *no*), and *wh-questions* (those that start with a *wh-word*, such as: *who, whose, what, when, where, why, how*).

Indirect reports of *yes/no* questions consist of a reporting clause and a reported clause introduced by *if* or *whether*. *If* is more common than *whether*.

While there is inversion in the formation of questions, when reporting questions, the reported clause is in statement form (subject + verb), not question form, without the use of a question mark.

*e.g. "Are you busy?"*

*She asked (me) **if** [S] I [V] was busy.*

*e.g. "Do you want to start the presentation without him?"*

*She asked (us) **whether** [S] we [V] wanted to start the presentation without him.*

*e.g. "Have you had any previous training in this field?"*

*They asked (me) **if** [S] I [V] had had any previous training in the field.*

Indirect reports of *wh*-questions consist of a reporting clause, and a reported clause beginning with a *wh*-word (*who*, *whose*, *what*, *when*, *where*, *why*, *how*). While there is inversion in the formation of questions, when reporting questions, the reported clause is in statement form (subject + verb), not question form, without the use of a question mark.

*e.g. "What job do you want?"*

*He asked me **what** job [S] I [V] wanted.*

Not: ~~He asked me what job I wanted?~~

*e.g. "Who did you invite to the retirement party?"*

*She wanted to know **who** [S] we [V] **had invited** to the retirement party.*

Not: ~~... who had we invited ...~~

*e.g. "Why are you leaving?"*

*She asked us **why** [S] we [V] **were leaving**.*

Not: ~~She asked us why were we leaving?~~

*e.g. "When did the strike start?"*

*I asked her **when** [S] **the strike** [V] **had started**.*

Not: ~~I asked her when had the strike started?~~

*e.g. "Where is the manager?"*

*I asked her **where** [S] **the manager** [V] **was**.*

Not: ~~I asked her where was the manager?~~

*e.g. "How do you want to deal with the situation?"*

*He asked me **how** [S] I [V] **wanted** to deal with the situation.*

Not: ~~He asked them how did I want to deal with the situation?~~

## Changes

When reported speech is used, the subject and object pronouns need to be changed:



<i>direct speech</i>	<i>reported speech</i>
"I'm late for work."	Janet said that <u>she</u> was late for work.
"I will give <u>you</u> the notes."	Tom said that <u>he</u> would give <u>me</u> the notes.

Adverbs and adverbial phrases of time and place also need to be changed:

<i>direct speech</i>	<i>reported speech</i>
"We will arrive <u>tomorrow</u> ."	They said they would arrive <u>the next day</u> .
"The report is <u>here</u> on my desk."	He told me that the report was <u>there</u> on his desk.

The chart below provides some possible changes:

now	→	then / at that time
today	→	that day / Tuesday / June 27
yesterday	→	the previous day / the day before / Wednesday / December 5
last night	→	the previous night / the night before / Thursday night
last week	→	the previous week / the week before
next week	→	the following week
tomorrow	→	the next day / the following day / Friday

There is no need to change the verb tense in reported speech if the situation reported is still true at the time of reporting:

<i>direct speech</i>	<i>reported speech</i>
"I love my new job!"	Mary said that she loves her new job. ( <i>This is still true. She still loves her job.</i> )

However, it would not be incorrect to change the verb tense:

<i>direct speech</i>	<i>reported speech</i>
"I love my new job!"	Mary said that she loved her new job.

In the following situations, though, the verb tense must be changed:

- The reported situation has changed or is finished:

*e.g. Rose said that she was going to New York on business. (Not 'is going', since she is there now.)*

– What was said and what is true are different:

*e.g. She told me she would give him the message. (Not 'will give', because either she did not give him the message or we do not know whether she gave him the message.)*

## EXERCISES

1. REWRITE THE SENTENCES from direct into reported (indirect) speech, making any other necessary changes:

i) "I'll probably be late for the meeting this afternoon."

---

ii) "Prices went up in 1992."

---

iii) "We're expanding rapidly."

---

iv) "I can't afford to quit now."

---

v) "Where do you work?"

---

vi) "Have you finished for the day?"

---

vii) "The meeting has been postponed until tomorrow."

---

viii) "I'm going to review the situation next week."

---

ix) "Will you finish the job on time?"

---

x) "Follow me, please."

---

2. Complete the texts by adding a correct form of one of the following verbs: *say, tell, talk, speak, discuss, ask*:

I first heard about the problem when Anna \_\_\_\_\_ me about it. We \_\_\_\_\_ it for an hour. I \_\_\_\_\_ her to \_\_\_\_\_ me the reasons but she couldn't \_\_\_\_\_ what the reasons were. We agreed to \_\_\_\_\_ about it again before the meeting next week.

\*\*\*

A: Prius Incorporated, how may I help you?

B: Hello, this is Frank Pierce from San Francisco. Can I \_\_\_\_\_ to Ms. Shears, please?

A: She's in a meeting just now. Can you \_\_\_\_\_ me what you want to \_\_\_\_\_ about?

B: Certainly. I need to \_\_\_\_\_ our meeting next week. I would like to \_\_\_\_\_ Ms. Shears for some suggestions for the agenda. When could I \_\_\_\_\_ to her?

A: I think she'll be free in an hour. I'll \_\_\_\_\_ her to call you, shall I?

B: Oh, yes please. Did you \_\_\_\_\_ about an hour?

A: Yes, approximately. She'll call you then.

B: Many thanks. Bye.

3. REWRITE THE SENTENCES from reported (indirect) speech into direct speech, punctuating properly, and making any other necessary changes:

i) Tim said that he worked in an office.

---

ii) She said that she was planning to sell her shares in the company.

---

iii) He wanted to know when the meeting was the following week.

---

iv) The boss asked me why I had been late that morning.

---

v) She told me that they couldn't persuade him to stay with the firm.

---

vi) She wanted to know if I had any previous job experience.

---

vii) He said he had had a great time at the launch the previous night.

---

viii) He wanted to know where I worked.

---

ix) They asked me why I was applying for the post.

---

x) She told me to pack up my belongings and leave.

---

### *3. Practice and revision*

1. COMPLETE THE TEXT by filling in the gaps with an appropriate form of the word in brackets:

Many small business consultants counsel clients to approach joint ventures \_\_\_\_\_ (CAUTION). They acknowledge that such partnerships can be most \_\_\_\_\_ (VALUE) in nourishing a company's growth and \_\_\_\_\_ (STABLE), but also point out that smaller businesses usually have far less margin for error than do multinational corporations, or even mid-sized companies. Some experts even make the \_\_\_\_\_ (SUGGEST) that business \_\_\_\_\_ (OWN) considering a joint venture with another company set up a small joint venture first. Such small projects allow companies to test the relationship without \_\_\_\_\_ (COMMIT) large amounts of money. This is

\_\_\_\_\_ (SPECIAL) true when companies with \_\_\_\_\_ (DIFFER) structures, corporate cultures, and \_\_\_\_\_ (STRATEGY) plans work together. These sorts of \_\_\_\_\_ (DIFFER) often make it difficult to work together smoothly. So, going through a period of 'courtship' before committing to the marriage is usually a wise move.

2. MATCH THE WORDS on the left (i-v) with those on the right (a-e):

- |                  |             |
|------------------|-------------|
| i. after-sales   | a. offer    |
| ii. trade        | b. service  |
| iii. advertising | c. discount |
| iv. guarantee    | d. campaign |
| v. introductory  | e. period   |

Now fit the pairs into the following sentences:

- The cost to the retailer is \$50 minus the usual \_\_\_\_\_.
- There is a special \_\_\_\_\_ of free film processing with this particular camera.
- We are running a national \_\_\_\_\_ in all the Sunday newspapers next week.
- All our electrical components carry a \_\_\_\_\_ of 12 months.
- The company has recently taken on 12 engineers, so any problems we have had with our \_\_\_\_\_ will be a thing of the past.

3. CHOOSE the best option:

- This company is \_\_\_\_\_ for sale. (= This company is being sold.)  
a) up                      b) ---                      c) on
- \_\_\_\_\_ an emotional standpoint, this is a very difficult decision to make.  
a) On                      b) From                      c) At
- The CEO stepped \_\_\_\_\_ last month. (= The CEO resigned last month.)  
a) along                      b) out                      c) aside
- He didn't say anything prior \_\_\_\_\_ the board's approval of the deal.  
a) to                      b) ---                      c) with

5. We made \_\_\_\_\_ \$5,000,000 in profits last year.  
 a) about                      b) around                      c) a and b
6. \_\_\_\_\_ all the workers, Miguel works the hardest.  
 a) Out                      b) Out of                      c) Out off
7. We're focusing \_\_\_\_\_ long-term growth.  
 a) on                      b) in                      c) at
8. –Will you finish this on time? –Yes, the packages will be sent out \_\_\_\_\_ schedule.  
 a) in                      b) on                      c) by
9. Customers will be allowed to pay \_\_\_\_\_ cash.  
 a) with                      b) in                      c) by
10. It's been a tough week \_\_\_\_\_ work.  
 a) in                      b) on                      c) at

**4. TRANSLATE THE FOLLOWING TEXT from English into Macedonian:**

**Benefits of Joint Ventures**

Among the most significant benefits offered by joint ventures is that the participants save money and reduce their risks by sharing capital and resources. Joint ventures also give smaller companies the chance to work with larger ones to develop, manufacture, and market new products. They also give companies of all sizes the opportunity to increase sales, gain access to wider markets, and improve technological capabilities through research and development. Until recently, U.S. companies were not very interested in getting involved in research and development partnerships, but they have now become more open to participating in joint ventures.

State agencies have also become more generous with their financial support in establishing joint ventures. Government's increased involvement in the private business environment has created more opportunities for companies to engage in domestic and international joint ventures.









# *Chapter 14*

## *Accounting and auditing*

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### *1. Reading and vocabulary*

RELATED TOPICS: accounting; auditing; business risks.

#### **Accounting**

*Accounting* is the systematic and comprehensive recording of financial transactions relating to a business. Accounting also refers to the process of summarizing, analyzing and reporting these transactions to oversight agencies, regulators, and tax collection entities. The financial statements summarize a company's operations, financial position and cash flows over a particular period, and are a concise summary of hundreds of thousands of financial transactions.

Accounting is one of the key functions for almost any business. It may be handled by a bookkeeper or an accountant at a small firm, or by sizable finance departments with dozens of employees at larger companies. The reports generated by various streams of accounting, such as *cost accounting* and *management accounting*, are crucial in helping management make informed business decisions. While basic accounting functions can be handled by a bookkeeper, advanced accounting is typically handled by qualified accountants who possess titles such as Certified Public Accountant (CPA) in the United States, or Chartered Accountant (CA), Certified General Accountant (CGA) or Certified Management Accountant (CMA) in Canada. All accounting designations are the culmination of years of study and exams, combined with a minimum number of years of practical accounting experience.

In most cases, accountants use *Generally Accepted Accounting Principles* (GAAP) when preparing financial statements. The GAAP is a set of standards related to balance sheet identification, outstanding share measurements, and other accounting issues, and its standards are based on double-entry accounting, a method in which each expense or incoming revenue is entered in two places on a company's balance sheet. An example of double-entry accounting would be the following: a business issues an invoice to one of its

clients; an accountant using the double-entry method enters a debit under the accounts receivables column on the balance sheet and a credit under the income statement's revenue column. When the client pays the invoice, the accountant credits accounts receivables and debits cash. Double-entry accounting is also called *balancing the books*, as all of the accounting entries are balanced against each other. If the entries are not balanced, the accountant knows there must be a mistake somewhere in the ledger.

*Financial accounting* refers to the processes accountants use to generate the annual accounting statements of a firm. *Management accounting* uses much of the same processes but makes use of the information in different ways. Namely, in management accounting, an accountant generates monthly or quarterly reports that a business's management team can use to make decisions about how the business operates. Just as management accounting helps businesses make decisions about management, *cost accounting* helps businesses make decisions about costing. Essentially, cost accounting considers all of the costs related to producing a product. Analysts, managers, business owners, and accountants use this information to determine what their products should cost. In cost accounting, money is set as an economic factor in production, whereas in financial accounting, money is considered to be a measure of a company's economic performance.

## Auditing

An *audit* is an objective examination and evaluation of the financial statements of an organization to make sure that the records are a fair and accurate representation of the transactions they claim to represent. The audit can be carried out internally by employees of the organization, or externally by an outside firm. The International Revenue Service (IRS) can perform audits to verify the accuracy of a taxpayer's returns or other transactions. When the IRS audits, it usually carries a negative connotation and is seen as evidence of some type of wrongdoing by the taxpayer.

Audits performed by outside parties on private companies can be extremely helpful in removing any bias when it comes to the state of a company's finances. Audits look for what can be called a 'material error' in statements on any specific object. They help provide stakeholders with a sense of accuracy when regarding the state of the subject being audited, and can help enable them to make better, more informed decisions regarding the subject being audited. When audits are performed by third parties, the opinion on whatever is being audited (a business's books, an organization as a whole, or a system) can be open and honest without it affecting daily work relationships. Almost

all companies receive an audit once a year, while larger companies can even receive audits monthly.

When it comes to external auditing, there are two different categories of auditors. First, there are *external* or *statutory auditors*, who work independently to evaluate financial reporting, and then there are *external cost auditors*, who evaluate cost statements and sheets to see if they are free of misstatements or fraud. Both of these types of auditors follow a set of standards different from that of the company or organization hiring them to do the work. *Internal auditors* are employed by the company or organization for whom they are performing the audit. They provide information to the board, managers, and other stakeholders on the accuracy of their books, and the effectiveness of their internal systems.

In the US, as in other countries, an audit has to meet a general set of accepted standards, established by their respective governing bodies. Standards for external audits, called the *Generally Accepted Auditing Standards (GAAS)*, are set out by the American Institute of Certified Public Accountants. A separate set of international standards, called the *International Standards on Auditing*, have been set up by the International Auditing and Assurance Board.

Audit planning includes deciding on the overall audit strategy, and developing an audit plan, which is expected to describe the planned nature, extent, and timing of the procedures for risk assessment, and the tests to be done on the controls and substantive procedures. Internal auditors need to understand the business, operations, and unique characteristics of the department/unit being audited, and to develop an audit plan that defines the procedures needed to do an efficient and effective audit.

Constraints in resources (e.g. hiring internal or external auditors can be expensive) demand that an audit provide only reasonable assurance that statements are free from significant errors. Due to the high cost of audits, and the fact that auditors cannot possibly verify every single transaction that has taken place, auditors use statistical sampling and make a determination (with management) as to key focus areas. An audit is not a guarantee that financial statements provide a perfect representation of the organization, but only a reasonable assurance that the statements are free of material misstatements.

There are a few personal characteristics that are important for an auditor to have, such as: a) a strong ethical framework so as to report on issues immediately as they come across them; b) good communication skills, which allow auditors to have rapport with a variety of employees, managers, directors, and external parties; c) strong interpersonal skills, which are important due to the variety of informational requests; d) being a team player; and e)

possessing ‘professional skepticism’, an important trait, especially when reviewing a company’s internal controls.

## Business risks

*Business risks* exist quite independently of the financial statements and they do not depend on audit procedures. A business risk is where the directors make wrong decisions, or where events have occurred which threaten the business’s future. They are often classified as: *strategic risks* (e.g. investing in out-of date technology); *operational risks* (e.g. manufacturing products which have faults); *regulatory risks* (e.g. the fines and damages that might be payable as a consequence of breaching health and safety regulations); and *financial risks* (e.g. an inability to pay interest or rent because of poor cash flow).

Although drafting financial statements does not affect them, understanding the business risks can give insights into where the financial statements might contain material misstatements. For example, investing in out-of date technology could cause going concern problems and queries about the impairment of the out-of date, though possibly relatively new, machinery. Regulatory risks can give rise to problems over assessing and presenting liabilities or contingent liabilities.

The risk of material misstatement refers to the risk that a material misstatement is present in the financial statements that are being audited. It is the purpose of the audit to ensure that these misstatements do not appear in the published financial statements, or, if they do, that there is an appropriately modified audit opinion. Misstatements can refer to the treatment of the transaction, event or balance, including its presentation and disclosure being incorrect, or the amount of the transaction, event or balance being incorrect.

The auditor must create suitable procedures to collect sufficient appropriate audit evidence about the assertions lying behind both of these aspects of items in the financial statements.

## DISCUSSION

1. WHERE DO THE FIELDS of accounting and auditing intersect?
2. WHAT IS THE DIFFERENCE between the following: an accountant, an auditor, a bookkeeper, a financial analyst, a financial planner?

3. DISCUSS THE FIVE basic principles that form the foundation of modern accounting practices: the revenue principle, the expense principle, the matching principle, the cost principle, and the objectivity principle.

4. DISCUSS THE BENEFITS and limitations of technology and its use in accounting.

5. WHAT IS MEANT by the phrase *accounts receivable*?

- a) Money owed to a company by its debtors;
- b) Money owed by a company to its creditors;
- c) Money owed to a company by its employees;
- d) Money owed by a company to its vendors.

6. *ACCOUNTS PAYABLE* is classified as a/an \_\_\_\_\_ in the \_\_\_\_\_.

- a) current asset; balance sheet;
- b) current liability; balance sheet;
- c) expense; income statement;
- d) revenue; income statement.

7. WHAT PROVISIONS DOES the *Audit Law* of the Republic of Macedonia cover?

8. WHAT IS A *PR audit*, what does it consist of, and what is its importance?

9. CASE STUDY: Oaks Co. received a grant of \$35m in relation to the re-development of its main manufacturing site. The government is providing grants to companies for capital expenditure on environmentally-friendly assets. Oaks Co. has spent \$25m of the amount received on solar panels, which generate electricity, and intends to spend the remaining \$10m on upgrading its production and packaging lines. Evaluate the business risks faced by Oaks Co., and identify and explain the risks of a potential material misstatement to be considered in planning the audit of Oaks Co.

## ASSIGNMENT

In 250–300 words, elaborate on one of the following:

1. DISCUSS POTENTIAL ethical issues that might arise in the field of accounting or auditing. (choose one to discuss in more detail).

2. IT HAS BEEN SAID that accountancy is a necessity, while auditing is a luxury. Discuss this stance and provide arguments to support your opinion.

3. DISCUSS THE IMPACT of blockchain on the profession of auditing.

## 2. Grammar focus: *reported speech (reporting verbs)*

*Reported speech* is a sentence structure used to report someone else's words. The verb tenses, word order, and pronouns are different from those in the original sentence. Direct speech expresses the exact words used, which in written language is shown through the use of quotation marks, as in "I'm sorry for attaching the wrong document in the email," said Mark.

Reported speech focuses more on the content of what has been said rather than on the exact words used, thus omitting the quotation marks, and generally putting the reporting verb in the past simple tense, as in the sentence *Mark said he was sorry for attaching the wrong document in the email. / Mark apologized for attaching the wrong document in the email.*

The reporting verbs *say* and *tell* are most frequently used to report statements in direct speech, while *ask* is used to report *wh-* and *yes/no questions*. However, there are other reporting verbs that can be used, which add an expressive value to the statement they are reporting, such as: *accept, add, admit, advise, agree, announce, answer, beg, claim, command, comment, complain, confess, confirm, congratulate, continue, decline, demand, deny, discuss, emphasize, enquire, explain, hint, inform, insist, interrupt, invite, maintain, note, observe, offer, order, point out, promise, propose, protest, reassure, recommend, refuse, remind, repeat, reply, report, reveal, shout, state, stress, suggest, threaten, warn, wonder, etc.*

E.g. Has the government policy changed?" the reporter asked.

*The reporter **asked** if the government policy had changed.*

E.g. "When are you going to post the call for bids?" the official asked.

*The official **asked** when we were going to post the call for bids.*

(For more on reported speech, see Grammar Focus in Chapter 13)

Reporting verbs followed by an INFINITIVE:	Reporting verbs followed by a GERUND:	Reporting verbs followed by a THAT-CLAUSE:

## EXERCISES

1. TURN THESE DIRECT SPEECH sentences (from a public meeting about a pollution problem) into reported speech, by using the reporting verb in brackets:

a) "Nitrate levels in the local water supply are slightly higher than normal." (announce)

---

b) "It is possible that the factory nearby is responsible." (admit)

---

c) "There was a small chemical leak last Friday." (explain)

---

d) "We have taken measures to ensure that this situation cannot reoccur." (reassure)

---

e) "Believe me – we are in the midst of negotiating a settlement with the town council." (insist)

---

f) "We will announce full details in a press statement in a few days' time." (promise)

---

g) "Has there ever been a problem like this before?" (ask)

---

h) "No, there haven't been any other leaks in 30 years at the factory." (deny)

---

i) "When do you plan to re-open the factory?" (enquire)

---

j) "As soon as possible, but some staff may be laid off for a few months." (warn)

---



2. REPORT THE PHRASES in italics with a verb from these below. Two verbs are not needed:

*accept / agree / complain / emphasize*

*explain / propose / report / suggest*

a) "Well, I don't see eye to eye with you on several points, but *yes, I have to say that you are quite right that productivity should be a concern.*"

---

b) "I've heard there's a similar project *in Asia where it's been said that they've actually improved productivity.*"

---

c) "I'm not a believer of team-work, but *I'm pretty sure corporate culture will be much better when open plan offices are incorporated.*"

---

d) "I've said it before, and I'll say it again: *my company does everything it can to limit the impact of our activities on the environment.*"

---

e) "I think there's a slight misunderstanding here. *Yes, we do make fair profits, but we've never exploited our employees.*"

---

f) "Yes, that's a fair point: *we can, and we will do more to develop sources of alternative energy, such as wind and solar power.*"

---

3. PUT THE FOLLOWING TEXT into direct speech:

Minutes of the Management Committee meeting (Jan Navratile, Ines Caba, Christopher Tabbs):

JN reported that the plan had been well received at Head Office. She also stressed that group management were aware of the need for good relations with local communities, and would support Mirratec's decision. IC agreed that it was important to improve public relations, but emphasized the risks involved for production, e.g., absenteeism and quality issues. She claimed that the project could become an excuse to take time off work, especially during the construction phase in the

summer. CT reminded the meeting that only a small number of employees would be concerned. Finally, it was agreed that the project should be approved.

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4. READ THESE EXTRACTS from reports, then decide who made the statements below:

**A:** CEO Klaas Roos announced an end to manufacturing in Europe, informing shareholders that labor costs could not be justified, and explaining that Asian textile imports could no longer be matched for price.

**B:** Speaking to our reporter on the spot, Ms Gronko explained that all villagers forced to leave their homes by the new road would be compensated. Asked to what level, she replied that she was unable to give a figure, but added that discussions were being held with local representatives.

**C:** Journalists are reported to have been refused entry to Plazachem's Tashkent plant after leakages of toxic chemicals were described by workers. Employees claimed that health and safety regulations had not been applied for the last five years, and that several fatal accidents had occurred. Plazachem management declined to comment.

**D:** Asked how the company intended to compensate the victims of the accident, Mr Sanchez answered that no decision had yet been reached. Emphasizing the complexity of the legal situation, he suggested negotiations may be prolonged.

“It’s just too expensive.”    “It’s dangerous: people have died.”    “We’re still talking.”  
 “It’s too early to say.”    “We’re closing down.”    “It could take years.”  
 “They will be paid.”    “Your request has been denied.”    “I don’t know.”  
 “We can’t compete.”    “I’m afraid he’s unavailable.”    “It’s really not simple.”

### *3. Practice and revision*

#### 1. CHOOSE the correct option:

The seventh principle of corporate governance, outlined in what is (1) \_\_\_\_\_ as the ‘Brussels Code’, (2) \_\_\_\_\_ the process by which a company’s auditor is appointed in Belgium. The auditor is appointed by the supervisory board, and a minimum of two independent board members should support the appointment decision. The board may appoint an audit committee, (3) \_\_\_\_\_ mainly of independent board members, to monitor the company’s financial situation and its accounting system. In (4) \_\_\_\_\_ code there are some interesting provisions, which (5) \_\_\_\_\_ to help ensure auditor neutrality. These (6) \_\_\_\_\_ appointing a new auditor every five years, and publishing the financial (7) \_\_\_\_\_ of services provided by the auditor, or its subsidiaries and affiliates, in the accounting year. It should be noted that (8) \_\_\_\_\_ appointing a new audit firm, the company may continue to use the same firm with a change of personnel to (9) \_\_\_\_\_ a completely different audit team.

1. a) familiar    b) known    c) named    d) referred
2. a) respects    b) applies    c) relates    d) concerns
3. a) composed    b) contained    c) combined    d) made
4. a) these    b) a    c) the    d) one
5. a) will design    b) have designed    c) are designed    d) designs
6. a) contains    b) include    c) consist    d) show
7. a) worthy    b) profits    c) value    d) rate
8. a) rather than    b) except by    c) even so    d) just as
9. a) achieved    b) create    c) cause    d) provide

2. MAKE GRAMMATICALLY COMPLETE sentences from each headline below, then discuss the differences (headline vs. sentence):

a) China's Annual Growth Slowest in Decades

---

b) \$500 Competition Breach Fine

---

c) U.S. Government Shutdown Shaking Stability of Jobs

---

d) Why Switzerland Worries about Brexit

---

e) Country Built on Trade Barriers?

---

## *4. Translation*

TRANSLATE THE FOLLOWING TEXT from English into Macedonian:

The future of accountancy is certain to be more structured, governed by global standards and under more examination from a variety of national and international bodies. Therefore, accountants, particularly those working in small and medium practices, must change their mindset. They must start by leading change, continuously improving their skills, and demonstrating a fundamental commitment to professional ethics. Future accountants will increasingly need education in digital technology, while universities will need to develop new units for accounting students. Professional accounting organizations should consult with universities to bring together experts/lecturers in the new areas, and run new courses.

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# *Chapter 15*

## *Mergers, acquisitions and takeovers*

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### *1. Reading and vocabulary*

RELATED TOPICS: introduction; types of mergers; types of takeovers; anti-takeover strategies.

#### **Introduction**

*Mergers, acquisitions and takeovers* have been a part of the business world for centuries. Nowadays, in the existing dynamic economic environment, companies often have to make decisions in order to maximize shareholder value. Mergers and acquisitions allow a company to develop a competitive advantage, with numerous operational benefits, and ultimately increase shareholder value. Generally speaking, mergers and takeovers (or acquisitions) represent very similar business actions in that they combine two previously separate firms into a single legal entity.

There is great motivation for a company to decide on a merger or acquisition; namely, increased savings in costs gained by an increased level of production, greater sales revenue and market share, broadened diversification, and increased tax efficiency. However, the reasons, as well as the financing methodology for mergers and takeovers are quite different.

A *merger* involves the mutual decision of two companies to join together and become one entity; it can be seen as a decision made by two 'equals'. The combined business, through structural and operational advantages gained by the merger, can reduce costs and increase profits, increasing shareholder values for both groups of shareholders. A typical merger, in other words, involves two relatively equal companies, which combine to become one legal entity with the goal of producing a company that is worth more than the sum of its parts. In a merger of two corporations, the shareholders usually have their shares in the old company exchanged for an equal number of shares in the merged entity.

For example, in 1998, American automaker, Chrysler Corp. merged with German automaker, Daimler Benz to form DaimlerChrysler. This is an

excellent example of a merger of equals since the chairmen in both organizations became joint-leaders in the new organization. The merger was thought to be quite beneficial to both companies because it gave Chrysler an opportunity to reach more European markets and it allowed Daimler Benz to gain a greater presence in North America.

A *takeover*, or *acquisition*, on the other hand, is characterized by the purchase of a smaller company by a much larger one. This combination of 'unequals' can produce the same benefits as a merger, but it does not necessarily have to be a mutual decision.

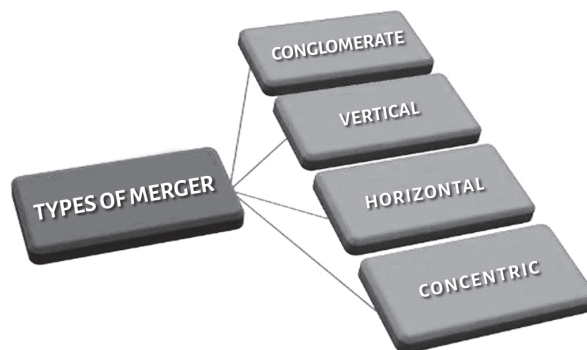
A larger company can start a *hostile takeover* of a smaller firm, which is essentially equal to buying the company in spite of the resistance from the smaller company's management. Unlike in a merger, in an acquisition, the acquiring firm usually offers a cash price per share to the target firm's shareholders. The purchasing company essentially finances the purchase of the target company, buying it in full for its shareholders.

An example of an acquisition is the one where the Walt Disney Corporation bought Pixar Animation Studios in 2006. In this case, this takeover was friendly, as Pixar's shareholders all approved the decision to be acquired.

Thus, there are several ways with which two or more companies can combine their efforts: 1) they can join together on a project, mutually agree to combine forces and merge (= merger), or 2) one company can completely acquire another company, taking over all its operations, including its holdings and debt (= acquisition, or takeover), sometimes replacing management with its own representatives (= dramatic, unfriendly *hostile takeover*).

## Types of Mergers

Depending on their nature, mergers may be classified as one of the following:



**Conglomerate Mergers** - this represents a merger between firms that are involved in completely unrelated business activities. Conglomerate mergers are further sub-divided into: *pure conglomerate mergers*, which involve firms with nothing in common, and *mixed conglomerate mergers*, which involve firms that are looking for product extensions or market extensions. An example of a conglomerate merger is the Walt Disney Company and ABC (the American Broadcasting Corporation).

**Vertical Mergers** - this is a merger between two companies that produce different goods or services. Examples of vertical mergers are the Disney - Pixar merger, as well as the Time Warner Incorporated (a major cable operation) - Turner Corporation (which produces CNN, TBS, and other programs) merger.

**Horizontal Mergers** - these are mergers where the companies produce similar kinds of commodities, or run similar types of businesses. The Lipton India - Brooke Bond merger, as well as BSES Ltd - Orissa Power Supply Company merger are examples of horizontal mergers.

**Concentric Mergers** - concentric mergers are mergers of firms that are into a similar type of business, such as the Nextlink (local exchange carrier offering services in 57 cities and building a nationwide IP network) - Concentric (a national ISP, offering dial-up Internet access, high-speed DSL and VPN services across the US and overseas) merger.

## Types of Takeovers

When one company takes over another and clearly establishes itself as the new owner, that purchase is called an *acquisition*. Generally speaking, acquisitions are negative in nature, and the type of acquisition depends to a large extent on how the communication is carried out and received by the target company. In that sense, the acquisition can be classified as *friendly* or *hostile* (also known as a *takeover*).

A *friendly acquisition* is one where companies cooperate in negotiations, and can be classified as a *merger of equals*.

A *hostile acquisition*, on the other hand, is one where the target company is unwilling to be purchased, or where it has no prior knowledge of an offer. Basically, it is when the board of the target company rejects the offer, but the bidder continues to go after it, or when the bidder makes the offer without informing the board of the target company beforehand. In many cases, the hostile takeover may transform into a friendly takeover, as a result of the offer being improved.



Depending on how they have been carried out, unfriendly acquisitions can be of several types, such as:

**1. Hostile Takeover** - an unfriendly takeover attempt by a company ('raider') that is strongly resisted by the management and the board of directors of the target firm. These types of takeovers are usually bad news, affecting employee self-confidence at the targeted firm, which can quickly turn to antagonism against the acquiring firm. While examples of hostile takeovers working do exist, they are generally more difficult to carry out than a friendly merger.

**2. Dawn Raid** - a business action in which a firm or investor wants to buy a significant amount in the takeover-target company's value by telling brokers to buy the shares as soon as the stock markets open. By getting the brokers to buy shares in the target company (the 'victim'), the acquirer (the 'predator') hides its identity and, thus, its intention. The acquirer then builds up a large interest in its target at the current stock market price. Since this is done early in the morning, the target firm usually does not get informed about the purchases until it is too late, and the acquirer now has controlling share.

**3. Saturday Night Special** - a sudden attempt by one company to take over another by making a public tender offer. The name comes from the fact that these maneuvers used to be done over the weekends. This practice has restrictions in the U.S., for example, since acquisitions of 5% or more of a company's stock value must be revealed to the Securities Exchange Commission (SEC).

## Anti-Takeover Strategies

Takeovers are announced almost every day, but this does not necessarily mean that everything will go ahead as planned. In many cases the target company does not want to be taken over. There are a number of strategies that management can use during situations of mergers and acquisitions, and almost all of these strategies are aimed at affecting the value of the target's stock in some way. There are several ways that companies can protect themselves from a hostile takeover carried out by a 'predator', and they tend to be termed as 'shark repellent.'

In this context, 'killer bees' may be employed, that is, firms or individuals that are used by the target company to keep a takeover bid away. These may be investment bankers, accountants, attorneys, tax specialists, etc., who use various anti-takeover strategies to make the target company economically unattractive and the acquisition more expensive.

Some other strategies and defenses that may be used against a hostile takeover are the following:

**1. Golden Parachute** - a measure that discourages an unwanted takeover by offering attractive benefits to the current top executives, who may lose their jobs if their company is acquired by another firm. Benefits written into the executives' contracts include items such as stock options, bonuses, liberal severance pay, and so on. Golden parachutes can be worth millions of dollars and can cost the acquiring firm a lot of money and, as a result, act as a strong brake to continuing with their takeover bid.

**2. Greenmail** - this term is a spin-off of the term 'blackmail', and it occurs when a large block of stock is held by an unfriendly company (raider), which then forces the target company to repurchase the stock at a substantial premium to destroy any takeover attempt. This is also known as a 'bon voyage bonus' or a 'good-bye kiss.'

**3. Macaroni Defense** - a strategy by which the target company issues a large number of bonds that come with the guarantee that they will be recovered at a higher price if the company is taken over. The reason why it is called a 'macaroni defense' is because if a company is in danger, the recovery price of the bonds expands, like macaroni in a pot! This is a very useful tactic, but the target company needs to be careful it does not issue so much debt that it cannot make the interest payments.

**4. People Pill** - in this situation, management threatens that in the event of a takeover, the management team will resign at the same time en masse, as a whole. This is especially useful if they are a good management team; losing them could seriously damage the company and make the bidder think twice. On the other hand, hostile takeovers often result in the management being fired anyway, so the effectiveness of this kind of a defense depends on the situation.

**5. Poison Pill** - with this strategy, the target company tries to make its own stock less attractive to the acquirer. There are two types of poison pills. The first one is known as the 'flip-in' poison pill, which allows existing shareholders (except the bidding company) to buy more shares at a discount. This type of poison pill is usually written into the company's shareholder-rights plan. The goal of this is to make the shares held by the bidder weaker, and make the takeover bid more difficult and expensive.

The second type of poison pill is the 'flip-over' poison pill, which allows stockholders to buy the acquirer's shares at a discounted price in the event of a merger. If investors fail to take part in the poison pill by buying stock at the discounted price, the remaining shares will not be weak enough to keep a takeover away.

There is an extreme version of the poison pill known as the ‘suicide pill’, in which case the takeover-target company may take action that may lead to its ultimate destruction.

**6. Sandbag** - with this tactic the target company makes obstructions in the hope that another, more favorable company will make a takeover attempt. If management sandbags too long, however, they may get distracted from their responsibilities of running the company.

**7. White Knight** - this refers to a company (the ‘good guy’ - the prince on the white horse) that runs in to make a friendly takeover offer to a target company that is facing a hostile takeover from another party (the ‘bad guy’, i.e. a ‘black knight’). The white knight offers the target firm a way out with a friendly takeover.

**8. Lady Macbeth** - in this strategy a third party acts as a white knight to gain trust, but then turns around and joins with the unfriendly bidders.

## DISCUSSION

**1. LIST AND DISCUSS** the differences between mergers, acquisitions and takeovers, and provide examples for each. What are the objectives, advantages and limitations of a friendly takeover? Discuss and provide examples of an acquisition and/or a (friendly) takeover in a local context (in the Republic of Macedonia, for example).

**2. DESPITE THE FACT** that a merger is seen as a ‘marriage of equals’, there are, nevertheless, potential challenges that might arise, such as communication challenges, employee retention challenges (issues concerning keeping on employees), cultural challenges, and so on. Discuss in more detail what these challenges might involve, and provide possible solutions to deal with them.

**3. LIST AND DISCUSS** the reasons why some mergers succeed and others fail. What do you feel is the most important reason for a merger to be successful? Discuss and illustrate. What do you feel is the most important reason why a merger might fail? Discuss and illustrate.

## ASSIGNMENT

In 250–300 words, **elaborate on one of the two topics:**

**1. PROVIDE A DETAILED CASE STUDY** (example) of a successful and unsuccessful merger in the Republic of Macedonia. Provide details about the mer-

ger, as well as an analysis as to why that particular merger was successful / unsuccessful.

2. PROVIDE A DETAILED CASE STUDY (example) of a successful and unsuccessful merger on an international scale. Provide details about the merger, as well as an analysis as to why that particular merger was successful / unsuccessful.

## 2. Grammar focus: relative clauses

Depending on the type of information they provide, relative clauses can be generally classified into two groups: *defining* and *non-defining*. They are introduced by relative pronouns, such as *who/whom* (people), *which* (things), *whose* (possession), *where* (place), *when* (time), *that* (people/ things).

a. **Defining relative clauses** (identifying clauses) tell us which specific person or thing we are talking about in a larger group of people or things:

*e.g. The woman **who came over last night** is my boss.*

*e.g. The laptop **which I bought yesterday** is already broken.*

*e.g. The place **where I worked when I was 16** has been knocked down.*

If a defining relative clause is removed from a sentence, the meaning of the sentence changes. This is because the information they provide is essential in identifying the person or thing we are talking about:

*e.g. Employees **that like being evaluated** are very unusual.*

*e.g. CEOs **who don't like power and control** are very uncommon.*

If we remove the relative clauses (in bold), the sentences would still make sense, but they would be incomplete in the sense that they would have a different meaning:

*e.g. Employees are very unusual.*

*e.g. CEOs are very uncommon.*

Defining relative clauses are introduced by relative pronouns, and they refer to a noun that appears earlier in the sentence. The following relative pronouns are used in defining relative clauses:

	PERSON	THING	PLACE	TIME	REASON
SUBJECT	who/that	which/that			
OBJECT	who/whom/ that	which/that	where	when	why
POSSESSIVE	whose	whose			

**Note:** In many cases, the relative pronouns *who*, *whom*, *which* can be replaced with the relative pronoun *that*, which is more informal, and frequently used in spoken English. Also, in some cases, the relative pronouns may be omitted altogether:

*e.g. The lady (who/that) I was telling you about this morning has sold off all her shares.*

Defining relative clauses are not separated from the rest of the sentence by commas.

**b. Non-defining relative clauses** give us more (additional) information about the person or thing we are talking about:

*e.g. My sister, who lives in France, is a financial analyst.*

*e.g. My PC, which is relatively new, was stolen last night.*

*e.g. Department managers, who are very often intimidating, can sometimes surprise you with their decency.*

If a non-defining relative clause is removed from a sentence, we lose some detail, but the overall meaning of the sentence remains the same. Thus, if we remove the relative clauses (in bold), the sentences would still be grammatically correct and the meaning would not have changed, although we would have less detail:

*e.g. My sister is a financial analyst.*

*e.g. My PC was stolen last night.*

*e.g. Department managers can sometimes surprise you with their decency.*

Non-defining relative clauses are introduced by relative pronouns, and they refer to a noun that appears earlier in the sentence. The following relative pronouns are used in non-defining relative clauses:

	PERSON	THING	PLACE
SUBJECT	who	which	
OBJECT	who/whom	which	where
POSSESSIVE	whose		

**Note:** The relative pronoun *that* is never used in non-defining relative clauses, and the relative pronouns cannot be omitted.

*e.g. \*My sister, that lives in France, is a financial analyst.*

*e.g. \*My sister, lives in France, is a financial analyst.*

Non-defining relative clauses are always separated from the rest of the sentence with commas.

## EXERCISES

1. CHOOSE THE CLAUSE (a-g) which best completes each of the sentences (i-vii):

- i) The firm's 300 employees, \_\_\_\_\_, went on strike.
  - ii) The report, \_\_\_\_\_, contained many interesting ideas on how to promote our new products.
  - iii) The firm, \_\_\_\_\_, intends to expand its presence in Eastern Europe.
  - iv) The new machinery, \_\_\_\_\_, is not as efficient as we had hoped.
  - v) Mr. Watanabe, \_\_\_\_\_, will be the main speaker at this year's conference.
  - vi) SA Optics, \_\_\_\_\_, has over a hundred patented products.
  - vii) The CEO, \_\_\_\_\_, maintains close relations with the company's investors.
- a) whose engineers are among the most brilliant in the country
  - b) which cost the company over \$1 million
  - c) whose salaries had not been increased for over 12 years
  - d) who was elected to the Board in 2007
  - e) which was written by our Marketing Manager
  - f) which has recently signed a contract with a Swiss manufacturer
  - g) who is a specialist in Japanese management techniques

2. a) JOIN EACH PAIR of sentences using a relative pronoun, and decide in which sentences it may be omitted. Make any necessary changes:

1. A woman introduced me to Mr. Ross. She was Australian.
- 

2. I sent you a report last night. Have you read it?
-

3. We interviewed some people. They were highly qualified.

\_\_\_\_\_

4. You borrowed a colleague's car. What was his name?

\_\_\_\_\_

5. We use videos for training purposes. This is one of them.

\_\_\_\_\_

2. b) COMPLETE THE SENTENCES with an appropriate relative pronoun:

i) Peter is the accountant \_\_\_\_\_ my sister employed to deal with the figures.

ii) My father is the one \_\_\_\_\_ job was discontinued.

iii) The company \_\_\_\_\_ I worked for has declared bankruptcy.

iv) The office water cooler is the place \_\_\_\_\_ gossip is started and shared.

v) The company \_\_\_\_\_ I worked has declared bankruptcy.

3. JOIN THE SENTENCES using a relative pronoun, and decide in which sentences it may be omitted. Punctuate correctly by adding commas where necessary:

1. We spent our team building weekend in Scotland last year. Scotland is in the north of Great Britain.

Last year we \_\_\_\_\_  
\_\_\_\_\_.

2. People own stock in the company. They are called stock- or shareholders.

The people \_\_\_\_\_  
\_\_\_\_\_.

3. We held our first promotion in Edinburgh. Edinburgh is the capital of Scotland.

We held our first \_\_\_\_\_  
\_\_\_\_\_.

4. Adam Smith was born in Scotland. He wrote the paper “The Wealth of Nations”. It was considered to mark the beginning of classical economics.

Adam Smith \_\_\_\_\_  
\_\_\_\_\_.

5. Then we visited the company's main office. It is located in the City. The company's main office \_\_\_\_\_

\_\_\_\_\_.

6. Wall Street is a street in lower Manhattan. People know it as the home of the New York Stock Exchange.

Wall Street \_\_\_\_\_  
\_\_\_\_\_.

7. We were met at the airport by an old man. He told us that he was our chauffeur.

An old man \_\_\_\_\_  
\_\_\_\_\_.

8. We travelled to see our Boston branch. The object is located near the airport.

We travelled \_\_\_\_\_  
\_\_\_\_\_.

9. The founder of the Virgin Group is worth more than US\$ 5.1 billion. His name is Richard Branson. He is ranked eighth among the wealthiest British billionaires.

The founder \_\_\_\_\_  
\_\_\_\_\_.

10. I sent you an e-mail. It contained all the important information you needed for your meeting this morning.

The e-mail \_\_\_\_\_  
\_\_\_\_\_.



### *3. Practice and revision*

1. CHOOSE the best option:

1. Over that past three years, I \_\_\_\_\_ in a number of interesting projects.

- a) was involved            b) both A and C    c) have been involved

2. Right now I \_\_\_\_\_ in any project.

- a) am not involved    b) both A and C    c) am not being involved

3. A: Do you have time to talk? B: Not really, I \_\_\_\_\_ pretty busy right now.

- a) am being            b) am            c) have been

4. I \_\_\_\_\_ to a trade fair until I went to the one in Las Vegas last month.

- a) was never            b) had never been c) have never been

5. They were one of our biggest competitors, but they \_\_\_\_\_ bankrupt last year.

- a) went            b) have gone    c) had gone

6. Recent efforts \_\_\_\_\_ our company's profile have been successful.

- a) to have boosted    b) boost            c) to boost

7. John's company \_\_\_\_\_ one of the biggest electronics retailers in the country.

- a) is            b) are            c) both A and B

8. I \_\_\_\_\_ the approval of the committee members before he rejected the project.

- a) had already gotten    b) did already get    c) have already gotten

9. The recent survey shows that our consumer base \_\_\_\_\_.

- a) grows            b) is growing    c) both and A and B

10. A: How's Tom doing?      B: Now he's just \_\_\_\_\_ to get familiar with our process.

- a) try                              b) tried                              c) trying

2. MATCH A PHRASE from column A (1-10) and a phrase from column B (a-j) to form a complete sentence:

- |   |  |
|---|--|
| 1. Do you think...  | a. ...they are probably not listening to what you are saying.              |
| 2. In 1885...   | b. ...we have pleasure in enclosing our information pack.                  |
| 3. Please accept our apologies for...                                 | c. ...you could check my hotel booking?                                    |
| 4. The goods will be ready for shipment 3 - 4 weeks...                | d. ...I have investigated the problems she raised about health and safety. |
| 5. If someone keeps looking out of the window when you're talking,... | e. ...the company had more than 5000 employees.                            |
| 6. I'm quite sure that...   | f. ...from receipt of your written order.                                  |
| 7. In answer to your request...                                       | g. ...payment of our invoice has not been received.                        |
| 8. I'd like to reconfirm...   | h. ...the delay in dispatching your order.                                 |
| 9. As requested by Mrs. Renoir,...                                    | i. ...my seat on flight TR 998.  |
| 10. According to our records,...                                      | j. the figures I provided were accurate.                                   |

3. MATCH SENTENCES 1 -5 to the following words/phrases: *total product, public relations, product image, unique selling proposition, price-conscious:*

1. I'm concerned that our customers may feel we are charging too much for this product.

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2. We need to ensure that we keep a high profile. People should be reminded of our good reputation and image.

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3. What makes this computer special is its unique design. There isn't anything else like it on the market.

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4. We have to consider everything about the product not just what it looks like or what it's called.

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5. I buy these jeans because they have a designer label. They make me feel expensive.

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4. TRANSLATE THE FOLLOWING TEXT from English into Macedonian:

Simply put, a *merger* is like a marriage where two parties come together for convenience or to gain a strategic advantage. For instance, sharing an apartment or raising a child together is convenience. A strategic advantage may be the combined intellect in trolling your friends. In terms of corporate terminology - two companies usually merge to create a monopoly advantage when both have majority market share. It can also be the case of convenience where reduction in costs can be achieved through combined operations.

*Acquisition* is commonly used where one party is buying out another one with majority agreement of stakeholders. *Takeover* or '*hostile takeover*' is usually used in a case of acquisition where the buyer is buying out the other party without agreement, or with resistance among shareholders. There is not much difference but the processes differ significantly; acquisition is more like a younger sibling being commanded by the older one but working together in team to quickly complete the tasks set by their parents.

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# Chapter 16

## Securities

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### 1. Reading and vocabulary

RELATED TOPICS: security; equity and debt; securities markets; regulation.

#### Security

A *security* is a negotiable financial instrument that holds some type of monetary value. It represents an ownership position in a publicly-traded corporation (via stock), a creditor relationship with a governmental body or a corporation (represented by owning that entity's bonds), or rights to ownership as represented by an option. Simply defined, it is any proof of ownership or debt that has been assigned a value and may be sold. Today, evidence of ownership is likely to be a computer file, while in the past, it was a written piece of paper. For the holder, a security represents an investment as an owner, creditor or rights to ownership on which the person hopes to gain profit. Examples are stocks, bonds and options.

The entity that creates the securities for sale is known as the *issuer*, and those who buy them are *investors*. Generally, securities represent an investment and a means by which municipalities, companies, and other commercial enterprises can raise new capital. Companies can generate a lot of money when they go public, selling stock in an initial public offering (IPO), for example. City or state governments can raise funds for a particular project by floating a municipal bond issue. Depending on an institution's market demand or pricing structure, raising capital through securities can be a preferred alternative to financing through a bank loan. On the other hand, purchasing securities with borrowed money, an act known as *buying on a margin*, is a popular investment technique. In essence, a company may deliver property rights, in the form of cash or other securities, to pay its debt or other obligations to another entity.

#### Equity and debt

Securities can be broadly categorized into two distinct types: *equities* and *debts*.

An *equity security* represents ownership interest held by shareholders in an entity (a company, partnership, or trust), realized in the form of shares of capital stock, which includes shares of both common and preferred stock. Holders of equity securities are typically not entitled to regular payments (though equity securities often do pay out dividends), but they are able to profit from capital gains when they sell the securities (assuming they have increased in value). Equity securities do entitle the holder to some control of the company on a pro-rata basis, via voting rights, meaning that a holder of a majority of the equity is usually entitled to control the issuer. In the case of bankruptcy, they share only in residual interest after all the obligations have been paid out to creditors.

A *debt security* represents money that is borrowed and must be repaid, with terms that stipulate the size of the loan, interest rate and maturity or renewal date. Debt securities, which include government and corporate bonds, certificates of deposit (CDs), and collateralized securities (such as CDOs and CMOs), generally entitle their holder to the regular payment of interest and repayment of principal (regardless of the issuer's performance), along with any other stipulated contractual rights (which do not include voting rights). They are typically issued for a fixed term, at the end of which they can be redeemed by the issuer. Debt securities can be secured, i.e. backed by collateral, or unsecured, and, if unsecured, may be contractually prioritized over other unsecured, subordinated debt in the case of bankruptcy.

Then, there are also *hybrid securities*, which, as the name suggests, combine some of the characteristics of both debt and equity securities. Examples of hybrid securities include *equity warrants* (options issued by the company itself that give shareholders the right to purchase stock within a certain time-frame and at a specific price), *convertible bonds* (bonds that can be converted into shares of common stock in the issuing company), and *preference shares* (company stocks whose payments of interest, dividends or other returns of capital can be prioritized over those of other stockholders).

Although *preferred stock* is technically an equity security, it is often treated as a debt security, because it 'behaves like a bond' in that it offers a fixed dividend rate and is a popular instrument for income-seeking investors. It is, essentially, a fixed-income security..

## Securities markets

*Securities markets* are markets in which securities, or financial assets, are traded. There are two different types of securities markets. A *primary market* is used for trading newly issued securities, while a *secondary market* is

used for trading securities that have already been issued. Primary and secondary markets are generally used for trading equity securities.

Primary markets, or primary financial markets, are where new financial assets are issued. There are two main types of primary-market issues. The first type of issue is known as an *initial public offering (IPO)*, and these issues are the very first shares a company offers to the public. Investment bankers serve as underwriters for these issues: they facilitate the process of selling them. Following an IPO, any newly-issued stock, while still sold in the primary market, is referred to as a *secondary offering*. The second type of issue is known as a *seasoned new issue*. These issues are new shares that are issued by a company that already has publicly traded shares on existing stock exchanges. A seasoned new issue is the way a company sells more shares to the investing public.

Secondary markets, or secondary financial markets, trade existing securities, i.e. previously owned shares of stocks, bonds, and other financial assets. In the secondary market, also known as the aftermarket, securities are simply transferred as from one investor to another: shareholders can sell their securities to other investors for cash and/or capital gain. The secondary market, thus, supplements the primary one. The secondary market is less liquid for privately-placed securities since they are not publicly tradable and can only be transferred among qualified investors.

Secondary markets consist of both *organized exchanges*, such as the New York Stock Exchange (NYSE), and *over-the-counter or electronic markets*, such as the National Association of Securities Dealer Automated Quotation System (NASDAQ). Organized stock exchanges are markets that are used to facilitate the trading of financial instruments. The main organized stock exchanges are the New York Stock Exchange and the American Stock Exchange. There are also regional stock exchanges, such as the Pacific, Chicago, Philadelphia, Cincinnati, Intermountain, Spokane, and Boston Stock Exchanges, but these are very small.

The largest stock exchange in the United States is the NYSE. This stock exchange is more than 200 years old, and it is still limited to 1,366 seats (the number of individuals/institutions that can trade), which is the same number of seats it has had since 1953. The NYSE includes over 3,000 listed companies. Generally, 80% of the daily trading volume in the US is done on this stock exchange.

The *over-the-counter (OTC) market* is an electronic network of dealers that allows investors to carry out trades without going through specialists or intermediaries. That is, there is no single physical location where stocks are traded; rather, these trades are executed through the NASDAQ, which links



various dealers and brokers through a computer- or telephone-based system. Usually the bigger companies are traded on an exchange rather than on the OTC market. These trades are also executed through the National Market System, a system under the sponsorship of the National Association of Securities Dealers (NASD), which trades stocks of specific sizes, profitability, and trading requirements. The NASD also trades 'pink sheets', or lists of small companies not listed on any exchange; these stocks are traded by brokers through a network of phone and computer systems, and may be significantly more risky.

## Regulation

In the United States, the *Securities and Exchange Commission (SEC)*, which is an independent agency of the US federal government, regulates the public offer and sale of securities. It holds primary responsibility for enforcing the federal securities laws, proposing securities rules, and regulating the securities industry, the nation's stock and options exchanges, and other activities and organizations, including the electronic securities markets in the country. The SEC provides investors with access to registration statements, periodic financial reports, and other securities forms through its comprehensive electronic, data gathering, analysis and retrieval (EDGAR) database. It was created by Congress (1934) as the first federal regulator of securities markets.

Public offerings, sales and trades of US securities must be registered and filed with the SEC's state securities departments. Issues of securities offered in interstate commerce, through the mail or on the internet must be registered with the SEC before they can be sold to investors. Financial services firms, such as broker-dealers, advisory firms and asset managers, as well as their professional representatives, must also register with the SEC in order to conduct business. Self Regulatory Organizations (SROs) within the brokerage industry often take on regulatory positions as well. Examples of SROs include the National Association of Securities Dealers (NASD) and the Financial Industry Regulatory Authority (FINRA).

In the United Kingdom, the national competent authority for financial markets regulation is the *Financial Conduct Authority (FCA)*, which operates independently of the UK Government, and is financed by charging fees to members of the financial services industry. The FCA regulates financial firms providing services to consumers and maintains the integrity of the financial markets in the United Kingdom. It focuses on the regulation of conduct by both retail and wholesale financial services firms.

## DISCUSSION

1. HOW DO YOU THINK securities affect the economy?
2. HOW ARE STOCKBROKERS and investment advisors connected to securities?
3. HOW CAN SECURITIES be bought and sold?
4. WHEN DOES *short selling* occur?
5. EXPLAIN WHAT an *inflation-protected security (IPS)* refers to.
6. WHAT IS AN IPO, and what are some advantages and disadvantages of it?
7. WHAT IS THE CONNECTION between Wall Street and the NYSE?
8. IN THE *Reading and vocabulary* section, it was said that the NASD also trades 'pink sheets'. Color idioms are often used in business English. What do the following idioms mean: black market, blue-chip stock, get the green light, golden parachute, in the black, in the red (out of the red), pink slip, red tape, white-collar/blue-collar worker.
9. THE FCA Handbook lists the following as investments: share, debenture, warrant, personal pension scheme, pension scheme which provides safeguard benefits, and emission allowance. What do these concepts refer to, and what would be their Macedonian equivalents?

## ASSIGNMENT

In 250–300 words, **elaborate on one of the following:**

1. "In your own words, explain, describe, and illustrate how the NYSE and NASDAQ work.
2. Describe the government securities market in the Republic of Macedonia in terms of regulations, regulatory authority, responsibility, etc.
3. "The stock market is filled with individuals who know the price of everything, but the value of nothing." (Phillip Fisher) Discuss this quote, and express your personal opinion, whether you agree or disagree.

### *2. Grammar focus: relative clauses*

*Relative clauses* are a very common way of supplying more specific information about a noun referring to a person, thing or group. They are most commonly positioned immediately after the noun they refer to. Relative clauses can be sub-divided into *defining* and *non-defining*.

*Defining relative clauses* supply essential information needed to identify a particular person or thing, and they do not require commas.

*Non-defining relative clauses* are usually separated by commas, and give additional information about a person or thing. This information is not absolutely necessary in order to identify who or what is being talked about; it does not define, but adds information.

Relative clauses often begin with a *relative pronoun*, such as *who* (people), *that* (people or things), or *which* (things). These pronouns do not have masculine, feminine, or plural forms.

The relative pronoun *whom* is rather formal and is only used in written English or formal spoken English (the relative pronoun *who* is often used instead). However, if the relative pronoun occurs immediately after a preposition, *whom* must be used, as in *the man with whom (who) business was conducted*. This tends to be avoided, however, by using *who*, and placing the preposition at the end of the clause, or by omitting the pronoun altogether, as in *the man who business was conducted with*.

The relative pronoun *whose* can be used to talk about something which belongs to a person or an animal, or something or someone that is associated with a person. *Whose* should not be confused with *who's*, which is a contracted form of *who is* or *who has*, as in *a colleague whose sales pitch was great* vs. *a colleague who's been pitching a new book*.

Present participle forms (-ing) and past participle forms (-ed) can be used without a pronoun or auxiliary verb to form a *participle relative clause*, which has the same meaning as the relative clause it replaces, as in *Do you know the company deciding to buy us out?* (*Do you know the company which is deciding to buy us out?*)

(For more on relative clauses, see Grammar Focus in Chapter 15)

## EXERCISES

1. DISCUSS THE RELATIVE CLAUSES in the following sentences in terms of the type of relative clause it is, the information it conveys, the (lack of) relative pronoun, and punctuation:

- a) The person who can give you the required information is out of the office at the moment.
- b) Pat Smith, who heads the HR Department, will meet you on your next visit.

- c) I've already spent this morning with Mr. Greene, whom we're going to lay off soon.
- d) The employees with whom I have discussed the compensation package have all accepted it.
- e) I'd also like to acknowledge a woman whose efforts have helped this company move forward.
- f) We're not interested in machines we can't regularly maintain ourselves.
- g) I'm afraid I won't be around when the annual company party takes place.
- h) I hate attending networking events, which always make me more anxious than I am.
- i) The CEO, who's negotiating the merger at the moment, is the person you need to talk to.
- j) The press release, written by our PR team, came out at the perfect time.

2. DECIDE WHICH interpretation is correct (a/b) in the sentences below, and discuss why:

- i) The branch we established in Singapore has 250 employees.
  - a. There is only one branch in Singapore.
  - b. There is more than one branch in Singapore.
- ii) The agent making the highest sales average will receive a special bonus.
  - a. Only one agent will receive a special bonus.
  - b. Only some agents will receive a special bonus.
- iii) The employees, who have been employed for more than 10 years, are entitled to an additional six days of annual holiday leave.
  - a. All the employees have been employed for more than 10 years, and they are all entitled to an extra 6 days of annual holiday leave.
  - b. Only the employees that have been employed for more than 10 years are entitled to an extra six days of annual holiday leave.
- iv) I'm going to complain to the Jay Stok that we both know.
  - a. There is only one person named Jay Stok, and we both know him.
  - b. There is more than one person named Jay Stok, and we both know the same Jay Stok.

v) We cannot do business with companies whose offices are not in the UK.

a. We can do business only with those companies which have offices in the UK.

b. We can do business with any company which has offices both in the UK and abroad.

3. MAKE ONE SENTENCE (including an appropriate relative clause) from each pair:

a) The Finance Department is overambitious with its timeframes. This sometimes presents an issue for the other Departments.

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b) We might consider informing the shareholders. They have the right to be informed.

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c) I have to accept the validity of her points. She made these specific points during her pitch.

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d) The share price reached a peak before slightly falling, then levelling off. A peak means “the highest point”.

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e) Neither of the applicants impressed me much. They were even late for the interview.

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f) I just finished talking to Mr. Pierce. He sends you his regards.

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g) To remain competitive, we have to forget all about the old bureaucratic empires. Their functioning in the past was strictly divided into separate departments.

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4. UNDERLINE THE participle relative clause in each sentence, and transform it into a relative clause with a suitable relative pronoun:

a) This estimation was drawn up on the basis of the documents sent to us by email.

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b) I finally worked out the payment terms with David Sith, known as the best negotiator around.

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c) With reference to recent legislation affecting securities, I'll inform you of changes in due time.

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d) We are unable to offer you the needed facilities, made available to you in the past.

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e) Other rival banks have expressed an interest, opening new windows for opportunities.

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f) Why did you reject all the offers for access proposed?

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g) An IPO is underwritten by one or more investment banks, also arranging for the shares to be listed on one or more stock exchanges.

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h) This refers to an amendment to the draft, considered by the Ministry and not disclosed to the public yet.

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### *3. Practice and revision*

1. COMPLETE THE TEXT by filling in the gaps with one word:

Securities lending still continues to be full (1) \_\_\_\_\_ complexity. Have we ever (2) \_\_\_\_\_ to ask ourselves what clients really want and need? (3) \_\_\_\_\_ lenders really need ten collateral schedules? Do borrowers really care about getting (4) \_\_\_\_\_ cheapest borrow, or would they (5) \_\_\_\_\_ to optimise its stability and visibility? Instead of simplifying and standardizing our offering, we have created a selection of different offerings (6) \_\_\_\_\_ try and attract new participants, (7) \_\_\_\_\_ substantially increasing the operational risk and cost-per-trade. Can this be (8) \_\_\_\_\_ viable strategy in where the standardization and the supply (9) \_\_\_\_\_ offerings is

inherent in most aspects of our lives? Frank D'Agnese, State Street's head of product and technology (10) \_\_\_\_\_ securities finance, points out in a piece in the Securities Lending Times (11) \_\_\_\_\_ every securities lending program has (12) \_\_\_\_\_ own set of client-driven parameters relating to commercial terms and conditions.

2. PUT THE WORDS, which have been scrambled up, in order to form grammatically correct sentences:

a) opening / the beginning / day / the / mark / and / bells / the NYSE's / trading / and / end / each / closing / of

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b) financial context / a / other / can be / has / or / certificate / is / traded / a / security / value / in / financial instrument / a / monetary / that / and

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c) investors / the primary / that / the sale / ways / operations / companies / for / new capital / securities / one of / to / is / drive / of / publicly-traded

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d) activities of / deception / to prevent / oversees / mutual / the SEC / transactions / intentional / and / fund / securities / professionals / fraud / financial / trading / and

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# *Chapter 17*

## *Banks and banking*

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### *1. Reading and vocabulary*

RELATED TOPICS: introduction; main functions of a bank; types of banks/banking.

#### **Introduction**

Generally speaking, *banking* is an industry that handles cash, credit, and other financial transactions. It is considered to be one of the most important operators of any economy because it provides the liquidity (cash) needed for families and businesses to invest for the future.

*Banks* represent several different types of financial institutions, carrying out different kinds of business. Some banks are very large and perform many different functions, others are more specialized. Some have operated for hundreds of years and some have taken on new kinds of business quite recently.

Historically speaking, the first institutions where money and valuables were stored in were the temples. For example, the inhabitants of ancient Athens kept their savings in the temples of the Acropolis, and the medieval Europeans often saved money in the monasteries.

Not all banks carry out the same range of activities. Banking activities can be generally classified into the following types: commercial banking, retail banking, and investment banking. To this, we can also add central banking, corporate banking, and, more recently, online banking.

Banks provide a safe place to store extra cash and credit. They offer savings accounts, certificates of deposit and checking accounts. Banks use these deposits to make loans. These loans include home mortgages, business loans, and car loans.

Bank loans and credit mean families do not have to save up before going to college or buying a house. Companies can start hiring immediately to build for future demand and expansion.

## Main Functions of a Bank

Imagine a world without banking institutions. In this situation, without banks, there would be several questions that would surface, such as:

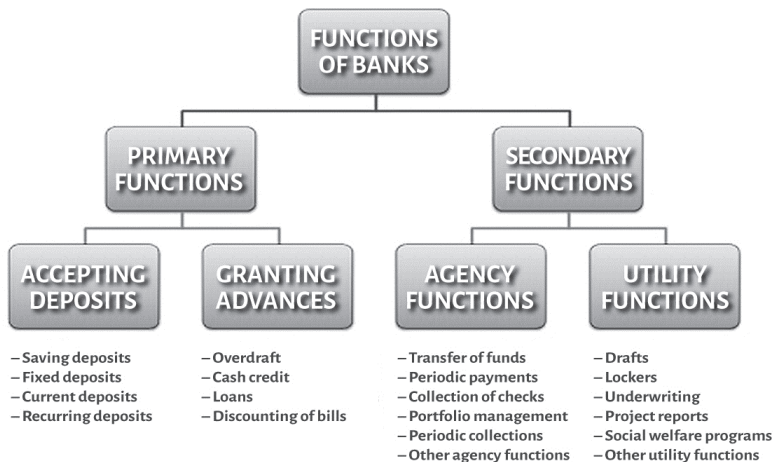
- where would people borrow money from?
- what would they do with their savings?
- would they be able to borrow/save as much as they need, when they need it, in a form that would be convenient for them?
- what risks might they face as a saver/borrower?

Banks work by borrowing funds – usually by accepting deposits, or by borrowing in the money markets. Banks borrow from individuals, businesses, financial institutions, and governments with extra savings. They, then, use those deposits and borrowed funds (liabilities of the bank) to make loans or to buy securities (assets of the bank). Banks make these loans to businesses, other financial institutions, individuals, and governments that need the funds for investments or other purposes. Interest rates provide the price signals for borrowers, lenders, and banks.

Through the process of taking deposits, making loans, and responding to interest rate signals, the banking system helps move funds from savers to borrowers in an efficient way. Banks service a wide range of borrowers, from an individual who takes a loan of \$100 on a credit card to a major corporation financing a billion-dollar corporate merger.

Banking, then, is defined as the business of accepting the deposits from the public for the purpose of investment and granting loans to the public. Banks are institutions that allow this to take place.

Generally speaking, the main functions of a bank may be illustrated as in the following diagram:



## Types of Banks/Banking

Depending on the banking activities the banks provide and carry out, they may be classified into one of several types.

### Central Banking

The duty of central banks is to maintain financial stability, otherwise a country's economy will not operate properly. Central banks act as regulators of their country's interest rates by controlling the amount of money in circulation, and buying and selling currencies. They collect reserves and act as last-resort lenders if another bank gets into trouble. They exist as a separate entity from all the other banks. Central banks, then, represent the national government bank.

### Retail Banking

Retail banks are the high street (primary business streets of towns and cities) banks we are all familiar with. They take deposits from individuals, provide saving facilities and pay interest on these accounts. They also lend money to individuals, in the form of loans and overdrafts, and charge interest on the money they lend. They provide a range of other financial services.

Retail banking, then, refers to division of a bank that deals directly with retail customers. It is also known as consumer banking or personal banking, and it is the visible face of banking to the general public, with bank branches located in great numbers in most major cities.

Customer deposits received by retail banking represent an extremely important source of funding for most banks. A wide range of products and services are offered by retail banking, some of which are: checking and savings accounts, mortgages on residential and investment properties, automobile financing (loans for new and used cars, as well as refinancing for existing car loans), as well as credit cards and lines of credit.

Retail banks are of vital importance to the domestic and global economies as retail banking brings in the customer deposits that make it possible for banks to make loans to their retail and business customers.

### Commercial Banking

Commercial banks, or divisions of banks, provide banking services to businesses, from small companies through to corporate banking directed at large corporations. They help companies raise finance to expand their businesses and to maintain their cash flow by lending them money. They provide

a wide range of other financial services. Within commercial banks, there are also community banks, which are smaller than commercial banks, and they concentrate on the local market.

Commercial banks play an important role in the financial system and the economy. As a key component of the financial system, banks distribute funds from savers to borrowers in an efficient manner. They provide specialized financial services, which help to make the overall economy more efficient. Commercial banks make the loans that enable businesses to grow and hire people, contributing to expansion of the economy.

### **Investment Banking**

Investment banks distribute and guarantee the sale of shares and bonds; they trade securities on the financial markets and advise corporations on capital market activities such as mergers and acquisitions. Investment banks originally developed in the USA, and these banks have now taken over many roles that were previously carried out by UK merchant banks.

Investment banks employ investment bankers who help corporations, governments and other groups plan and manage large projects, saving their clients time and money by identifying risks associated with the project before the clients move forward.

In theory, investment bankers are experts in their field, so businesses and institutions turn to investment banks for advice on how best to plan their development, since investment bankers can tailor their recommendations to the present state of the economy.

### **Universal/Conglomerate Banks**

Although some investment banks exist as separate institutions (in the United States between 1933 and 1999 investment banking and commercial banking had to be kept apart by law), most larger commercial/retail banks also have an investment section in the company. The divisions work separately, as the work and knowledge required for each division is very different. These very large banks are known as universal or conglomerate banks.

However, there is now pressure from many governments to keep investment banking separate from commercial and retail banking. If an investment bank makes a mistake and buys the wrong commodities (assets), they can lose large amounts of money and even go bankrupt. Investment banking, if it goes well, can make huge amounts of money.

Unlike retail and commercial banking, investment banking is a very high risk form of banking.

### **Corporate Banking**

Corporate banking, also known as business banking, refers to the aspect of banking that deals with corporate customers. The term was originally used in the United States to distinguish it from investment banking after the two activities were legally separated in 1933.

While that law was changed in the 1990s, corporate banking and investment banking services have been offered for many years under the same umbrella by most banks in the United States and elsewhere. Corporate banking is a key profit center for most banks.

### **Online Banking**

Online banking, also known as internet banking, web banking, or even e-banking, allows users to carry out financial transactions via the internet. An online bank offers customers just about every service traditionally available through a local branch, including deposits (which is done online or through the mail), and online bill payments. Online banking has, to some degree, become normal for many simple bank transactions. It is easier for consumers to check their accounts, pay their bills and move money from one account to the other, resulting in a more organized financial life.

As commercialization of the internet evolved in the early 1990s, traditional banks began to look for ways of providing limited online services to reduce operating costs. The success of these early efforts led many banks to expand their internet presence with improved websites that allowed the possibility of opening new accounts, downloading forms and processing loan applications.

Going one step further, there are also internet-only banks that offer online banking and other financial services without a network of branch offices. These so-called virtual or direct banks are able to save in terms of labor and overhead costs, in this way being able to offer their customers higher interest rates on deposit accounts, lower loan costs and reduced service fees.

The advantages of online banking are numerous, such as that of convenience, speed, efficiency, and, to some extent, security. However, despite the advantages that exist, there are, nevertheless, risks, or disadvantages to online banking, such as transactions not being processed due to lack of experience by users, especially new users, then, security - being vulnerable and open to hacking, and potential unauthorized access. Furthermore, online banking relies on a reliable internet connection because connectivity issues may sometimes result in an unsuccessful transaction, and, finally, some issues might just be too complex to be dealt with in this way, and face-to-face interaction may be necessary.

## DISCUSSION

1. HOW SECURE IS online banking in the Republic of Macedonia? Do the advantages outweigh the disadvantages or vice versa? Do you use online banking? If yes, for what? If no, why not? Discuss and explain.

2. DO YOU FEEL THAT online banking will ever completely replace traditional, face-to-face banking? How can banks deal with the disadvantages of online banking? Discuss and explain.

3. WHAT WOULD A WORLD without banks be like? What are some aspects that would not exist or would be very different? Is it better for banks to exist or to not exist - do the advantages of having banks outweigh the disadvantages or vice versa? How did people live without banks and their services in the past? Discuss and illustrate.

## ASSIGNMENT

In 250–300 words, **elaborate on one of the two topics:**

1. ON SEPTEMBER 15, 2008, Lehman Brothers filed for bankruptcy. With \$639 billion in assets and \$619 billion in debt, Lehman's bankruptcy filing was the largest in history, as its assets far surpassed those of previous bankrupt giants. Lehman Brothers was the fourth-largest U.S. investment bank at the time of its collapse, with 25,000 employees worldwide. What led to the collapse of Lehman Brothers? Who, or what, is the most accountable for it? Could it have been prevented? If yes, how? Discuss in more detail.

2. THE FINANCIAL CRISIS OF 2007–2008, also known as the global financial crisis and the 2008 financial crisis, is considered by many economists to have been the worst financial crisis since the Great Depression of the 1930s. Discuss this in the context of reasons why banks fail, and the consequences this might have on the banks' clients, as well as on the economy in general. Can this be prevented, and if yes, how? Discuss and explain.

## ***2. Grammar focus:***

### ***Verb patterns (to-infinitive/-ing). Collocations.***

Two grammatical points will be dealt with in the grammar focus section of this chapter – namely, we shall examine in more detail the *structure of the clause* which depends on the verb, in terms of verbs followed by (full/bare) *infinitive/-ing*, and we shall also look at business English *collocations*, that is, we shall see how words go together or form fixed relationships.

## 1. VERB PATTERNS.

### a. Verbs followed by a *to*-infinitive

Some verbs can be followed immediately by a *to*-infinitive:

- <i>afford</i>	- <i>demand</i>	- <i>like</i>	- <i>pretend</i>
- <i>agree</i>	- <i>fail</i>	- <i>love</i>	- <i>promise</i>
- <i>arrange</i>	- <i>forget</i>	- <i>manage</i>	- <i>refuse</i>
- <i>ask</i>	- <i>hate</i>	- <i>mean (intend)</i>	- <i>remember</i>
- <i>begin</i>	- <i>help</i>	- <i>need</i>	- <i>start</i>
- <i>choose</i>	- <i>hope</i>	- <i>offer</i>	- <i>try</i>
- <i>continue</i>	- <i>intend</i>	- <i>plan</i>	- <i>want</i>
- <i>decide</i>	- <i>learn</i>	- <i>prefer</i>	

e.g. I can't **afford to quit**; I have bills to pay.

e.g. Sales **began to pick up**.

e.g. She **hopes to become** a partner in the firm by next year.

e.g. My former boss never really **learnt to delegate** responsibility politely.

e.g. Did you **remember to send** Nigel the proposal?

### b. Verbs followed by *-ing*

Some verbs can be followed immediately by an *-ing* form:

- <i>admit</i>	- <i>deny</i>	- <i>finish</i>	- <i>mind</i>
- <i>avoid</i>	- <i>dislike</i>	- <i>give up</i>	- <i>miss</i>
- (can't) <i>help</i>	- <i>enjoy</i>	- <i>imagine</i>	- <i>practise</i>
- (can't) <i>stand</i>	- <i>fancy</i>	- <i>involve</i>	- <i>put off</i>
- <i>consider</i>	- <i>feel like</i>	- <i>keep (on)</i>	- <i>risk</i>

e.g. I always **enjoy going** on our team building weekends.

(\*I always ~~enjoy to go~~...)

e.g. We haven't **finished developing** the product range yet.

(\*We haven't ~~finished to develop~~...)

**Note:** Some of these verbs, such as: *can't stand*, *dislike*, *imagine*, *involve*, *mind*, *miss*, *put off* and *risk* can be used with a new subject before the *-ing* form:

e.g. We just couldn't **imagine Gerry breaking** the company rules.

e.g. Do you **mind me waiting** here while you're working?

e.g. I don't want to **risk him losing** his job.

### c. Verbs followed by a *to*-infinitive or *-ing*

The verbs *hate*, *like*, *love* and *prefer* can be followed either by *-ing* or a *to*-infinitive. The difference in meaning is often small, where the *-ing* form emphasizes the verb itself whereas the *to*-infinitive puts the emphasis more on the preference for, or the results of, the action:



**Compare:**

<i>-ing form</i>	<i>to-infinitive</i>
<i>I like reading the company's annual reports.</i> (emphasis on the process itself and enjoyment of it)	<i>I like to have all my notes at hand when I am preparing the weekly reports.</i> (emphasis more on the preference or habit)
<i>She hates delegating responsibilities.</i> (emphasis on the process itself and no enjoyment of it)	<i>I hate to be the only person to disagree.</i> (emphasis more on the result: I would prefer not to be in that situation)
<i>Most people prefer participating in a workshop session rather reading about the sales techniques from a book.</i> (emphasis on the process itself and enjoyment of it)	<i>I prefer to be driven to my business lunches during the day.</i> (emphasis more on the result and on the habit or preference. The speaker does not necessarily enjoy the process of being driven at any time of day)

When *hate*, *like*, *love* and *prefer* are used with *would* or *should*, only the *to-infinitive* is used, not the *-ing* form:

*e.g. I'd love to get a job in a bank. (\*I'd love getting a job in a bank.)*

**d. Verbs followed by a *to-infinitive* or *-ing* with a change in meaning**

Some verbs can be followed by a *to-infinitive* or the *-ing* form, but with a change in meaning:

- |         |            |        |
|---------|------------|--------|
| - go on | - regret   | - try  |
| - mean  | - remember | - want |
| - need  | - stop     |        |

<i>-ing form</i>	<i>to-infinitive</i>
<i>Working in the City means leaving home at 6:30.</i> (Because I work in the City, this is the result or consequence.)	<i>I didn't mean to make you cry when I said you might be sent to a different department.</i> (I didn't intend to make you cry.)

<i>-ing form</i>	<i>to-infinitive</i>
<p><i>He went on talking long after everyone else had left the conference room.</i> (He continued talking without stopping.)</p>	<p><i>She displayed the numbers on the screen, then went on to explain what they meant.</i> (She displayed the numbers first, then she explained what they meant.)</p>
<p><i>I tried searching the web and finally found an address for him.</i> (I searched the web to see what information I could find.)</p>	<p><i>I tried to email Simon but it bounced back.</i> (I tried/attempted to email him but I did not succeed.)</p>
<p><i>She stopped talking as soon as she saw the CEO approaching.</i> (She was talking, and then she didn't talk anymore.)</p>	<p><i>We stopped to get this month's invoices from the accounting department.</i> (We were going somewhere and we stopped for a short time in order to get the invoices.)</p>

### e. Verbs followed by an infinitive without *to*

The verbs *let* and *make* are followed by an infinitive without *to* when they are used in active voice sentences. They always have an object before the infinitive:

e.g. *Let me explain this new business idea I've got.*

(\*~~Let me to explain...~~)

e.g. *They made us wait while they checked our documents.*

(\*~~They made us to wait...~~)

*Help* can be followed by an infinitive with or without *to*:

e.g. *She helped me find the file I had been looking for all day.*

e.g. *You can help to reduce the company's losses by being more proactive.*

### f. Verbs followed by an *-ing* or an infinitive without *to*

A group of verbs connected with feeling, hearing and seeing can be used with *-ing* or with an infinitive without *to*:

*-feel*

*-notice*

*-see*

*-hear*

*-overhear*

*-watch*

When they are used with *-ing*, these verbs emphasize the action or event in progress. When they are used with an infinitive without *to*, they emphasize the action or event seen as a whole, or as completed.

**Compare:**

<i>-ing form</i>	<i>to-infinitive</i>
<p><i>She heard people shouting outside her office and looked out of the door.</i> (emphasizes that the shouting probably continued or was repeated)</p>	<p><i>I heard someone shout 'Help!', so I ran to call security.</i> (emphasizes the whole event: the person probably shouted only once)</p>
<p><i>One of the other co-workers saw him falsifying the manager's signature.</i> (emphasizes the falsifying as it was happening)</p>	<p><i>Emily saw Philip run out of Sandra's office.</i> (emphasizes the whole event from start to finish)</p>

**g. Verbs followed by a direct object and a *to*-infinitive**

Some verbs are used with a direct object, followed by a *to*-infinitive:

- advise	- help	- need	- request
- ask	- instruct	- order	- teach
- challenge	- intend	- persuade	- tell
- choose	- invite	- prefer	- want
- forbid	- like	- recommend	
- hate	- love	- remind	

*e.g. I advised him to get a job as soon as possible.*

*e.g. Did you teach Gary to present so eloquently?*

*e.g. They want me to go to the trade show with them.*

**2. COLLOCATIONS.**

A collocation is a combination of two or more words that are commonly used together, in a way that sounds natural to a native English speaker.

To be fluent in English, it is important to know which words go together, and learning the correct combination of words will result in a speaker sounding more natural.

There is no one single 'right' way to learn collocations - it takes a lot of reading, listening, and noticing the words that are used together. Then, they can be learned as groups of words, rather than as a single word.

The following are just a sample of some common business collocations, though by all means, there are many, many more:

#### **Noun-noun collocations:**

- *balance sheet*
- *bank loan*
- *business ethics/partner/people/plan/trip*
- *customer base/satisfaction/service*
- *employee benefits*
- *human resources*
- *interest rates*
- *labor market/union*
- *market leader/share*
- *operating costs*
- *price controls/range/tag/war*
- *sales figures/team*
- *stock exchange/market/options*
- *trade secrets*

#### **Verb-noun collocations:**

- *accept an apology/a job*
- *borrow/lend money*
- *chair a meeting*
- *close a deal*
- *consider the fact/the possibility/risk*
- *fire/hire someone*
- *gain experience/knowledge*
- *invest money/resources/time*
- *lower costs/prices/taxes*
- *open an account*
- *pay attention/bills/dividends/a fee/taxes*
- *raise awareness/money/prices/taxes*
- *reach an agreement/a compromise*
- *save money/time*
- *take out a loan*
- *waste time/money*

#### **Adjective-noun collocations:**

- *big break/chance/decision/disappointment*
- *competitive advantage*
- *false advertising*
- *golden opportunity*
- *gray area*
- *harsh criticism*
- *heated debate*
- *hidden agenda*
- *high/low costs/price/quality/risk/salary*
- *hot topic*
- *immediate impact*
- *private/public sector*
- *raw materials*
- *stiff competition*
- *top priority*
- *wise choice*

**Prepositions:** *accused of; adapt to; agree on/to/with; apply for; approve of; argue about/with; aware of; believe in; blame for; by accident/mistake; cause of; comment on; complain about; concentrate on; consist of; count on; decrease count on; decide on; decrease/increase in; demand for; depend on; from scratch;*

*good at; graduate from; in charge of; insist on; object to; on purpose; participate in; plan on; plan for; prepare for; proud of; reply to; respond to; responsible for; satisfied with; take advantage of.*

**Make:** *an appointment; a comparison; a complaint; a decision; a demand; ends meet; an excuse; a fortune; a living; a mistake; money; an offer; payments; a point; a profit; progress; promise; request; sense; a suggestion; sure; time.*

**Do:** *business; a crime; damage; an experiment; a favor; good/bad/harm; research; right/wrong; well; your best; your duty; your share.*

**Take:** *advantage; a course; notes; action; a break; a decision (British — make a decision in American English); a message; part in; responsibility; a test/quiz; your time.*

**Have:** *an appointment; an argument; a conversation; a meeting; problems; a talk; time; trouble; coffee/tea; breakfast/lunch/dinner; work.*

**Get:** *a job; a certification; angry; better/worse; excited; going; the message; motivated; paid; permission; ready; somewhere/nowhere; started; used to.*

**Go:** *ahead; bankrupt; forward; home; out of business; to work; well.*

**In:** *believe in; in an argument; in advance; in charge; in conclusion; in control; in denial; in depth; in detail; in private; in return for; in the mail; in the process of; in trouble; interested in; involved in; participate in.*

**On:** *blame something on someone; decide on; depends on; focus on; on a committee; on average; on call; on display; on duty; On one hand.../On the other hand...; on purpose; on sale; on someone's side; rely on; restrictions on; vote on.*

## EXERCISES

1. COMPLETE THE TEXT using an -ing or infinitive form of one of the following verbs:

*build; set up; run; bring; make; transform; decide; reflect; appear; create; return; change; expand; launch; drink.*

### Coca-Cola and its advertising

John S. Pemberton invented Coca-Cola in 1886. His partner suggested \_\_\_\_\_ an advertisement for the drink in the Atlanta Journal that very year. In 1888, Asa Chandler bought the Coca-Cola business and decided \_\_\_\_\_ the product known through signs, calendars, and clocks. The company began \_\_\_\_\_ its global net-

work when Robert Woodruff was elected president of the company in 1923. He succeeded in \_\_\_\_\_ Coca-Cola into a truly international product by \_\_\_\_\_ a foreign department, which exported Coca-Cola to the Olympic Games in Amsterdam in 1928. During WWII, he promised \_\_\_\_\_ Coca-Cola to every soldier in every part of the world.

Coca-Cola's advertising has always attempted \_\_\_\_\_ changing contemporary lifestyles. \_\_\_\_\_ an international advertising campaign requires the talents of professionals in many areas, and extensive testing and research are always done before \_\_\_\_\_ which advertisements will finally be used. Celebrity endorsements have featured heavily: Cary Grant, Ray Charles, and Whitney Houston are just three of the big name stars who have agreed \_\_\_\_\_ in Coca-Cola commercials.

After \_\_\_\_\_ Diet Coke in 1982, the company saw its sales grow quickly. The drink is now the third most popular in the world. In 1985, the company tried \_\_\_\_\_ the secret formula of Coca-Cola, but realized that Americans were very attached to the original recipe. The company listened to its consumers and quickly responded by \_\_\_\_\_ the original formula to the market as 'Coca-Cola Classic'. Today, people in more than 160 countries around the world enjoy \_\_\_\_\_ Coca-Cola. It is asked for more than 524 million times a day in more than 80 languages. The company intends \_\_\_\_\_ its global presence even further in the XXI century, particularly in developing markets.

2. Complete the text by filling in the gaps with an appropriate form of one of the following verbs:

*raise; return; offer; hold; express; recommend; be; invest; guarantee.*

Dear Shareholder,

As you may \_\_\_\_\_ aware from the reports in the national media, the Board of Directors is planning \_\_\_\_\_ extra capital from existing shareholders through a rights issue. We recommend this option as the best way \_\_\_\_\_ the long-term security of the company. It is also our belief that the offer of additional shares will be an attractive investment, and we are sure you will agree it is worth \_\_\_\_\_ extra money in the company.

As is normal with rights issues, the shares will be available at a low price, \_\_\_\_\_ an excellent investment opportunity. In

\_\_\_\_\_ them to you, we believe we have both the company's and your best interests at heart.

Of course, the Board does not wish \_\_\_\_\_ a rights issue without the support of shareholders. We invite you \_\_\_\_\_ your views on this policy at an extraordinary general meeting on October 14 at the Exhibition Center, or by \_\_\_\_\_ the form enclosed with this letter.

**3. CHOOSE the best option:**

1. Unless sales improve, the company will \_\_\_\_\_ bankrupt.  
a) go                      b) do                      c) take                      d) make
2. I'm sure we will \_\_\_\_\_ a profit this year.  
a) take                      b) go                      c) do                      d) make
3. Things are going badly. We need to \_\_\_\_\_ action.  
a) go                      b) do                      c) take                      d) make
4. I like the way they \_\_\_\_\_ business in Asia.  
a) make                      b) take                      c) do                      d) go
5. I need to \_\_\_\_\_ changes to the presentation.  
a) do                      b) make                      c) take                      d) go
6. I'd like to \_\_\_\_\_ an appointment to see Mrs. Hughes.  
a) make                      b) do                      c) go                      d) take
7. We've been working hard all morning, let's \_\_\_\_\_ a break.  
a) take                      b) do                      c) make                      d) go
8. I'll \_\_\_\_\_ some overtime to make some extra money.  
a) go                      b) do                      c) take                      d) make
9. She was so unhappy with the service she decided to \_\_\_\_\_ a complaint.  
a) take                      b) do                      c) go                      d) make
10. The student worked in an office during summer to \_\_\_\_\_ some experience.  
a) make                      b) take                      c) get                      d) do

### 3. Practice and revision

1. MATCH THE DESCRIPTIONS (i-v) to the different functions of a company (a-h):

- |  |                           |
|--|---------------------------|
| i) Creates new products.                               | a) administration         |
| ii) In charge of the welfare of employees.             | b) purchasing             |
| iii) Keeps a record of all payments made and received. | c) personnel              |
| iv) Orders all supplies needed.                        | d) production             |
| v) Provides office services, e.g. typing.              | e) sales & marketing      |
|  | f) research & development |
|  | g) accounts               |
|  | h) legal                  |

2. COMPLETE THE SENTENCES by filling in the gaps with an appropriate form of the word in brackets:

- We are \_\_\_\_\_ (HOPE) our plan will work.
- Jan is one of the most \_\_\_\_\_ (KNOWLEDGE) people in our industry.
- Our goals need to be realistic and \_\_\_\_\_ (MEASURE).
- We got a lot done today. It was a \_\_\_\_\_ (PRODUCE) day.
- We're not friends, but I've known him \_\_\_\_\_ (PROFESSION) for years.
- The recognition I received \_\_\_\_\_ (BRIGHT) my day.
- Mark is one of the most honest and \_\_\_\_\_ (TRUST) lawyers I know.
- The potential benefits \_\_\_\_\_ (WEIGH) the risk.
- He was selfish, rude, and \_\_\_\_\_ (RESPECT) to all his coworkers.
- He can't say he didn't do it. We have \_\_\_\_\_ (DENY) proof that he stole from the company.

3. COMPLETE THE SENTENCES with the correct form of BORROW or LEND:

- I \_\_\_\_\_ you money last week, why are you asking me for more?
- Some employees can \_\_\_\_\_ stuff from their work place.
- Will you \_\_\_\_\_ me your PC until tomorrow?



4. I already \_\_\_\_\_ you \$100, you're not getting any more!
5. You may \_\_\_\_\_ my PC, but be careful.
6. I \_\_\_\_\_ her phone for a minute, to call home.
7. You can \_\_\_\_\_ your notes to Steve.
8. Why do people \_\_\_\_\_ so much money from banks?
9. Peter won't \_\_\_\_\_ his credit card to anyone.
10. He \_\_\_\_\_ money last month and hasn't given it back yet.

4. TRANSLATE THE FOLLOWING TEXT from English into Macedonian:

The word *bank* is of Italian origin. The word *banco* (translated from Italian *bench, table*) in the XV-XVI centuries was used for the benches on which the money-changers and loan sharks put their coins and business papers. If a person was bankrupt and could not make his payment, then this bench was broken on his head. From the Italian *banco rotto* ('broken bench') comes the modern word *bankrupt*.

In medieval Europe, the Roman Popes were strictly forbidden to lend money at interest. Cashing in on the financial difficulties of faith was considered a terrible sin. Islam, too, prohibits usury. Therefore, banks in Muslim countries never lend money at interest. And Islamic banks do not accept as deposits money earned on the sale of alcohol, tobacco, pornography and pork. In addition, Muslim bankers try not to have any dealings with revenue from gambling. In Judaism, on the other hand, lending money at high interest rates is not forbidden, so the great majority of the medieval 'bankers' were Jews.

The oldest active Bank in the world is the Italian Banca Monte dei Paschi di Siena. It opened in 1472 in the city of Siena. Until recently, the oldest existing bank in the world was considered to be a Swiss bank, founded in 1466, but it closed in January 2013.

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# *Chapter 18*

## *Fundamentals of monetary policy*

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### *1. Reading and vocabulary*

RELATED TOPICS: monetary policy; fiscal policy; taxation; tax treaty.

#### **Monetary policy**

*Monetary policy* is a set of economic policies that manages the size and growth rate of the money supply in an economy. It consists of the process of drafting, announcing and implementing the plan of actions taken by the central bank or other competent regulatory authorities of a country that determines the scope and impact of the key drivers of the economic activity in that country. Activities which are integral to such policy consist of management of money supply and interest rates, which are aimed at achieving macroeconomic objectives, like controlling inflation, consumption, growth and liquidity. These are achieved by measures/instruments, such as modifying the interest rates, buying or selling government bonds, regulating foreign exchange rates, and changing the amount of money that banks are required to maintain as reserves.

The monetary policy impacts the important aspects of the economy, which include attempts to achieve stability in GDP growth rate, maintain low rates of unemployment, support overall economic growth, and maintain foreign exchange rates in a predictable range. Monetary policy is different from fiscal policy as the former relates to borrowing, consumption and spending by individuals and private businesses, while the latter refers to taxes, government borrowing and spending.

Central banks use a number of tools to shape and implement monetary policy. The most popular option is to modify the interest rates. Another option is to change the reserve requirements, which refer to the funds that banks must keep as a proportion of the deposits made by their clients. A third option (open market operations) is used to expand or contract the money supply in the country's banking system. It involves buying and selling of government securities like bonds or foreign currencies in the open market.

## Fiscal policy

Generally speaking, the aim of most government *fiscal policies* is to target the total level of spending, the total composition of spending, or both in an economy. The two most widely used means of affecting fiscal policy are changes in government spending policies or in government tax policies. If a government believes there is not enough business activity in an economy, it can increase the amount of money it spends, often referred to as *stimulus spending*. If there are not enough tax receipts to pay for the spending increases, governments borrow money by issuing debt securities such as government bonds and, in the process, accumulate debt; this is referred to as *deficit spending*.

By increasing taxes, governments pull money out of the economy and slow business activity. But typically, fiscal policy is used when the government seeks to stimulate the economy. It might lower taxes or offer tax rebates in an effort to encourage economic growth. Influencing economic outcomes via fiscal policy is one of the core principles of Keynesian economics. The idea is to find a balance between tax rates and public spending. For example, stimulating a slow economy by increasing spending or lowering taxes runs the risk of causing inflation to rise. This is because an increase in the amount of money in the economy, followed by an increase in consumer demand, can result in a decrease in the value of money -- meaning that it would take more money to buy something that has not changed in value.

When a government spends money or changes tax policy, it must choose where to spend or what to tax. In doing so, government fiscal policy can target specific communities, industries, investments, or commodities to either favor or discourage production – and sometimes its actions are based on considerations that are not entirely economic. For this reason, the numerous fiscal policy tools are often hotly debated among economists and political observers.

## Taxation

*Taxation* is a term for when a taxing authority, usually a government, imposes a tax. Though taxation can be a noun or verb, it is usually referred to as an act, and the resulting revenue is usually called *taxes*. Taxation is different from other forms of payment, such as market exchanges, in that taxation does not require consent, and it is not directly tied to any given services. The government obliges taxation through an implicit or explicit threat of force. Taxation is legally different from extortion or a protection racket because the imposing institution is actually a government.

Tax systems have varied considerably across jurisdictions and time. In most modern systems, taxation occurs on both physical assets, such as property, and specific events, such as a sales transaction. The formulation of tax policies is one of the most critical and debatable issues in modern politics. The most basic function of taxation is to fund government expenses. Supporters of progressive levels of taxation on high-income earners argue that taxes encourage a society which is more fair. Higher taxes on specific products and services, such as tobacco or gasoline, have been justified as one way to restrict their consumption.

Taxation applies to all different types of levies. These include (but are not limited to): *income tax* (governments impose such taxes on financial income generated by all entities within their jurisdiction, including individuals and businesses); *corporate tax* (imposed on the profit of a business); *capital gains* (imposed on any capital gains or profits made by people or businesses from the sale of certain assets, including stocks, bonds, or real estate); *property tax* (calculated based on the property and land values); *inheritance tax* (imposed on individuals who inherit the estate of a deceased person); and *sales tax* (consumption tax imposed by a government on the sale of goods and services, which can take the form of a VAT).

Economists specializing in public finance have stated four objectives of tax policy: *simplicity*, *efficiency*, *fairness*, and *revenue sufficiency*. While these objectives are widely accepted, they are often in conflict, and different economists have different views of the balance among them.

*Simplicity* means that the obedience by the taxpayer and the enforcement by the revenue authorities should be as easy as possible. Further, tax responsibility should be certain. A tax whose amount is easily manipulated through decisions in the private marketplace can cause a number of difficulties for taxpayers, who attempt to reduce what they owe, and for revenue authorities, who attempt to maintain government receipts.

*Efficiency* means that taxation should get in the way as little as possible in the choices people make in the private marketplace. Super-efficient tax is a head tax, by which all individuals are taxed the same amount, regardless of income or any other individual characteristics. A head tax would not reduce the incentive to work, save, or invest. The problem with such a tax, however, is that it would take the same amount from a high-income person as from a low-income person. It could even take the entire income of low-income people. And even a head tax would shape people's choices somewhat, by giving them an incentive to have fewer children, for example.

*Fairness*, to most people, requires that equally-situated taxpayers pay equal taxes (horizontal equity), and that better-off taxpayers pay more tax

(vertical equity). Although these objectives seem clear enough, there is little agreement over how to judge whether two taxpayers are equally situated. For example, one taxpayer might receive income from working while another receives the same income from inherited wealth. Most people believe that fairness dictates that taxes be progressive, meaning that higher-income taxpayers pay not only more, but also proportionately more.

*Revenue sufficiency* may conflict with efficiency and fairness. Economists who believe that income taxes strongly reduce incentives to work or save, and economists who believe that typical families already are unfairly burdened by heavy taxes, might resist tax increases that would move the federal budget toward balance.

## Tax treaty

A *tax treaty* (also called *Double Tax Agreement* or *DTA*) is a bilateral agreement made by two countries to resolve issues involving double taxation of passive and active income. Tax treaties determine the amount of tax that a country can apply to a taxpayer's income, capital, estate, and wealth. Countries with tax havens are the only countries that typically do not enter into tax treaties. A *tax haven*, or offshore financial center, is any country or jurisdiction that offers minimal tax liability to foreign individuals and businesses.

When an individual or business invests in a foreign country, the issue of which country should tax the investor's earnings arises. Both countries – the source country and the residence country – may enter into a tax treaty to agree on which country should tax the investment income in order to prevent the same income from getting taxed twice. The source country, or the capital-importing country, is the country that hosts the inward investment. The residence country, or capital-exporting country, is the investor's country of residence. One of the most important aspects of a tax treaty is the policy on withholding taxes, which determines how much tax is levied on income (interest and dividends) from securities owned by a non-resident.

## DISCUSSION

1. WHAT DO THE PHRASES *loose (expansionary) monetary policy* and *tight (contractionary) monetary policy* mean? What are their effects on interest rates?
2. HOW ARE monetary policy tools used to fight inflation and unemployment?
3. WHAT ARE THE DIFFERENCES between *monetary policy* and *fiscal policy*?

4. IN THE CONTEXT OF taxes, explain the differences between the following words: credit, deduction, duty-free, exemption, IRS, non-taxable income, tax avoidance, tax break, tax evasion, tax-free, tax rebates, the Boston Tea Party, VAT.

5. THE AMERICANS BELIEVE that there are two things that cannot be avoided – death and taxes. What do you think about this in the context of Macedonia?

6. A FORMER DIRECTOR of the Macedonian IRS once suggested that those who have committed tax evasion should be pardoned, in a show of good will, so that they start paying taxes. What is your opinion concerning this? How should tax evasion be sanctioned?

7. HOW DO GOVERNMENTS earn money from tax havens?

## ASSIGNMENT

In 250–300 words, **elaborate on one of the following:**

1. UK historian Thomas Fuller has said that “debt is the worst poverty.” Discuss this quote.
2. What events lead to banking crises? Discuss and exemplify.
3. Which goods/services in the Republic of Macedonia should be taxed more heavily, and which should not be taxed at all? Discuss and exemplify.

## *2. Writing focus: describing visuals*

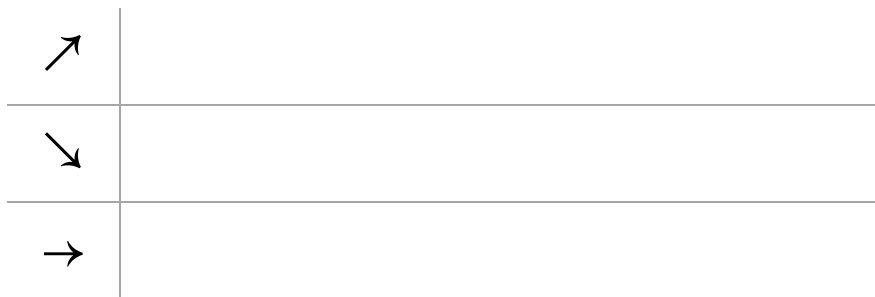
When describing a chart, graph or diagram, a variety of parts of speech can be used (nouns, verbs, adjectives, adverbs) that not only describe the movement, but also accurately emphasize the changes, similarities and differences in the data shown. Such visuals are: bar graphs, single line graphs, multiple line graphs, paired bar charts, single bar charts, stacked bar charts, percentage bar charts, pie charts, bubble diagrams, diagrams, and flow charts.

## EXERCISES

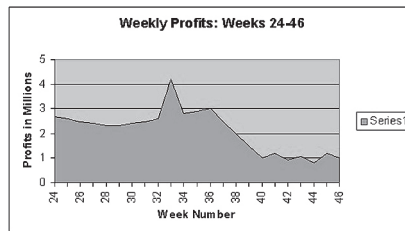
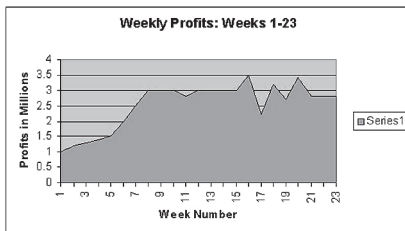
1. PUT THE WORDS/PHRASES in the right box and state whether they are a noun or a verb:



be constant – bottom out – bounce back – climb – collapse – crash – cut – decline – decrease – dip – drop – escalate – expand – expansion – extension – fall – flatten out – fluctuate – go down – grow – growth – hold steady – improve – improvement – increase – keep – leap – level off – maintain – maximum – minimum – peak – pick up – plummet – plunge – push down – recover – raise – reach a peak – reduction – remain stable – rise – shoot up – sink – skyrocket – slide – slump – spike – soar – stability – stabilize – stagnation – stay at – step up – surge – take off.



2. COMPLETE THE TEXT by filling in the gaps with a word/phrase from Exercise 1 above. Make any other necessary changes:



From week 1 to week 5, profits (1) \_\_\_\_\_ slightly. Then from week 6 to week 8, profits (2) \_\_\_\_\_ dramatically and (3) \_\_\_\_\_ at 3 million at week 8. From week 8 to week 15, profits (4) \_\_\_\_\_ with a slight (5) \_\_\_\_\_ at week 11. Then, from week 15 to week 21, profits (6) \_\_\_\_\_ wildly with a (7) \_\_\_\_\_ of 3.5 million at week 16, and a (8) \_\_\_\_\_ of 2.2 million at week 17. From week 21 to week 23, profits (9) \_\_\_\_\_ at 2.8 million. From week 24 to 28, profits



### *3. Practice and revision*

1. IDENTIFY AND CORRECT the mistake in each sentence:

- a) She recommended me that I take a few days off from work.
- b) I tried to explain him the problem, but he had difficulty understanding me.
- c) Kate might to have been considered for the position.
- d) Kevin says he stopped to go on business trips because of his children.
- e) We regret to inform you that your application has been being denied.
- f) I'm so glad that my colleague spoke in my behalf at the session.
- g) It was a frustrating situation because we were incapable of helping the team.
- h) The Head insisted at paying the dinner.
- i) They had managed a few crisis in the past, so they were able to handle this situation.
- j) We actually have less people now than we did two years ago.
- k) Unfortunately, the company was bankrupt in 2008 due to unreasonable spending.
- l) She is use to presenting in front of such a large audience.
- m) Let's make compromise and never do harm again.
- n) We may have to work longer hours to set the deadline.

2. CHOOSE the correct option:

Governments or central banks can use (1) \_\_\_\_\_ (or changing interest rates and the level of the money supply) to influence the level of economic activity. They can (2) \_\_\_\_\_, or increase, economic activity if the economy is in a downturn by reducing interest rates and allowing the rate of growth of the money supply to increase. Alternatively, if the economy is growing too fast and causing inflation, they can slow it down by increasing (3) \_\_\_\_\_ and reducing the rate of growth of the money supply. If the economy is expanding too quickly, it means that the industry is working at (4)

\_\_\_\_\_ capacity and producing as much as it possibly can. Since demand is greater than supply, leading to rising prices and (5) \_\_\_\_\_, the government might have a deflationary fiscal policy. This means reducing the amount of economic activity by raising tax rates or cutting government expenditure.

1. a) revenue    b) expenditure    c) consumption    d) monet. policy
2. a) peak        b) boost            c) slump            d) consume
3. a) recession    b) fiscal policy    c) interest rates    d) tax cuts
4. a) full         b) least            c) slight            d) small
5. a) projects    b) spending        c) inflation         d) outflow

## *4. Translation*

TRANSLATE THE FOLLOWING TEXT from Macedonian into English:

Заради остварување на ценовната стабилност, како примарна цел на монетарната политика, НБРМ располага со различни инструменти за монетарно регулирање. Имајќи предвид дека меѓу инструментите и крајната цел на монетарната политика постои сложена и индиректна поврзаност со временско задоцнување, НБРМ го следи движењето на одредени економски варијабли - оперативни и посредни цели. Преку управувањето со нивото на каматните стапки, а со тоа и нивото на ликвидните средства во банкарскиот систем, како оперативна цел, НБРМ настојува да влијае врз нивото на девизниот курс. Од инструментите на НБРМ, најфлексибилни се операциите на отворениот пазар, коишто можат да се спроведуваат преку емисија на хартии од вредност на НБРМ – аукции на благајнички записи, или преку купување или продажба на хартии од вредност.

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# *Chapter 19*

## *Business correspondence*

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### *1. Reading and vocabulary*

RELATED TOPICS: types of correspondence; language and register.

#### **Types of correspondence**

*Business correspondence* is a form of written communication used for business purposes, an essential tool for the day-to-day operations of a company. It is usually carried out between organizations, within the organization, or between clients and the organization. Emails can be considered a form of business correspondence when used to represent a company, or for the purpose of the business.

Written communication is important for a company, and in business, in general, for a number of reasons, such as:

- To maintain a good reputation and be seen as friendly. Acting as an ambassador of your country on behalf of your company, it aims at building goodwill between different organizations, whether local, national, or international.

- Correspondence is useful as it is a record or reference for any previous transactions that have ever been made before. Being in the business industry, it is impossible to remember all the transactions and communications that have occurred with many clients. Here, business correspondence acts as a useful tool for any future reference.

- It is, indeed, very beneficial in building and maintaining a business relationship with different parties, like manufacturers, distributors, support services, and also consumers.

- Since it is very difficult to send representatives everywhere, a business letter/email can be very easily sent to all the desired places. Although sometimes executives, professionals, politicians, etc. are difficult to be approached in person, a business letter/email easily accesses everybody.

– It can also serve as a purpose of evidence, meaning that it becomes a written commitment between both parties concerned. This is the best way clients can be obliged to follow the rules and regulations as mentioned elsewhere in the correspondence.

There are different kinds of business correspondence that are typically used in organizations. The five most common types include: *internal correspondence*, *external correspondence*, *sales correspondence*, *personalized correspondence*, and *circulars*.

### **Internal correspondence**

*Internal correspondence* is a written communication between the employees, units, departments, and branches of one and the same organization. Internal correspondence can either be formal or informal. Routine internal correspondence is usually less formal, such as quick instructions between a supervisor and a staff member, and, in this case, it usually appears in the form of an email. There are other more formal types of internal correspondence, such as promotion letters, written reprimands, memoranda, formal requests for approval, and letters of approval/dismissal. These types of communication are ideally printed on paper, signed by the sender, and physically received by the recipient.

### **External Correspondence**

*External correspondence* takes place between different organizations, or between an organization and their individual clients. This is a form of written communication made by a company to those who do not belong to their organization. External correspondence is commonly made to vendors, creditors, suppliers, existing customers, prospective clients, financial institutions, government offices, law and accountancy firms, business affiliates, sponsors or donors, and other offices that have either a direct or indirect business relationship with the company.

### **Sales Correspondence**

*Sales correspondence* refers to sales-related communications. It is not limited to just selling a product or service, but it also includes other activities relating to sales. Sales correspondence includes marketing letters, offer and discount letters, sales proposals, invoices, sales reports, order confirmations, purchase orders, letters of authorization, and collection letters, among others. For the purpose of selling, it is important to know how to write quality sales letters to be able to communicate effectively. Also, marketing and offer letters should reflect truthful and non-misleading information. Other kinds of sales corre-

spondence – such as invoices, purchase orders, and collection letters – must contain accurate information.

### Personalized Correspondence

*Personalized correspondence* involves personal and emotional factors. Despite being classified as 'personalized', this type of correspondence can also be used for business purposes. Examples of personalized correspondence include letters of gratitude, letters of favours or requests, appreciation notes, letters of congratulations, of commendation, and such. This particular type of correspondence does not need to have a very formal tone. Although this can be done via email, writing an actual, physical letter is preferable because it has the sense of a personal touch.

### Circulars

*Circulars* are notices that are communicated to a large number of people within the organization. They are also referred to as *office instructions* or *announcements*. Often, general announcements, such as changes in contact information, details about meetings with shareholders, instructions about certain protocols, etc., are communicated via circulars.

## Language and register

Running a business requires being aware of how you communicate with customers, staff, investors, and suppliers. Your written materials, from your business plan to your marketing, are often the first encounter a person outside the company has with your company. It is, therefore, important to make sure that the writing is effective, clear, and relatable. Maintaining professionalism, choosing the right words, and staying courteous and sincere when communicating will make a big impact on one's business image. You need to get your message across quickly, and in a way that is easy to understand. This is where the principles of plain language come into play. Plain language means keeping your writing clear and concise, removing anything that detracts the recipient's attention from the message conveyed. For example, "*His report outlined three issues: a lack of high paying clients, conversions, and return customers*" is much more effective than "*His report to upper management delineated that the issues of the day were threefold. These included observations about the influx of low level prospects, a lack of effective conversions, and an inability to attract return patronage.*"

It is important to keep the following points in mind:



– *Remember your audience.* Does your audience know as much as you do about your area of expertise? Probably not, so remember to keep things simple. With this in mind, you should:

– *Drop the jargon.* Remove phrases like 'burn rate', 'touch base', and 'paradigm shifters'.

– *Replace inflated language with simple words.* For example, 'transpired' means 'happened'; 'paradigm' means 'ideal'; and 'conundrum' is just a fancy word for 'problem'.

– *Organization.* Your message should always be presented in a sequential, logical, step-by-step manner to make it easy to follow.

– *Use active voice.* Make it clear who is doing what. Sentences should be formulated in a 'we will do this to achieve X' construction rather than 'the company will achieve X by doing Y'.

– *Use a clean design.* The presentation of your message is just as important as the words you use. Effective use of white space, headlines, subheadings, colour, font, and images are all elements that can either support your message, or distract from it.

– *Minimize long blocks of text.* Help the recipient of your message understand the information you are presenting in small chunks whenever possible. Break long paragraphs into shorter ones with subheadings, and make sentences no longer than 20 words.

**Register** refers to the level of formality used in writing and speaking. There are five basic levels that describe different types of register or formality: high formal, formal, neutral, informal, and vulgar.

– *High formal* refers to the register used to address the Queen, an Archbishop, a President, or a Prime Minister.

– *Formal* is used when writing to your boss, a client, or in a transactional letter.

– *Neutral* is the register used when preparing reports, business plans, and marketing presentations.

– *Informal* is used in emails to friends, family or work colleagues.

– *Vulgar* is the register used when talking to immediate family or very close friends.

## ***2. Writing focus: register: revision of grammar***

The following are two examples of a letter concerning the same subject, but written in different registers. Discuss the differences in register and language:

*Example: Formal letter*

Thank you for your letter we received on 14 September. A copy has been sent to company headquarters in addition to a memorandum concerning your financial situation. A meeting has been scheduled for 3 October at 11 am to discuss your request for a further bank loan. Therefore, please inform us of your availability for this meeting at the earliest opportunity. A number of issues concerning your income and expenditure may be queried prior to a loan being granted.

Furthermore, the General Manager needs to be contacted in order to authorise bank loans of this nature. Moreover, your previous failure to meet payment arrangements will first have to be considered.

Nevertheless, in the interim, you are required to complete the enclosed business plan, which should be brought to the meeting.

*Example: Informal letter*

Thanks for your letter. We got it on 14 Sept. We've sent a copy to comp. H.Q. along with a memo re. your financial situation. I've set a meeting for 3 Oct at 11 am to talk about another bank loan. So, please let us know if you can make it a.s.a.p. But, we might ask you a few things to do with your inc. and exp. before giving you a loan. Also, I need to get in touch with the G.M. to okay it. Plus, we'll first have to think about the last time you didn't keep up with your payments. Anyway, in the meantime, you need to fill in this business plan. Bring it to the meeting with you.

## EXERCISES

Below are ten examples of emails that have been written by former students in connection to the following exercise:

*Profile:* Your company has employed an external consultant to organize an exhibition of your products, which is planned to be held next month. However, the consultant's work has been unsatisfactory, and your boss has now decided that you should take full responsibility instead. Your boss has asked you to write to the consultant to explain why she has been suddenly replaced.

*Instructions:* Write an email (200-250 words) to the consultant. Your email should be structured in paragraphs, it should have an appropriate beginning (introduction) and ending, and you must include the following information:

- give two reasons why she has been replaced;
- tell her that she will be paid for her work up to that point;
- ask her to brief you on the current situation.

From the ten emails below, choose the best and the worst, while considering the response itself (whether the points have been addressed or not), the register of the email, and the grammar/vocabulary used. Discuss your choices, and discuss the other emails as well. In addition, the emails contain various mistakes that you need to identify and correct:

(1) Dear Mr. Walker,

I would like to inform you that you have been replaced from your job as a consultant in our company. This decision was made suddenly, because we notify come irregularities in the way you have done your job.

We have concluded that this is the best decision for us, because we notify some weaknesses in the way you had organized the exhibition of our products.

The first reason for our dissatisfaction was the way your were working. We gave you a longer period of time to do the job best you can, but the deadline wasn't respected by your side.

The second reasons is that we weren't satisfied with the way you organize the exhibition. You didn't accept our advice during the engagement.

Despite all this things, we will fulfill our promise and you will be paid for the job you have done before. You will receive the full amount of money that was concerted at the beginning of the assignment.

It will be of a big use for us if you can deliver us the information you have gathered during the assignment you have been on. If it is possible please inform us about the previous accomplishments and the steps that you will take further. It will be helpful for us if you can provide us the information, because that will help us to finish the job you have started.

Sincerely yours,

(2) Dear Ms Fox,

I am writing to inform you about the exhibition which you take the responsibility to organize for the next month. While checking your preeliminary checklist we decided that your plan does not satisfy the needs of our company for this exhibition. Having in regard that a trade fair is just one of the promo-

tion means, and its achievements depend at the start on its correct positioning and focus we would like to discard the agreement from the beginning. We have found that the problem is the lack of a careful and pragmatic analysis which will affect the budget. Firstly, the fairground you have chosen requires a lot of money and we will not be able to support that expenses. On the other hand, we think that you have not given a meticulous attention to detail and effective time management. Since n unsuccessful event may have a boomerang negative effect in the perception of the market, we are sorry to inform you that the contract will be dismissed. You will be paid for your work within the next month. I would also ask you ou to brief me on the current situation so I will take over the full responsibility for the exhibition.

Sincerely,

(3) Dear Ms. Christine,

I am writing this email about your work in our company as an outside consultant. We hired you to organize an exhibition of our products that it is planned to be held next month.

I am sorry to inform you that your efforts are under our expectation. We were looking to someone truly dedicated and committed to our company, who will take care of the company's objectives and organize an attractive exhibition of our products. With all respect i am announcing you that not only your efforts, but also your ideas on the previous meetings, does not match with our company ideas and goals. Thank you for your work with our company, but we are sorry to tell you that our cooperation will stop here. We assume you that the payment will be on your account as the agreements required. I would like if it is possible to get a report on your work so far.

Thank you for your cooperation with our company, we will keep in touch if in the future we need your services.

I look forward to hearing from you soon about your brief report.

Once again, i apologize for any inconvenience.

Regards,

(4) Dear Mrs. Johnson,

With this letter I would like to inform you that I am deeply sorry with the recent replacement that you have faced with. I am fully aware of your disappoint-

ment and I would use this letter to explain you the reasons for the replacement.

The Chairman of the company, Mr. Rogers, was concerned with the little amount of time that you have been dedicating to the preparations for the exhibition and he decided to make specific personnel changes regarding the exhibition of the products. I was the only one eligible to succeed you on that position. The second main reason is the fact that Mr. Rogers was deeply unsatisfied with the exhibition reports that you had presented to him. He expected to see more detailed and well-structured research reports.

As you may already know, your engagement with the company, and your contribution to the company would be regularly paid according to the deal that we signed two weeks ago. The amount of money that you are supposed to get would remain unchanged, despite the problems that have recently occurred. I would also like to ask you to give me some important information regarding the current situation of the exhibition preparations.

I am really looking forward to hearing from you, and I sincerely hope that we would cooperate again at some point in the future in a more successful project.

Yours sincerely,

(5) Dear Mr. Johana Iskonsin

I am writing this e-mail in order to inform you about our boss latest decision connected with your replacement. Unfortunately I was given two things, one of them is to announce you this bad news and the other thing is that I will replace you for the following exhibition. Of course there are reasons that prompted this decision. I was told that one of them is the fact that you have always been late at work and the other and main, for this decision was that you have damaged one of the paintings. I would also like to inform you that every hour you have spent for our company will be fully paid. Because we are running out of time, and I am the one who should take whole responsibility for organizing this exhibition I will be very grateful if you give me a short brief on the current situation. I am looking forward to hearing from you any kind of information about the exhibition.

Thanks in Advance.

Very truly yours,

Matthew Maxim

(6) Dear Ms. Doe,

I am sorry to inform you that we have decided not to continue with your services as our exhibition coordinator.

We have carefully considered the process you maintained so far and felt that you haven't shown to us you are ready to handle further completion of the product exhibition. Moreover, we are unsatisfied with the overall progress of the provided assignments. You are dismissed because, despite repeated feedback and performance coaching from the manager, your work performance has not improved. You also failed to meet the target dates in any of the areas specified within the plan that you wrote and agreed to together with our company.

This final decision was reached after a meeting between board members.

Payment for your operating days will be included in your final paycheck which you will receive on our regular pay day, Friday. We can mail your final paycheck to your home or you can make arrangements with our accounting department to pick it up.

However, you will need to keep the company informed about the latest activities regarding completed and uncompleted tasks for the upcoming event. Please keep me informed as soon as possible about the above issues.

We wish you the best in your future work endeavours.

Best regards,

(7) Dear Mrs. Brown

I am writing to inform you that our company decided to replace you. We consider that this section of work can be done better by someone who currently works at the company, by our employee. In our opinion we need person who knows our products better with their strengths and weaknesses. Also I should mention that the work you have done, was not what we expected from you considering your experiences in this specific field. The things that you offered was not inventive and creative enough.

However, for the work you have done, you will receive your fee. I should inform you that the fee will be paid only for the period you worked for us and it will be lower compared to the fee that we agreed to pay you for finishing this job.

I would be grateful if you give me a short information and details of the work you have done. That will be really helpful for me because I will know what to change and from where I should start my work.

Thank you in advance.

I hope that we will collaborate in the future and this experience will not happen again.

Your sincerely,

(8) Dear Mrs. Avramovska,

I am sorry I have to inform you that our company decide to stop the cooperation with you.

Unfortunately, our team was not satisfied with your efforts so far. It was observed breach of agreement that we signied up.

Furthermore, the department of finance in our company noted that there have been incurred more costs than the projected for this exhibition, hence the boss decided to engage me for organizing the following exhibition.

I should inform you that you will be fully paid for everything you finished by now.

Additionally, I would like to ask if you could give me some more details for the preparation for the next exhibition that are completed by now.

I am looking forward to hearing from you,

Yours sinceraly,

(9) Dear Mrs. Johnson,

I am writing in reference to your job as an outside consultant for Arlene Company. I am sorry to inform you that you have been replaced. The Manager of Arlene Company has found your work unsatisfactory. The reason why he is not satisfied with your work is that you have passed the planned budget for over two thousand dollars even thought the allowable budget was specified as a significant point in your contract. Moreover, you did not succeed to organize the exhibition of our new products on the desired location. Another problem is that the exhibition should be held next month and there is still much unfinished business that should have been done by now. Of course you will be paid for your completed work regardless the termination of the agreement. Considering the fact that I am going to take responsibility for organizing the exhibition of our new products I would be very grateful if you could inform me on the current situation. I would appreciate it if you send me the needed

information as soon as possible. Could you please also fax me the results of the market survey you have made about the exhibition?

I look forward to hearing from you in very near future.

Yours faithfully,

(10) I hope this email finds you well. I am writing to inform you that since our last meeting in our office there have been new developments and that I have been asked by our CEO to inform you that we won't be needing your services any longer.

Namely, the terms of our contract clearly stated that you were to arrange a suitable venue for the exhibition of our products and provided us with a list of 100 notable invitees by March 20-th. Since you have failed to do both in the stipulated time we are left with no choice but to end our collaboration.

I will be taking over the responsibilities that were initially assigned to you so I would kindly ask you to brief me on the current situation so I can continue taking the necessary steps. It goes without saying that you will be compensated for the work you have done so far for our company and still more we are willing to give you permission to ad the name of our company to your reference list. I take this opportunity to wish you all the best in your future endeavours.



### *3. Practice and revision*

#### **WRITING TASK 1:**

*Profile:* You work for an accountancy firm and one of your clients is a small airline. This airline is considering purchasing a new aircraft within the next six months to expand its operations. The airline has asked your firm for advice concerning this purchase.

*Instructions:* Write a report for the airline (200-250 words), structured in paragraphs, with an appropriate beginning (introduction) and ending, and in the report you should:

- summarize the airline's current financial position;
- outline two potential risks of expansion;
- advise the airline on what steps to take next.

**WRITING TASK 2:**

*Profile:* Your manager is insisting on introducing new practices in the company. She has asked you to write a report including details of three practices from the competition, which you would suggest adopting in the company you are currently employed in.

*Instructions:* Write a report for your manager (200-250 words), structured in paragraphs, with an appropriate beginning (introduction) and ending, and in the report you should include:

- what you admire about the other companies;
- specifically which three of their practices you would adopt;
- why your company would benefit from them.

### WRITING TASK 3:

*Profile:* You have been asked to write a press release for a product launch that will take place next week. As the PR manager, you have been gaining momentum for the product for quite a while, and the press release is to be sent to journalists, who should post it on online media on the day of the launch.

*Instructions:* Write a press release for journalists (200-250 words), structured in paragraphs, with an appropriate beginning (introduction) and ending, and in the release you should include:

- an attention-grabbing headline;
- the five Ws and one H regarding the product's background and launch (who? what? when? where? why? how?);
- what makes this product unique in the marketplace.

# *Chapter 20*

## *Stocks. shares. shareholders*

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### *1. Reading and vocabulary*

RELATED TOPICS: introduction; types of stock; the stock market.

#### **Introduction**

In today's financial markets, the distinction between *stocks* and *shares* has been somewhat blurred. Generally, these words are used interchangeably to refer to the pieces of paper that indicate ownership in a particular company, called *stock certificates*. However, the difference between the two words comes from the context in which they are used.

For example, *stock* is a general term used to describe the ownership certificates of any company, and the term *shares* refers to the ownership certificates of a particular company. So, if investors say they own stocks, they are generally referring to their overall ownership in one or more companies. Technically, if someone says that they own shares – the question then becomes – shares in what company?

Therefore, stocks and shares are the same thing. The minor distinction between stocks and shares is usually overlooked, and it has more to do with syntax than financial or legal accuracy.

Along those lines, a person who has stock, or shares, in a company, who owns a piece of that company, is a *stockholder* (or a *shareholder*). Thus, *stockholders* (*shareholders*) are people who hold stocks – in other words, own shares – in a corporation. Just like there is no difference between the terms *stocks* and *shares*, they are the same, and can be used interchangeably, there is also no difference between *stockholder* and *shareholder*, and they, too, can be used interchangeably. Both terms refer to the owner of shares of stock in a corporation and a part owner of a corporation.

A *stakeholder*, on the other hand, is anyone that has an interest or is affected by a corporation. In other words, the stockholder is not the only one who has a stake, or an interest, in a corporation. Other stakeholders in a corpo-

ration include the employees, the employees' families, suppliers, customers, the community, and others.

Some organizations do not have stockholders, but have stakeholders. For example, the state university does not have stockholders, but it has many stakeholders: students, the students' families, professors, administrators, employers, state taxpayers, the local community, the state community, society in general, custodians, suppliers, etc.

The popular definition of *stock* is: "...a share in the ownership of a company. Stock represents a claim on the company's assets and earnings. As you acquire more stock, your ownership stake in the company becomes greater." However, there are some key points here that need to be clarified.

First of all, stock holders do not *own* corporations; they own shares issued by corporations. Corporations are a special type of organization, which the law treats as legal persons. In other words, corporations file taxes, can borrow, can own property, can be sued, etc. The idea that a corporation is a "person" means that the corporation *owns its own assets*. A corporate office full of chairs and tables belongs to the corporation, and *not* to the shareholders.

In this sense, corporate property is legally separated from the property of shareholders. If the corporation goes bankrupt, a judge may order all of its assets to be sold – however, the individual personal assets are not at risk. The court cannot even force shareholders to sell their shares, although the value of those shares will certainly have fallen drastically. Along those lines, if a major shareholder goes bankrupt, they cannot sell the company's assets to pay off their creditors.

What shareholders own are shares issued by the corporation; and the corporation owns the assets. So if you own 33% of the shares of a company, it is incorrect to assert that you own one-third of that company; it is instead correct to state that you own 100% of one-third of the company's shares. Shareholders cannot do as they please with a corporation or its assets. A shareholder cannot walk out with a chair because the corporation owns that chair, not the shareholder. This is known as the "separation of ownership and control."

Owning shares allows the shareholders the right to vote in shareholder meetings, receive dividends (which are the company's profits) if and when they are distributed, as well as the right to sell their shares to somebody else.

The term *dividends* (= cash dividends), refers to the company's profits, and it is what a corporation pays to its stockholders (shareholders). Dividends are often paid quarterly, but they could be paid at other times too. For a dividend to be paid, the corporation's board of directors must formally approve/

declare the dividend. In that sense, the board of directors may decide that a dividend will not be declared.

Thus, dividends are a distribution of the corporation's earnings. Practically speaking, the corporation must also have sufficient cash available to meet its current and future needs. While all corporations have *common stock*, some corporations will also have *preferred stock*. In that situation the preferred stockholders must receive their dividend before the common stockholders.

If an individual owns a majority of shares, their voting power increases so that they can indirectly control the direction of a company by appointing its board of directors. This becomes most evident when one company buys another: the acquiring company does not go around buying up the building, the chairs, the employees; it buys up all the shares. The board of directors is responsible for increasing the value of the corporation, and often does so by hiring professional managers, or officers, such as the CEO (Chief Executive Officer).

For ordinary shareholders, not being able to manage the company is not such a big deal. The importance of being a shareholder is that you are entitled to a portion of the company's profits. The more shares a person owns, the larger the portion of the profits they get. Many stocks, however, do not pay out dividends, and instead reinvest profits back into expanding the company. These earnings, however, are still reflected in the value of a stock.

*Stocks* – sometimes referred to as *equity* or *equities* – are issued by companies to raise capital in order to develop and expand the business or start new projects. Companies can also raise money through borrowing, either directly as a loan from a bank, or by issuing debt, known as *bonds*. *Bonds* are fundamentally different from stocks in a number of ways. First, *bondholders* are creditors to the corporation, and are entitled to interest, as well as repayment of principal. Creditors are given legal priority over other stakeholders in the event of a bankruptcy. Shareholders, on the other hand, are last in line and often receive nothing, or almost nothing, in the event of bankruptcy. This means that stocks are generally riskier investments than bonds.

On the other hand, bondholders are only entitled to receive the return given by the interest rate agreed upon by the bond, while shareholders can enjoy returns generated by increasing profits, theoretically to infinity. The greater risk assigned to stocks has generally been rewarded by the market. Stocks have historically returned around 8-10% annualized, while bonds return 5-7%.

## Types of Stock

When a company is first founded, the only shareholders are the co-founders and early investors. As the company grows and needs more capital to expand, it may issue more of its shares to other investors, so that the original founders may end up with a rather lower percentage of shares than they started out with. During this stage, the company and its shares are considered private. In most cases, private shares are not easily exchanged, and the number of shareholders is typically small.

As the company continues to grow, however, there often comes a point where early investors become eager to sell their shares and turn the profits of their early investments into money. At the same time, the company itself may need more investment than the small number of private investors can offer. At this point, the company considers an *initial public offering*, or IPO, transforming it from a private to a public company.

Aside from the private/public distinction, there are two types of stock that companies can issue: *common stock and preferred stock*.

### Common Stock

When people talk about stocks, they are usually referring to *common stock*. In fact, the great majority of stock issued is in this form. Common shares represent a claim on profits (= dividends), and allow voting rights. Investors most often get one vote per share-owned to elect board members who control the major decisions made by management.

Over the long term, common stock has tended to result in higher profits. These higher profits, however, carry a risk, since common stocks carry the potential to lose the entire amount invested if a company goes out of business. If a company goes bankrupt, the common shareholders will not receive money until the creditors, bondholders and preferred shareholders are paid.

### Preferred Stock

*Preferred stock* functions similarly to bonds, and usually does not come with the voting rights. With preferred shares, investors are usually guaranteed a fixed dividend indefinitely. This is different from common stock, which has variable dividends that are declared by the board of directors and never guaranteed. In fact, many companies do not pay out dividends to common stock at all.

Another advantage is that in the event of liquidation, preferred shareholders are paid off before the common shareholders (but still after debt holders and other creditors). With preferred stock the company has the option to re-purchase the shares from preferred shareholders at any time for any reason.

Though common and preferred are the two main forms of stock, it is also possible for companies to customize different classes of stock to fit the needs of their investors. The most common reason for creating share classes is for the company to keep voting power concentrated with a certain group. Therefore, different classes of shares are given different voting rights. For example, one class of shares would be held by a select group who are given maybe ten votes per share, while a second class would be issued to the majority of investors who are given just one vote per share. When there is more than one class of stock, the classes are traditionally designated as Class A and Class B, etc.

## The Stock Market

The *stock market* is a complex system where shares of publicly-traded companies are issued, bought and sold. Some see it as a place where people gamble. However, it is not gambling at all. Let us look at it in this way - say you put \$100 on one roll of the dice. If you win, you win \$X. If you lose, you lose the entire \$100. When you invest in stocks, you will win \$X or lose \$Y. It is rare to lose it all, unless, of course, you invest in a company that goes bankrupt. You could say that the stock market is a group of people putting their knowledge and expertise against one another.

The stock market is a collection of millions of investors with diametrically opposing views. This is because when one investor sells a particular security, someone else must be willing to buy it. Since both investors cannot be correct, it is an opposing system. In short, one investor will profit and the other will suffer loss. Therefore, it is important to be knowledgeable about the investment under consideration.

### Stock Prices

There are many factors that determine whether stock prices rise or fall, such as the media, the opinions of well-known investors, natural disasters, political and social unrest, risk, supply and demand, and the lack, or abundance, of suitable alternatives. The combination of these factors, plus all relevant information that has been shared, creates a certain type of feeling (i.e. bullish and bearish) and a corresponding number of buyers and sellers. If there are more sellers than buyers, stock prices tend to fall. On the other hand, when there are more buyers than sellers, stock prices tend to rise.

### Predicting Stock Market Movements

If stock prices have been rising for several years, investors realize that a correction will come and stock prices will fall. What is not clear is what will



cause this to happen or exactly when it will occur. Therefore, some investors will sit on the side, holding on to their cash, and waiting for the right time to get in. Those who are willing to take the risk may jump in because the return on cash is so low and it hurts to earn zero while watching stocks move higher. This leads to several key questions. If someone is sitting on the sideline, how will they know when to get in? If they are already in, how will they know when it is time to get out? If the stock market was predictable, these questions could easily be answered. However, it is not. There are actually three issues an investor should consider. The first is understanding the point at which stock prices are fairly valued. The second issue is the event that will cause a fall - knowing this is impossible. The final issue, and the most interesting of the three, is understanding the human decision-making process. It is the most interesting because inside every individual there is a logical and an emotional component. We may analyze a situation using our logical side but when it is time to act, we refer to our emotions. When making investment decisions, the relevant data must be processed so that a good decision can be made. However, it is impossible to know everything that needs to be known and to have that processed without any bias, objectively. This occurs even with the most analytical individuals.

### **Buy or Sell?**

The two most important decisions an investor will make are when to buy and when to sell. The best time to buy is when others are pessimistic. The best time to sell is when others are actively optimistic. When buying, the prospect of a high return is greater if you buy after its price has fallen rather than after it has risen. But it is important to be careful. For example, after the stock of a certain Company X has dropped by 30%, 40% or more, the first question to ask is why. Why did the stock fall as it did? Did other stocks in the same industry experience a drop? If so, was it as severe? Did the entire stock market fall? If the broader market or other stocks in the same industry/sector performed relatively well, then there may be a problem specific to Company X.

In any case, the stock market is a complicated place – stock prices rise and fall for reasons which can be complex. It is important to be sure that the company you are buying is worth owning, and to avoid putting too much of your money in one stock.

It takes years to become knowledgeable about the financial markets and about stocks in general. It may even be necessary to find someone you trust and ask for their advice. A person who is closely connected with how the financial markets work is known as a *stockbroker* – a regulated professional, usually associated with a brokerage firm, who buys and sells stocks in return for a fee or commission. Stockbrokers manage the financial portfolios of their clients,

whether an individual or a company, and provide advice concerning which shares to buy or sell to get them the best return on their money.

## DISCUSSION

1. THORNTONS IS A family business which has been making and selling chocolates since 1911. It recently decided that it needed to raise more capital as part of an expansion program and in order to buy other companies in the UK and abroad. The company, therefore, went 'public', that is, it issued shares on the stock market. Thorntons set up a special scheme to encourage its employees to acquire shares in the company, and it has proved very successful. Discuss the advantages, and disadvantages, of acquiring a stake in the company you work for.

2. TECHNOLOGY HAS BEEN MAKING rapid advancements in the last decade(s), impacting our lives in a number of different ways, its influences being both positive and negative. One of the segments that technology has had an impact on is in the field of business, specifically in the workings of the stock market. How do you feel about the impact technology has had on the stock market – has it been positive or negative? Discuss and provide examples to support your arguments.

3. WHAT DO YOU FEEL is the best way to invest money (in terms of rewards, security, making the investment grow, on a short-term basis, and on a long-term basis)? Discuss and elaborate, and provide personal examples as to how you would decide to invest a moderate amount of money that you might have at your disposal.

## ASSIGNMENT

In 250–300 words, **elaborate on one of the two topics:**

1. READ THROUGH THE FINANCIAL PAGES of a newspaper and choose a short article which deals with an announcement or event that will affect or has already affected a company's share prices (for example, redundancies – employees being laid off, a natural disaster, conflict). Write a brief summary of the article describing how the company's share prices will develop or have developed in relation to this event. If no mention is made of this, refer to the relevant listing in the newspaper and check the share price. Has there already been a noticeable increase or decrease?

2. 'INSIDER TRADING' IS A CONCEPT which is connected to the stock market, as well as the buying and selling of shares. While it may, in certain situations, be considered legal, for the most part it is an illegal business activity. In fact, there have been numerous examples of famous people being caught carrying out insider trading, and receiving different punishments. Explain the difference between legal and illegal insider trading, and provide an example of each. Provide an example of a famous person who has been accused/found guilty of committing insider trading, and explain the situation in more detail.

## 2. *Practice and revision*

1. MATCH UP the half-sentences (i-xii) with (a-l), which make up a text about stocks and shares:

- i. Successful companies can issue stocks or shares (certificates representing part ownership of the company) ...
- ii. Offering these stocks for sale to financial institutions and the general public changes the business ...
- iii. Selling stocks for the first time is called an IPO or initial public offering in the US ...
- iv. Companies use an investment bank to find buyers, and to underwrite the stock issue, ...
- v. Stocks and shares are also known as *equity* or *equities*; the most common form ...
- vi. After shares have been issued they can be traded on the secondary market at ...
- vii. Some stock exchanges have automatic computerized trading systems that match up buyers and sellers; others have market makers – ...
- viii. Stock prices rise and fall depending on supply and demand ...
- ix. Consequently the nominal value of a share - the price written on it - is rarely the same as its market price - ...
- x. Companies either distribute part of their profits to shareholders as an annual dividend, ...
- xi. Stock markets are measured by stock indexes (or indices), ...
- xii. A period during which most stocks (and the stock index) are rising is called a bull market, ...

- a) ... and one in which most of them fall in value is a bear market.
- b) ... to raise capital to expand their operations.
- c) ... the price it is currently being traded at on the stock exchange.
- d) ... the stock exchange on which the company is listed or quoted.
- e) ... is called common stock in the US, and ordinary shares in Britain.
- f) ... which show changes in the average prices of a selected group of important stocks.
- g) ... i.e. how many sellers and buyers there are.
- h) ... traders in stocks who quote bid (buying) and offer (selling) prices.
- i) ... from a private to a public company, and is called going public.
- j) ... i.e. to guarantee to buy the stocks if there are not enough other buyers.
- k) ... and a flotation or an IPO in Britain.
- l) ... or keep the profits in the company, which also causes the value of the stocks to rise.

2. UNDERLINE THE CORRECT word (adjective or adverb) to complete the sentences:

- i) I answered all the questions *correct/correctly* on my certification exam.
- ii) It was my first day on the job and I was *eager/eagerly* to get started.
- iii) Martin has handled this unexpected situation very *good/well*.
- iv) I feel *bad/badly* about you losing your job.
- v) Could you read this document and let me know if it sounds *good/well?*
- vi) We all *successful/successfully* completed the training workshop.
- vii) The presentation went off *beautiful/beautifully*.
- viii) Her *calm/calmly* behavior gave everyone confidence.
- ix) I'm not sure if your name is spelled *correct/correctly*.
- x) I was *happy/happily* to accept the job promotion.

3. FILL IN THE BLANKS with the most appropriate sentence connector:

1. The accounts will be seized by the police. \_\_\_\_\_ they will be sent back to the relevant authorities.

2. The retailer has been making losses. \_\_\_\_\_, he intends to close down his business.
3. Prepare the rough draft of the proposal first. \_\_\_\_\_ you can make changes.
4. Working in the stock market is very challenging and stressful. \_\_\_\_\_, you are always learning new things and dealing with different situations, which is also exciting.
5. Let us not be too pleased with ourselves just yet. \_\_\_\_\_ we may lose out on closing the deal.

4. The word in **bold** collocates with all the terms except for one. Write the term that the word in bold does not collocate with:

1. **job**: search for; look for; apply for; land; take; discard; hold down \_\_\_\_\_
2. **meeting**: arrange; organize; schedule; make; have; cancel; call off; chair \_\_\_\_\_
3. **agreement**: disobey; negotiate; reach; break; go back on; violate \_\_\_\_\_
4. **appointment**: have; make; keep; place; cancel \_\_\_\_\_
5. **customer**: deal with; drop; serve; attract; entice; lose \_\_\_\_\_
6. **complaint**: file; make; have; receive; respond to; give \_\_\_\_\_
7. **request**: propose; submit; turn down; reject; respond to; comply with \_\_\_\_\_
8. **deal**: agree to; create; close; draft; negotiate; reach; sign; seal \_\_\_\_\_
9. **market**: break into; penetrate; pass into; corner; flood; enter \_\_\_\_\_
10. **report**: prepare; draw up; compile; submit; give; construct \_\_\_\_\_

5. COMPLETE THE PHRASAL VERBS by filling in the appropriate preposition(s):

1. We've run out of office space. Management is looking \_\_\_\_\_ ways to accommodate everyone. We may lease another floor in this building.

2. The new addition was supposed to be completed by the end of March, but it wasn't ready until the beginning of July. The contractors really let us \_\_\_\_\_.
3. I forgot to fill \_\_\_\_\_ my vacation request form. I hope they'll still let me take the day off.
4. Thanks for backing me \_\_\_\_\_ during the meeting. I appreciate the support.
5. It's a big decision. You should take some time to think it \_\_\_\_\_.
6. We all look \_\_\_\_\_ our CEO. She's one of the most highly-accomplished people in her field.
7. We're trying \_\_\_\_\_ a new software program to see how it works.
8. Do you think management will \_\_\_\_\_ the union's demands? If it does, the workers are definitely going to go on strike.
9. Can we count \_\_\_\_\_ you to have this finished by the end of the week?
10. Our company used to offer tuition reimbursement, but HR did \_\_\_\_\_ the program, and the option is no longer available.

6. DECIDE IF THE FOLLOWING sentences are right or wrong. If wrong, then correct them:

1. What exactly do you do in your job?

---

2. I am working in the Personnel Department.

---

3. Do you work on any special projects at the moment?

---

4. When have you joined the company?

---

5. I am working here since last year.

---

6. If I can't finish the report today, I'm sending it to you tomorrow.

---

7. If the date of the meeting will be changed, I would let you know right away.

---

8. How long have you worked for them?

---

9. What were you doing before you joined the company?

---

10. I was working for an international company when they were recruiting me.

---

7. REPHRASE the active sentences using the passive construction:

1. We paid the invoice by credit card.

---

2. You can cancel the contract within five business days.

---

3. You have made a mistake.

---

4. She did not sign the contract.

---

5. Jane had booked a flight.

---

6. We are processing your order.

---

7. We will deliver the goods immediately.

---

8. He has not answered our letter.

---

9. If you don't pick up your order within 30 days, we will remove the discount. (2x)

---

10. Have you delivered the goods yet?

---

8. COMPLETE THE SENTENCES by filling in the gaps with the appropriate preposition. One preposition fills the gaps of all the sentences in one section. The following prepositions can be used: *in, to, for, at, by*:

1.

- Goods are kept \_\_\_\_\_ our warehouse until they are ready for delivery.
- \_\_\_\_\_ addition, it also makes it easier for consumers to compare prices.
- This creates a dilemma for retailers who sell products both online and \_\_\_\_\_ shops.
- We serve those customers \_\_\_\_\_ the most appropriate way.

2.

- She asked if I agreed \_\_\_\_\_ the terms and conditions of the agreement.
- It wants to appeal \_\_\_\_\_ a wider range.
- It offers cheap flights \_\_\_\_\_ a small range of destinations.

3.

- That's the normal fee \_\_\_\_\_ the job.
- We'd prefer to pay you a fixed amount \_\_\_\_\_ the work.
- Customers use websites \_\_\_\_\_ lots of different reasons.

4.

- Products and services offered \_\_\_\_\_ a large discount are generally a bargain.
- Consumers have become better \_\_\_\_\_ surfing the internet.
- We need to understand what customers need \_\_\_\_\_ any one time.

5.

- Customers online behave very similarly \_\_\_\_\_ customers on the high street.
- If you can get those key things right, customers will keep coming back \_\_\_\_\_ you.



6.

- We must have delivery \_\_\_\_\_ the end of next week.
- How do you run these two business side \_\_\_\_\_ side?

9. DECIDE IF THE FOLLOWING sentences are right or wrong. If wrong, then correct them:

1. If we increase productivity, we will remain profitable.

---

2. If we would ask for a bank loan tomorrow, I'm sure we will get it.

---

3. If we would have known the effect of inflation, we could have reduced our costs.

---

4. We will need to offer higher salaries if we will want to recruit better workers.

---

5. Unless we invest more in the business, our competitors will overtake us.

---

10. COMPLETE THE SENTENCES by adding a correct form of one of the following verbs: *borrow; lend; owe; invoice; afford*.

1. Excuse me. Could I \_\_\_\_\_ your manual for a moment?

2. How much did the bank \_\_\_\_\_ you?

3. We can't \_\_\_\_\_ to employ all these people. It's too expensive; we can't pay them.

4. He wants to \_\_\_\_\_ us for repairing the computer even though he said it was free of charge.

5. How can you \_\_\_\_\_ to spend so much time goofing around? Don't you have things to get done?

6. I've paid some of the loan back but I still \_\_\_\_\_ the bank a lot of money.

7. If you \_\_\_\_\_ the money from a bank you will have to pay 7% interest.
8. The customer hasn't paid yet. Are you sure that we \_\_\_\_\_ him last month?
9. Can you ask her to call me? She still \_\_\_\_\_ me \$2000.
10. I hate \_\_\_\_\_ money but I have no other choice but to do so at the moment.

11. COMPLETE THE SENTENCES by underlining the most appropriate option:

1. The first company *whom/that/where/whose* I worked was very small.
2. Joe *who was a banker/, was a banker/, who was a banker/, whose was a banker,* has died.
3. The commercial ad *whose/that/which/where* slogan I created was a hit.
4. The dress *whose/---/who/where* she wanted to buy was sold out.
5. The scanner *that we bought last week/, that we bought last week/,who we bought last week/where we bought last week* doesn't work.

12. COMPLETE THE TEXT by filling in the gaps with an appropriate form of the word in brackets:

A *bull market* is when everything in the economy is running objectively well: people are finding jobs and \_\_\_\_\_ (EMPLOY) is low, the economy is growing and stocks are rising. Picking stocks during a bull market is arguably \_\_\_\_\_ (EASY) because everything is going up. If a person is \_\_\_\_\_ (OPTIMISM) and believes that stocks will go up, they are called a bull and are said to have a bullish outlook. Bull markets cannot last forever though, and sometimes they can lead to \_\_\_\_\_ (DANGER) situations if stocks become overvalued. In fact, one severe form of a bull market is known as a bubble, where the upward movement of stock prices no longer conforms to fundamentals, and optimistic \_\_\_\_\_ (THINK) completely takes over. \_\_\_\_\_ (HISTORY), bubbles have occurred regularly dating back to the Dutch Tulipmania of the 1600's - where the price of tulips rose so high that one was more \_\_\_\_\_

(VALUE) than a house - through to the housing bubble of 2008 that sparked the Great Recession. Bubbles always burst when reality catches up with the \_\_\_\_\_ (INFLATE) prices. It is difficult to recognize when investors are in a bubble and even harder to predict when it will pop.

A *bear market*, on the other hand, happens when the economy appears to be in or near recession, unemployment rises, and corporate profits fall. Bear markets make it tough for \_\_\_\_\_ (INVEST) to pick \_\_\_\_\_ (PROFIT) stocks. One \_\_\_\_\_ (SOLVE) to this is to profit when stocks are falling due to short selling. Another strategy is to wait until you feel that the bear market is nearing its end, only starting to buy in anticipation of a bull market.

Bear markets are typically associated with an increase in stock market unpredictability, since investors typically fear losses more than they appreciate gains at an emotional level. People are not always rational beings - especially when it comes to money and \_\_\_\_\_ (INVEST). During bear markets, prices do not drop in an orderly or rational way, but rather market \_\_\_\_\_ (PARTICIPATE) often \_\_\_\_\_ (REACT) in panic and send prices below reasonable \_\_\_\_\_ (ESTIMATE).

**13.** TRANSLATE THE FOLLOWING TEXT from English into Macedonian:

Investors often have different opinions about various stocks or about the direction of the economy as a whole. Each trading day is a struggle between optimists and pessimists who buy and sell at various prices, with different expectations. The stock market is said to bring together all of the information that exists about the companies it represents, and that displays itself as price. When optimists dominate, prices move upwards, and we say that we are in a bull market. When the opposite is true, and prices move lower, we are in a bear market.

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*Editor and Publisher* Biljana NAUMOSKA-SARAKINSKA

*Reviewers* Prof. Solzica POPOVSKA, PhD  
“Blaže Koneski” Faculty of Philology, UKIM  
Prof. Violeta CVETKOSKA, PhD  
Faculty of Economics, UKIM

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The course book has been tailored to meet the needs of these students, and has been designed based on the authors' lengthy teaching experience, especially at the Faculty of Economy in Skopje.

This course book has been created with great care to meet the needs of its users, and the authors sincerely hope that that is what it will ultimately achieve.