

МИНИСТЕРСТВО ОБРАЗОВАНИЯ И НАУКИ
ДОНЕЦКОЙ НАРОДНОЙ РЕСПУБЛИКИ
ГОСУДАРСТВЕННОЕ ОБРАЗОВАТЕЛЬНОЕ УЧРЕЖДЕНИЕ
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UNIT I THEORY OF ECONOMICS

1.1 SOLE PROPRIETORSHIP

ACTIVE VOCABULARY

Feature – особенность

Sole proprietorship – единоличное владение бизнесом

Owner – владелец, хозяин

Unlimited liability – неограниченная ответственность

Income – доход, доходы

Benefit – выгода, прибыль

Deductions – отчисления

Proprietor – хозяин, владелец предприятия

Profit – прибыль, доход

Advantage – преимущество

Disadvantage – недостаток

To run a business within the law – вести дела, управлять предприятием
в рамках закона

Assets – средства, фонды, авуары, имущество

Liabilities – долги, денежные обязательства

Breach of contract – нарушение контракта

To start out – начинать профессиональную деятельность

Legal requirements – законные ограничения

Charter – документ, разрешающий создание компании

Permit – разрешение

To raise funds – привлекать фонды, мобилизовать средства

Employee – служащий, работающий по найму

Personal tax return – личная налоговая декларация

TEXT

There are three principal forms of business organization:

1. the Sole Proprietorship,
2. the Partnership,
3. the Corporation.

The simplest form of business organization is the sole proprietorship, which is owned by one person. Many small businesses start out as sole proprietorships. The owner has relatively unlimited control over the business and keeps all the profits. These firms are usually owned by one person who has day-to-day responsibility for running the business. Sole proprietors own all the

assets of the business and the profits generated by it. They also have complete responsibility for any of its liabilities or debts. In case of break of contract the business property and personal assets of the owner may be taken to pay judgments for damages awarded by courts.

Sole proprietorships are the most numerous form of business organization. No charter and permit are needed and there are no particular legal requirements for organizing or conducting a sole proprietorship. When started, many sole proprietorships are conducted out of the owner's home, garage, or van and inventory may be limited and may often be purchased on credit.

Advantages of a Sole Proprietorship:

1. Easiest and least expensive form of ownership to organize.
2. Sole proprietors are in complete control of business, and within the law, may make any decisions.
3. Sole proprietors receive all income from the business to keep or reinvest.
4. Profits from the business flow-through directly to the owner's personal tax return.
5. The business is easy to dissolve, if desired.

Disadvantages of a Sole Proprietorship:

1. Sole proprietors have unlimited liability and are legally responsible for all debts against the business. Their business and personal assets are at risk.
2. Sole proprietors may be at a disadvantage in raising funds and are often limited to using funds from personal savings.
3. Sole proprietors may have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business.

Main Features of a Sole Proprietorship:

- (+) Easy to organize
- (+) Owner has complete control
- (+) Owner receives all income
- (-) Owner has unlimited liability
- (-) Benefits are not business deductions

Exercise I Answer the questions:

1. What are the three principal forms of business organization?
2. What is a sole proprietorship?
3. What are the advantages and disadvantages of sole proprietorship?
4. What are the main features of a sole proprietorship?

Exercise II Choose the necessary word:

- | | |
|---|--------------------------------------|
| 1. Many small businesses ... as a sole proprietorships. | personal tax return
income |
| 2. Sole proprietors own all the ... of the business and the ... generated by it. | start out
the assets |
| 3. No ... and ... are needed and there are no particular legal requirements for organizing a | the profits
a sole proprietorship |
| 4. Sole proprietors receive all ... from the business to keep or reinvest. | charter
permit |
| 5. Profits from the business flow through directly to the owner's... | |

Exercise III Transform the sentences according to the model:

Model: I'm thinking of starting my own business. Open a cafe
I'm thinking of opening a cafe.

- 1) to start a car-repair shop
- 2) to hire a book-keeper
- 3) to fire an employee
- 4) to consult a board of directors
- 5) to sell my business
- 6) to do my books myself
- 7) to consult a lawyer
- 8) to find a specialist

Dialogue

Jim: Hi. Alice. How are you getting on?

Alice: Fine. As usual thanks, Jim. What about you?

Jim: I'm OK. It's nice to see you.

Alice: You too. I'm glad you are not in a hurry and we have time to talk today.

Jim: Sure.

Alice: Can you give me a piece of advice?

Jim: Well, I'll try if I can.

Alice: You know I've been always good at cooking. It interests me. I am thinking of starting my own business – a cafe.

Jim: It might be a good idea.

Alice: I guess I must learn about the responsibilities of going into business.

Jim: Are you going into this business by yourself?

Alice: Exactly. I'd like to have a cafe with my name on it where I make the decisions and where I control the profits.

- Jim: You seem to be resolute so I'll try to help you. If you go into business alone, it is called sole proprietorship. In such case you needn't consult a lawyer to form the business. You can start or you can stop your business whenever you like.
- Alice: It sounds encouraging. What else can you tell me?
- Jim: There is no need to consult partners or a board of directors. So you can put policies into effect quickly. You decide on your vacation, hours, salary, hiring and firing.
- Alice: Well, that's not bad.
- Jim: Wait a moment I believe I have to tell you about the risk involved.
- Alice: What do you mean?
- Jim: First of all, the most risk is that you have liability. It means that you are responsible for all your business debts.
- Alice: So if the business fails I have to declare personal bankruptcy don't it?
- Jim: That's what I mean. You can lose your personal assets.
- Alice: Well, it's rather disappointing. What other things should I know?
- Jim: You won't get tax benefits which partnerships or corporations can get.
- Alice: I know about it. By the way do you know of a good accountant to do my taxes?
- Jim: Of course. You'll also have to hire a book-keeper if you can't do your books yourself.
- Alice: I can't say anything definite about that. I have to think it over. What else, Jim?
- Jim: Well. I'm a bit hungry, why don't we have a snack together and discuss the things in the cafe.
- Alice: You are right as usual. Let's go.

Active Vocabulary

a piece of advice – совет

can you give me a piece of advice – не могли бы Вы дать совет

I am thinking of starting my own business – я думаю о начале своего бизнеса

a responsibility – ответственность

to make decisions – принимать решение

to control the profits – контролировать прибыль

a sole proprietorship – частная собственность

to need a lawyer – нуждаться в юристе

it sounds encouraging – это вдохновляет

to consult partners – консультироваться с партнерами

a board of directors – совет директоров
 to put policies into effect quickly – быстро достичь хороших результатов

to hire – нанимать

to fire – увольнять

to decide on your vacation, hours, salary – решать вопросы, которые связаны с отпуском, продолжительностью рабочего дня, заработной платой

to have unlimited liability – иметь неограниченную юридическую ответственность

to be responsible for all your business debts – нести ответственность за производственные долги

to fail – терпеть неудачу

to declare personal bankruptcy – декларировать личное банкротство

personal assets – частная собственность

tax benefits – льготы по налогообложению

to get tax benefits – получить льготы по налогообложению

an accountant – бухгалтер, счетовод

a book-keeper – бухгалтер

to do books – вести бухгалтерский учет

Exercise I Answer the following questions:

1. Are you thinking of starting your own business?
2. What business do you want to start?
3. How do we call the business if you go into it alone?
4. Who is going to make the decisions and control the profits in your business?
5. Do you need a lawyer if you want to start a sole proprietorship?
6. Why don't you have to consult the partners in a sole proprietorship?
7. How many employees are you going to hire for your business?
8. What does it mean to have unlimited liability? Are you ready for it?
9. What will you do if your business fails?
10. What will you do to put policies into effect quickly?
11. What businesses have tax benefits in this country?
12. Can you do your books yourself?
13. Are you going to hire a book-keeper?

Exercise II Transform the sentences according to the model:

Model: A book-keeper will do the books.

I'm going to have a book-keeper do the books.

1. A partner will finance the business.
2. A salesperson will sell the clothes.

3. A decorator will design the interior.
4. A lawyer will do this work.
5. A secretary will mail the letters.
6. A colleague will give me a piece of advice.
7. A book-keeper will prepare the tax report.

Exercise III Translate into English:

1. Мне нужен совет.
2. Я сам контролирую прибыль своего предприятия.
3. Если Вы хотите заняться частной предпринимательской деятельностью, обратитесь к юристу.
4. Директор решает вопросы, связанные с наймом и увольнением.
5. Я боюсь иметь полную юридическую ответственность.
6. Я не отвечаю за производственные долги.
7. Небольшие предприятия имеют льготы по налогообложению.
8. Хороший бухгалтер сможет вести дело лучше, чем Вы.
9. Мне необходимо нанять бухгалтера.
10. Мне нужно проконсультироваться с юристом.

Exercise IV Make up the dialogue

You are going to start your own business. Ask the lawyer or an experienced person how to do it.

1.2 PARTNERSHIP

ACTIVE VOCABULARY

Partnership – общество, партнерство (фирма, которой обладают и управляют два лица или более)

General partnership – компания с неограниченной ответственностью

Limited partnership – общество с ограниченной ответственностью

To distinguish – различать

To set forth – выдвигать, формулировать

Legal agreement – юридическое соглашение

Complementary – дополнительный

Capital assets – 1) основные фонды (машины, здания, сооружения, оборудование и т. д.); 2) оборотные средства

Retail – розничная продажа

To the extent of – по размеру, в пределах

Share – доля, часть; квота; акция

Incentive – стимул

Withdrawal – уход, отзыв

Limited liability – ограниченная ответственность

Joint venture – совместное предприятие

To dissolve the partnership – аннулировать, разорвать партнерство

Dissolution of the entity – ликвидация экономического объекта

TEXT

In a Partnership two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed.

Many partnerships split up at crisis times. They also must decide up front how much time and capital each will contribute, etc.

Advantages of a Partnership:

1. Partnerships are relatively easy to establish; however partners should develop the partnership agreement.
2. With more than one owner, the ability to raise funds may be increased.
3. The profits from the business flow directly through to the partners' personal tax returns.
4. Prospective employees may be attracted to the business if given the incentive to become a partner.
5. The business usually will benefit from partners who have complementary work skills.

Disadvantages of a Partnership:

1. Partners are jointly and individually liable for the actions of the other partners.
2. Profits must be shared with others.
3. Since decisions are shared, disagreements can occur.
4. The partnership may have a limited life; it may end upon the withdrawal or death of a partner.

There exist different types of Partnerships:

1. General Partnership

Partners divide responsibility for management and liability, as well as the shares of profit or loss according to their internal agreement. Equal shares are assumed unless there is a written agreement that states differently.

2. Limited Partnership and Partnership with limited liability

«Limited» means that most of the partners have limited liability (to the extent of their investment) as well as limited management decisions, which

generally encourages investors for short term projects, or for investing in capital assets. This form of ownership is not often used for operating retail or service businesses. Forming a limited partnership is more complex and formal than that of a general partnership.

3. Joint Venture

Joint Venture acts like a general partnership, but it is formed for a limited period of time or a single project. If the partners in a joint venture repeat the activity, they will be recognized as a continuing partnership and distribute accumulated partnership assets upon dissolution of the entity.

Main Features of a Partnership:

- (+) Easy to organize, but needs agreement
- (+) Partners receive all income
- (-) Partners have unlimited liability
- (-) Partners may disagree
- (-) Life of business may be limited

Exercise I Answer the following questions:

1. What is a partnership?
2. What are the limited partnership and general partnership?
3. What are the advantages and disadvantages of partnership?
4. What is a joint venture?

Exercise II Select the necessary word:

- | | |
|---|---------------------|
| 1. Partnerships are relatively easy to | personal tax return |
| 2. The profits from the business flow directly through to the partners' | establish |
| 3. The business usually will ... from partners who have complementary | liable |
| 4. Partners are jointly and individually ... for the actions of the other partners. | benefit |
| 5. Joint venture acts like a ... | work skill |
| | general |
| | partnership |

Exercise III Transform the sentences according to the model:

Model: Susan is a woman. She does the books.

Susan is a woman who does the books.

1. Partners are people. They have unlimited liability.
2. This is my partner. He often runs a risk.
3. He is a shop-assistant. He gets along with all the customers.
4. Susan is a partner. She puts a big amount of money into business.
5. Jean is my friend. She has the background of accounting.
6. Barbara is my partner. She knows how to attract customers.
7. Tom is a partner. He is good at selling.

8. Jack is my friend. He is a secret partner of my business.
9. Helen is my friend. She had a supper with Jack in the restaurant.

Exercise IV Discuss the following problem:

Advantages of a partnership. Would you prefer a partnership or sole proprietorship for business? Give your reasons.

Dialogue

Two friends Susan and Maurice are having supper in a restaurant.

- Maurice: Haven't seen you for a long time. What have you been busy with?
- Susan: I've been pretty busy. Do you know my friend Nora? I went into business with her.
- Maurice: Really? How is it going on?
- Susan: Fine, thanks. We get along very well, and the shop is attracting more and more customers.
- Maurice: It sounds well. How many partners are there in your business?
- Susan: There are two of us and I am very pleased about it. I've made a right choice. Nora's background is in accounting. She is very good at keeping the books.
- Maurice: And you?
- Susan: You know I always liked talking. I guess I am rather good with customers. I enjoy selling things.
- Maurice: Well, it sounds interesting. I believe you don't run a risk in your business.
- Susan: We haven't had many problems, although I suppose all business can be risky. As partners we are both liable.
- Maurice: Did you both put the same amount of money into your business? Do you mind my asking?
- Susan: No, we didn't invest the same amount of capital. But I think we've combined our resources very well. I think it's good for both of us.
- Maurice: It seems really so. That is one of advantage of general partnership. You can invest less capital than your partner – even no money at all. But you as a partner can contribute important services or skills, sometimes just a name or a reputation.
- Susan: Indeed.
- Maurice: How did you arrange to distribute profits and losses?
- Susan: We share them equally. We hope to be in business for a long time.
- Maurice: Nice for you. Now you seem to know a lot about business.
- Susan: Not everything yet but the subject become quite technical.
- Maurice: I am glad to hear it. It's time to go now. See you later. Bye.

Active Vocabulary

to be busy with – заниматься чем-то
 to go into business – заниматься бизнесом
 to get along well – жить в согласии друг с другом
 to attract customers – привлекать покупателей
 to make a right choice – сделать правильный выбор
 background (here) – рабочий опыт
 accounting – бухгалтерский учет
 to run a risk – рисковать
 to be liable – нести юридическую ответственность
 an amount of money – количество денег
 to put an amount of money into business – вкладывать деньги в бизнес
 to combine resources – комбинировать ресурсы
 an advantage – преимущество
 to contribute services, skills – содействовать услугами, навыками
 to distribute profits and losses – распределять доходы и убытки
 to share – делить, распределять
 the subject becomes quite technical – это становится уже делом

техники

a deal – соглашение

Exercise I Answer the following question:

1. What do you want to be busy with?
2. Do you want to go into business alone or with a partner?
3. With what partner do you get along well?
4. Imagine you run a shop. What will you do to attract customers?
5. Do you need to consult a lawyer to make a right choice when starting the business?
6. What is your background?
7. Are you a careful person or do you like to run a risk?
8. How can you combine the resources with your partner?
9. What services and skills can you contribute in your business?
10. How will you distribute profits and losses in your partnership?
11. What kind of partner would you like to be: a general partner or a limited partner? Why so?

Exercise II Translate into English:

1. Члены правления несут полную юридическую ответственность.
2. Партнер с ограниченной юридической ответственностью не имеет реальной власти.

3. Секретный партнер принимает участие в управлении, но он не известен общественности.

4. Я хочу вложить деньги в недвижимость.

5. Партнерство имеет много преимуществ.

6. Партнерство часто получает налоговые льготы от правительства.

7. Мы живем в согласии с партнером.

8. Наше кафе привлекает все больше и больше клиентов.

9. Я сделал правильный выбор. Этот бизнес приносит большую прибыль.

10. Мой рабочий опыт связан с менеджментом.

11. Она разбирается в бухгалтерских делах.

12. Мы вкладываем в дело одинаковый капитал.

Exercise III Make up the dialogue:

Consult the lawyer how to form a partnership. Use your active vocabulary.

Exercise IV Discuss the following problem:

A joint venture. Pros and cons.

1.3 CORPORATIONS

ACTIVE VOCABULARY

Corporation – объединение, корпорация

Unique – уникальный

Entity – организация

Headquarters – главный офис (фирмы)

To be sued – преследоваться в судебном порядке

Shareholders (stock-holders) – акционеры, пайщики, владельцы акций

Stock – акции

Contractual agreement – контракт, договор

Board of directors – правление директоров (акционерного общества), совет директоров

To oversee – наблюдать, следить

To be held liable – нести ответственность

To be accountable – нести ответственность

Employment taxes – налог на фонд заработной платы

Continuity of life – непрерывность существования

Overall taxes – суммарные налоги

To incorporate a firm – оформить юридический статус фирмы как корпорации

To comply with regulations – выполнять предписания (правила)

TEXT

A business corporation is an institution established for the purpose of making profit. It is operated by individuals. Their shares of ownership are represented by stock certificates. A person who owns a stock certificate is called a stock-holder.

A corporation is chartered by the state in which it has headquarters. It is considered by law to be a unique entity, separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Advantages of a Corporation:

1. Shareholders have limited liability for the corporation's debts or judgments against the corporations.
2. Generally, shareholders can only be held accountable for their investment in stock of the company.
3. Corporations can raise additional funds through the sale of stock.

Disadvantages of a Corporation:

1. The process of incorporation requires more time and money than other forms of organization.
2. Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
3. Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income, thus this income can be taxed twice.

Main features of a Corporation:

- (+) Shareholders have limited liability
- (+) Can raise funds through sale of stock
- (+) Life of business is unlimited (continuity of life)
- (-) To incorporate a firm takes time and money
- (-) May result in higher overall taxes

Exercise I Answer the following questions:

1. What is the corporation?
2. What can own a corporation?
3. What are the advantages of a corporation?
4. What are the disadvantages of a corporation?
5. What are the main features of a corporation?

Exercise II Choose the necessary word:

1. A business corporation is an institution established for the purpose of making... . a stock-holder profit
2. A person who owns a stock certificate is called... funds
3. A corporation is considered by law to be unique entity
- liability
4. Shareholders have limited ... for the corporation's time and money debts.
5. Corporation can raise additional
6. The process of incorporation requires more ... than other forms of organization.

Exercise III Using the following chart make a report about three forms of the proprietorship:

Sole Proprietorship	Partnership	Corporation (company)
one person-owner; easy to form (no need for a lawyer, no certain terms to start or stop the business); no need to consult anybody when making decisions or taking actions; unlimited liability (responsibility for debts); some difficulties in finding finance; favored treatment by the government; tax benefits	two or more persons carry on the business; two types : general partnership (unlimited liability) and limited partnership (limited liability); easy to form; multiple sources of capital (the amount of contribution from partners may be different); authority, profits and losses are not necessarily equally shared among partners; diversified management; favored treatment by the government, tax benefits	owned and operated by shareholders (they elect the Board of Directors and top managers, always have final authority); regular meetings of shareholders; top officers supervise daily management; it's necessary to obtain a corporate charter to form a business; ability to attract large financial resources; ability to make large investments

Exercise IV Translate into English:

1. Корпорация может выпускать и продавать акции.
2. Корпорация может предлагать большую заработную плату.
3. Корпорация имеет больше возможностей для привлечения финансовых ресурсов, чем партнерство.
3. Каждый год акционеры проводят собрания.

4. Образовательные, благотворительные, религиозные учреждения могут быть корпорациями.

5. Подобные учреждения, как правило, не дают прибыли.

6. Эта корпорация прибыльная, она должна быть расширена.

7. Сначала Вы должны подать заявление на корпоративный патент.

8. Акционеры имеют решающее слово в управлении корпорацией.

9. Административные исполнители компании осуществляют постоянное руководство.

10. Владельцы акций проводят ежегодные сборы и выбирают совет директоров.

11. Корпорация вправе возбуждать уголовное дело.

Dialogue

Secretary: Good afternoon.

Steve: Good afternoon. I'd like to see Mr. Jackson. We have an arrangement with him. My name is Mr. Watson.

Secretary: Just a minute, please. I'll let him know you are here.

Steve: Thanks.

Secretary: Mr. Jackson is waiting for you. Do you know where his office is?

Steve: Oh, sure, thank you.

Jackson: Hello, Steve, it's so nice to see you. Sit down, please.

Steve: Thanks, Nick. How are you getting on?

Jackson: Quite all right, thanks. And what about you?

Steve: Everything is all right too. In fact I want to talk to you about my business.

Jackson: Oh, I'll be glad to do something for you.

Steve: Well, Nick. I need some legal advice. John and I are thinking of incorporating.

Jackson: You are going to expand, aren't you? It seems that your partnership has been doing very well.

Steve: Oh, yes. We have a success. Now some businessmen are interested in investing with us. So could you explain what sort of legal procedure I have to follow to form a corporation?

Jackson: At first you have to apply for a corporate charter.

Steve: Well?

Jackson: Let me get this straight. You want to issue and sell stock in exchange for investment capital, don't you?

Steve: Exactly.

Jackson: After you obtain the charter the stockholders, as owners, hold a meeting to organize the corporation.

Steve: Does that mean we elect our Board of Directors, adopt by laws

- and choose the company's officers?
- Jackson: That's what I mean. Though the officers of the company supervise daily management, the stockholders always have final authority. They vote at annual meetings.
- Steve: Yes, I see it. By the way, does a corporation have limited liability?
- Jackson: It does. It also has the right to own property, to buy and sell and the right to sue and be sued.
- Steve: I see. The corporation acts like a person. It has the right of an individual.
- Jackson: You are right.
- Steve: OK. Why don't we get together for a game of golf one day next week?

Active Vocabulary

- by laws – юридическое положение для предприятий
 I need some legal advice – мне нужен юридический совет
 to incorporate – объединяться
 to invest – вкладывать деньги
 to expand – расширяться (о производстве)
 to follow a legal procedure – соблюдать юридическую процедуру
 to apply for a corporate charter – подавать заявление на корпоративный патент
 to issue and to sell stock in exchange for investment capital – выпускать и продавать акции вместо вложенного капитала
 a stockholder – акционер
 to hold a meeting – проводить собрания
 to elect a board of directors – выбирать совет директоров
 to choose the company's officers – выбирать административных исполнителей компании
 to have a final authority – иметь решающее слово
 to supervise daily management – осуществлять ежедневное руководство
 to vote – голосовать
 annual meetings – ежегодные сборы
 to have limited liability – иметь ограниченную юридическую ответственность
 to own property – владеть собственностью
 to sue – возбудить судебное дело
 to be sued – подпадать под судебное разбирательство

Exercise I Answer the following questions:

1. In what corporation would you invest money?

2. What legal procedure do you have to follow if you want to form a corporation?

3. Who has the final authority and who supervises the daily management of a corporation?

4. How often do the stockholders choose the company officers?

5. In what way can a corporation act?

6. What do you think about the possibilities of forming corporations in this country?

7. In what spheres of industry is a corporate form of proprietorship the most beneficial in this country?

Exercise II Transform the sentences according to the model:

Model: We are the company officers. We supervise doily management.

We as the company officers, supervise daily management.

1. My friends are the stockholders of IBM Corporation. They hold annual meetings.

2. These businessmen are the organizers of this corporation. They issue and sell stock in exchange for investment capital.

3. A corporation is the owner of the property. It has limited liability.

4. Dick is a manager. He wants to form a corporation.

5. A corporate charter is a certificate of incorporation. A charter is granted by a state officer.

6. The stockholders are the owners of the corporation. They have final authority in management of the company.

7. The owners of the corporation are the stockholders. The owners of the corporation must vote.

Exercise III Make up the dialogue

1. Ask a lawyer how to form a corporation.

2. Discuss with your friend advantages and disadvantages of a corporate form of proprietorship.

3. Advertise a corporate form of proprietorship.

UNIT II TYPES OF SELLING

2.1 WHOLESALING

ACTIVE VOCABULARY

Wholesaling – оптовая торговля

To provide channels – обеспечивать системой сбыта

Indirect channels – косвенная, опосредованная система сбыта

Complicated channels – сложная система сбыта

A retailer – розничный торговец

Chain movement – объединяющее движение

A wholesale unit – контора оптовой продажи

Total sales – общий объем продаж

A middleman – посредник

A merchant wholesaler – оптовый скупщик

A wholesaling middleman – оптовый посредник

To take title to the goods – приобретать товар как владелец

An agent middleman – посредник между производителем и покупателем

To negotiate purchases or sales – вести переговоры касательно купли и продажи

To earn salary – получать заработную плату

To receive commissions grocery – получать комиссионные (процент от продаж)

To handle – управлять

Assortment – ассортимент

TEXT

Wholesaling is a part of the marketing system. It provides channels of distribution which help to bring goods to the market. Generally indirect channels are used to market manufactured consumer goods. It could be from the manufacturer to the wholesaler from the retailer to the consumer or through more complicated channels. A direct channel moves goods from the manufacturer or producer to the consumer.

Wholesaling is often a field of small business but there is a growing chain movement in the western countries. About a quarter of wholesaling units account for one-third of total sales.

Two-third of the wholesaling middlemen is merchant wholesalers who take title to the goods they deal in. There is also an agent middleman who negotiates purchases or sales or both. He receives commissions through. Such agents don't earn salaries. They receive commissions. This is a percentage of the value of the goods they sell.

Wholesalers simplify the process of distribution. For example, the average supermarket stocks 5000 items in groceries alone, a retail druggist can have more than 6000 items. As a wholesaler handles a large assortment of items from numerous manufactures he reduces the problem of both manufacturer and retailer. The stock-keeper does not have to deal directly with thousands of different people. He usually has a well-stocked store and deals with only a few wholesalers.

Exercise I Answer the following questions:

1. What is the aim of wholesaling?
2. How can you describe a direct channel of distribution?
3. What is an indirect channel of distribution?
4. What channel is preferable?
5. Is there any difference between a merchant wholesaler and an agent middleman? What is the difference?
6. How does a wholesaler simplify the process of distribution?
7. What would a retailer have to do without wholesalers?

Exercise II Select the necessary word:

- | | |
|--|------------------------|
| 1. They use both direct and indirect ... of distribution. | wholesalers |
| 2. Agent middlemen do not ... to the goods they deal in. | take title |
| 3. Usually wholesaling ... stands between the producer and die retailer. | retailer
stock |
| 4. A supermarket may ... thousands of items. | |
| 5. Usually a wholesaler handles a large of items. | channels |
| 6. Agent middlemen don't earn salaries, they ... | assortment |
| 7. A wholesaler doesn't deal with the customers, ... does. | to receive commissions |
| 8. simplify the problems of manufacturers. | middleman |

Exercise III Translate into English:

1. Оптовая торговля – важный элемент рыночной системы.
2. Товары идут от оптового посредника к потребителю через розничного торговца.
3. Косвенная система сбыта имеет большие преимущества.
4. Оптовые скупщики приобрели товар.
5. Посредник получает проценты от продаж.
6. Посредник обычно ведет переговоры по покупке и продаже.
7. Этот маазин имеет хороший ассортимент товаров.
8. Менеджер по маркетингу получит повышение.

Dialogue

John is explaining his new job to his wife, Susan. He is a sales trainee for a company.

John: It's a great job, you know. The salesmen are paid salaries instead of being on commission.

Susan: Why do you find it great? You can earn less money.

John: Well, it's a regular weekly salary. And besides we get reimbursed for everything: lunches and dinners even the football tickets, the car gasoline, tolls.

Susan: That's really great.

John: And I'm going to get a raise in three months.

Susan: And what are you going to sell?

John: Foam rubber.

Susan: What is it used for?

John: It is used to make couches and beds, generally ideal with furniture manufacturers.

Susan: So you will travel much, won't you?

John: No. Delivery is a part of our wholesaling operation. Foam is sold and delivered by the truckloads. It is rather bulky and it is expensive to have it shipped at a big distance. We are going to deal with buyers who are in this region.

Susan: That's fine. I don't want you to travel too much. By the way I want to know more about the sales procedure.

John: At first I go to see buyer. We discuss what he needs. After that send him a written quote. If our prices suit him, he'll call us and send an order.

Susan: Do you take orders over the phone?

John: Yes. The buyers are always in a hurry and a letter would take much time to come, if it's a verbal agreement we call it a gentlemen's agreement.

Susan: And what happens after the verbal agreement.

John: We receive a written purchase order. It is called p. o. – and it has a Number that we use for all future correspondence on that order. The office then retypes the order form and the p. o. and order form are stapled together and filed.

Susan: It sounds organized. Whom do you usually deal with in a company?

John: Well, I'll deal with purchasing agents. But I could deal with any administrator from the president on down, in some cases.

Susan: Good. Soon you'll get your raise.

John: Yeh. Selling is usually a stepping stone to higher position in management.

Susan: Don't worry, dear. If it doesn't work out, we still have my job.

Active vocabulary

a sales trainee – стажер по торговле
 to be on commission – получить комиссионные от продажи
 to reimburse – возместить
 to get a raise – получить повышение
 toll – пошлина, плата за услуги
 a quote – назначения стоимости
 a delivery – доставка
 a gentlemen's agreement – джентльменское соглашение
 a verbal agreement – устное соглашение
 purchase order – заказ на покупку
 to deliver – доставлять
 to staple – проверять
 to file – подшивать, хранить
 a stepping stone – средство для достижения цели

Exercise I Answer the following questions:

1. What would you like to be on commission?
2. What expenses do you get reimbursed for at your job?
3. What factors do you need to get a raise?
4. Why isn't a verbal agreement always sufficient?
5. What would you prefer to be: a wholesaler or a retailer?
6. What is a stepping stone to higher positions in your business?

Exercise II Transform the sentences according to the model:

Model: When did they want to reimburse for our expenses? (I don't remember). – I don't remember when they wanted to reimburse for our expenses.

1. How will you get a raise? (They don't care).
2. When did they send you the purchase order? (I don't know).
3. Who are the purchasing agents? (I can't recall).
4. Why didn't they get a verbal agreement? (I'll try to find out).
5. Did they staple and file p.o.? (I don't know).
6. How large is the sales region? (They don't care).
7. When will she get a commission? (She doesn't know).

Exercise III Speak about wholesaling as a part of the marketing system.

2.2 RETAILING

ACTIVE VOCABULARY

Retailing – розничная продажа

An ultimate consumer – конечный потребитель

A link – звено, связь

A mail-order house – посылторг

A vending machine operator – оператор торговых автоматических машин

A discount house – магазин с относительно низкими ценами на товары (со скидками)

A cooperative – кооператив

A single line retailer – розничный торговец

To perform functions – выполнять функции

An extending credit – длительный кредит

An outlet – рынок сбыта, торговая точка, магазин

A discount – скидка

TEXT

Retailing is selling goods and services to the ultimate consumer. Thus the retailer is the most expensive link in the chain of distribution. Being middlemen they make their profit by charging the customer 25 to 100 per cent more than the price they paid for the item.

The retailers operate through stores, mail-order houses, vending machine operators. There are different types of retail stores: department stores, discount houses, cooperatives, single line retailers. The major part (over 95 per cent) of retail establishments concentrate on a single line of merchandise for example, food, hardware, etc. But nowadays there is a trend for many single line stores to take on a greater variety of supplies.

The retailer performs many necessary functions. First, he may provide a convenient location. Second, he often guarantees and services the merchandise he sells. Third, the retailer helps to promote the product through displays, advertising or sales people. Fourth, the retailer can finance the customer by the extending credit. Also the retailer stores the goods in his outlet by having goods available.

Exercise I Answer the following questions:

1. What is retailing?
2. What are four different types of retail stores?
3. What are at least two types of retailing that do not include the use of a store?
4. In what way does a retailer serve a customer?

5. In what way does a retailer serve a manufacturer?
6. Which percent of the price of the good sold goes to the retailer?
7. What is the trend with a single line retailer now?

Exercise II Select the necessary word:

- | | |
|--|------------|
| 1. is one function a retailer may perform. | mail-order |
| 2. You can buy newspapers, cigarettes, cookies from a... . | discount |
| 3. is the most expensive link in the chain between a producer and a consumer, machine | vending |
| 4. The firm ... good quality of the product. | guarantees |
| 5. She doesn't like to go shopping, she prefers to do it by... . | retailer |
| 6. The department store is having a sale and there is a 20 per cent... on all light dresses. | extending |
| 7. Wholesaler is an important... between a producer and a consumer. | credit |
| | link |

Exercise III Translate into English:

1. Розничная торговля – это продажа товаров конечному потребителю.
2. В западных странах есть разные типы торговых учреждений, универсамов, супермаркетов, магазинов с низкими ценами, посылторги и т. д.
3. На этот товар можно получить 10 % скидку.
4. Розничный торговец может предоставить покупателю долгосрочный кредит.
5. Эта фирма имеет множество торговых точек.
6. Розничный торговец выполняет много важных функций.

Dialogue

Jean has just moved into a new house. Her neighbor, Liz, has come over to welcome her.

Jean: I am very glad to see you here.

Liz: How do you like the new place?

Jean: It's marvelous. I am sure we are going to love living here.

Liz: Well, have a look; here is a shopping guide for the neighborhood and a booklet of discount coupons. New neighbors always receive them. There is one coupon for every store in the shopping guide.

Jean: Oh, thank you. It's come in time. I have a lot of shopping to do.

Liz: I can imagine, having just moved in. Not far from here there's a very good shopping center. You can also find a huge supermarket, a drugstore, and some department stores in the neighborhood.

Jean: Great. Are there any small stores nearby?

- Liz: Oh, yes. The map is right here in the shopping guide. There is a little drugstore a few blocks away, a little grocery store next to it, a little boutique, an ice cream parlor, a pizza place. You can find a plant store not far from here too.
- Jean: Are there any good discount houses nearby? We terribly need a new toaster. Everybody in my family likes toasts for breakfasts very much. I'd like to buy it.
- Liz: Oh, sure. There is a good discount store in the shopping center. If you like, I'll come with you.
- Jean: Oh, you needn't. I don't want to trouble you.
- Liz: No trouble at all. I'd like to do some shopping too. If we go to the discount center I can go to that little cheese shop. I don't want to bother you.
- Jean: It's no bother at all. Make out your shopping list and I'll be your guide. By the way, you can use your discount coupon for the toaster.
- Liz: I am sure you'll buy a good one.
- Jean: Well, it'll take some time to make a shopping list. I'll have to buy a lot at the grocer's.
- Liz: This is a good idea. I should have gone shopping yesterday, so I'll make up my list too.
- Jean: By the way, I like your dress very much. It's a perfect fit. Where did you buy it, if you don't mind my asking?
- Liz: Thank you for compliment. I got it at very nice little boutique. It's a bit expensive, but there are many interesting and original things. If you are interested we can stop there.
- Jean: I'm afraid I can't. I have to cook dinner.
- Liz: Oh. Don't trouble yourself with the dinner. Look over the coupons I've given you. You can go out to dinner at a discount store.

Active vocabulary

- a shopping guide – путеводитель по магазинам
- a discount – талон, который дает возможность на получение товара по более низкой цене
- a store – магазин
- a department – универмаг
- a supermarket – супермаркет
- a grocery – бакалея
- a shopping center – торговый центр

Exercise I Answer the following questions:

1. What kinds of shops in this country do you know?
2. What shops are situated not far from your house?
3. What goods can be bought there?
4. What specific features do channels of distribution have in this country?
5. What reforms does this country need to reorganize the channels of distribution?

Exercise II Transform the sentences according to the model:

Model: I want to ask your brother to do shopping today. Let me do shopping today myself.

1. I want my secretary to prepare the financial statement.
2. The board of directors wants the officers to plan product development.
3. He wants to speak with my friend about their possible partnership.
4. I want a lawyer to clarify this matter.
5. The executive wants this manager to start market research.

Exercise III Speak about the differences between the channels of distribution of this country and western country.

UNIT III FINANCE

3.1 PRICING

ACTIVE VOCABULARY

Credit terms – условия кредита

Trade-in-allowance – скидка с цены на новый товар (длительного пользования) , приобретаемый в обмен на старый

To cover – покрывать

To pursue unsound price policy – вести неразумную ценовую политику

Supply and demand – спрос и предложение

Price competition – ценообразовательная конкуренция

To set prices – устанавливать цены

TEXT

All products and all services have prices. The price depends on different things such as credit items, delivery, trade-in-allowance, guarantees, quality and other forms of service which price can produce the biggest profit during a long period of time. It's hardly possible to determine such a price. The price may be too high to produce a large volume or too low to cover cost. No other area of

marketing operations has been a subject to bad practice. Many businesses pursue unsound price policies for long periods of time and are not aware about it.

Prices can be determined in different ways. For example, the prices of wheat, cotton and other agricultural prices can be decided in large central markets where forces of supply and demand exist. This is pure price competition. The prices on industrial products (iron, steel, etc.) are usually decided by large companies. As a rule amount and price of goods sold to large number of buyers is controlled by a few competing sellers. Prices also can be set by the government, usually for different public services – railroads, electricity, manufactured gas, bus services, etc.

If demand increases, prices rise, profits expand and new investment is attracted. But other factors may be involved as well. Prices are related to each other in different ways. Ultimately, everything is related in price, since the consumer can buy and must pay for everything out of a particular, limited amount of money.

Exercise I Answer the following questions:

1. Why is it difficult to determine the right price?
2. Why is the seller interested in the price that produces the highest volume of sales at the lowest unit cost?
3. Why do many businesses follow unsound pricing policy?
4. In what way are agricultural prices decided?
5. How are industrial products usually priced?
6. Why does the government usually set the prices for public utility services?
7. Why is it so important to know the levels of supply and demand when dealing with pricing?
8. Why is everything related by price?

Exercise II Select the necessary word:

- | | |
|--|--------------------|
| 1. It is difficult ... without sound price policy. | supply and demand |
| 2. Of course we are interested in producing the ... with the lowest unit costs. | volumes of sales |
| 3. I decided to buy a new car at this company because they offered the best ... on my old model. | trade-in-allowance |
| 4. The ... of this store are very beneficial for a customer. | compete |
| 5. Their business will fail if they pursue unsound | price policies |
| 6. The government usually ... for public utility services. | credit terms |
| In pure competition the forces of ... operate. | to set prices |

Exercise III Translate into English:

1. Этот магазин предоставляет покупателю выгодные кредитные условия.
2. Товар имеет низкую цену. Она покрывает расходы.
3. Эта фирма ведет неразумную ценообразующую политику.
4. Прежде чем выпускать товар, необходимо тщательно изучить спрос и предложение.
5. Государство устанавливает цены на ряд продуктов.
6. Супермаркет предоставляет покупателю много дополнительных услуг: доставку товаров на дом и кредит.
7. Новая марка безусловно привлечет внимание покупателей.
8. Начинайте с низкой цены.
9. Продажа за счет низкой цены действует при продаже товаров народного потребления.

Dialogue

Dick is introducing a new line of products and is talking to his friend Tom, a business consultant, about it.

Dick: It's the first time when I'm in business for myself.

Tom: Don't worry. The store has always been doing well. It has a great location and as your new line of merchandise.

Dick: That's what I wanted to talk to you about. Can you give some ideas how to charge the prices?

Tom: With pleasure. Generally, there are two types of pricing policies. There is price emphasis and price de-emphasis.

Dick: What's the difference?

Tom: The price emphasis policy emphasizes low prices. This encourages sales. But low price doesn't give extra services.

Dick: So, a really low price means no credit, home delivery, repair, installation and other services.

Tom: That's what I mean. But many people are interested only in the low price and not in the extra services.

Dick: Yes, and vice versa. The price which I set determines the number of sales. I must think thoroughly about it.

Tom: A good example of price emphasis is «loss leader» pricing. It means that you choose one item – let's say an electric razor – at a price just above the cost. The customers will come to your shop to buy this loss leader item. But since they are inside they can decide to buy a few other things they need.

Dick: It sounds interesting. What other things can you tell?

Tom: There is also off-even pricing. Let's say you sell a tape-recorder for \$ 69,95 instead of 70,00. Though it is in fact about the same, the low

- price can produce a favorable psychological effect.
- Dick: What are the other ways to attract the customers?
- Tom: First of all, remember that you are going to compete with well-known products, so you should start with specially low prices. It's important to advertise this. You should use newspaper ads, may be a radio spot, and may be do a big window and a floor display.
- Dick: It makes sense.
- Tom: And you can raise the price after your customers try a new brand get to know it and like it. They will continue to buy it.
- Dick: I see. And what is the price de-emphasis you mentioned before?
- Tom: It concerns high quality expensive items. Price de-emphasis means that you don't call attention to the price at all.
- Dick: I know, it concerns our fine jewelry department or designer fashions.
- Tom: Yes, I see you are going to do very well.
- Dick: Your suggestions seem to be very useful. Don't forget you have a discount on any shopping you do in my shop.
- Tom: In such a case I'll be back tomorrow with my wife.

Active Vocabulary

- a location – место нахождения
- extra services – дополнительные услуги
- installation services – услуги по установке
- to charge prices – устанавливать, назначать цены
- price emphasis – продажа товара за счет низкой цены
- a price de-emphasis – попытка продажи товара не за счет низкой цены, а за счет других факторов
- a loss-leader item – товар, который продается по очень низкой цене, привлекающей внимание покупателей
- off-even pricing – цена, которая не доходит до круглого числа и стимулирует желание покупателя купить
- favorable psychological effect – благоприятный психологический эффект
- to start with especially low prices – начинать с особо низких цен
- a new brand – новая марка товара
- a high quality expensive item – высококачественный дорогостоящий продукт

Exercise I Answer the following questions:

1. In what way were the prices charged in this country?
2. What is your idea of the term «market price»?

3. What type of pricing policy works with the majority of consumer goods (price emphasis, price de-emphasis)?

4. What is more preferable for you in pricing: low prices with extra services or high prices with home delivery, repair and other services?

Exercise II Transform the sentences according to the model:

*Model: The tape recorder is inexpensive. Your store sells the tape recorder.
The tape recorder that your store sells is inexpensive.*

1. The dresses are fashionable. The store introduced the new dresses last week.

2. The store has many refrigerators. Dick owns the store.

3. The stereo is high-priced. My daughter wants the stereo.

4. The price determines the number of sales. A retailer sets the price.

5. Very often the people don't want extra services. Many supermarkets offer extra services.

Exercise III Set your imagination free. You are a journalist and you are to interview the Minister of Finance about the price policy in this country. What questions would you ask?

3.2 CORPORATE FINANCE

ACTIVE VOCABULARY

Purchase – покупка, приобретение

Payment of expenses – оплата расходов

Property – собственность, имущество

Equity funding – комбинация капиталовложений в страховой полис и взаимный фонд

Debt funding – образование денежного фонда предприятия с помощью займа

Holdings of the shares – собственники акций

A stock certificate – сертификат акции

Negotiable – тот, что может служить предметом переговоров, сделки

Net assets – стоимость имущества за вычетом обязательств

A bond – долговое обязательство

A note – долговая расписка

Interest – доля (в предприятии, бизнесе, собственности); участие в прибылях

To pay out – выплачивать

To run a corporation – руководить корпорацией
 An inflow – приток, наплыв
 An outflow – отток, утечка
 An inventory – опись, реестр, инвентарная ведомость
 Supplies – ресурсы
 A debt – долг
 Goods – товары

TEXT

Corporations need financing for the purchase of assets and the payment of expenses. The corporations can issue shares in exchange for money or property. Sometimes it is called as equity funding. The holders of the shares form the ownership of the company. Each share is represented by a stock certificate, which is negotiable. It means that one can buy and sell it. The value of a share is determined by the net assets divided by the total number of outstanding. The value of the share also depends on the success of the company. The greater the success, the more value the shares have.

A corporation can also get capital by borrowing. It is called debt funding. If a corporation borrows money, they give notes or bonds. They are also negotiable. But the interest has to be paid out whether business is profitable or not.

When running the corporation, management must consider both the outflow and inflow of capital. The outflow is formed by the purchase of inventory and supplies, payment of salaries. The inflow is formed by the sale of goods and services. In the long run the inflow must be greater than the outflow. It results in a profit. In addition, a company must deduct its cost, expenses, and losses on bad debts, interest on borrowed capital and other items. It helps to determine if the financial management has been profitable. The amount of risk involved is also an important factor. It determines the fund raising and it shows if a particular corporation is a good investment.

Exercise I Answer the following questions:

1. Why do all corporations need financing?
2. What does equity funding mean?
3. What does debt funding mean?
4. How is the value of a share determined?
5. What activities produce an inflow and outflow of capital?
6. What can happen if an enterprise has a greater outflow of capital than an inflow?
7. Why is the risk involved an important factor in determining fund raising?

Exercise II Select the necessary word:

- | | |
|---|------------|
| 1. ... funding is a financing formed by borrowing | equity |
| 2. They have borrowed much money and they have to pay a big ... | negotiable |
| 3. Financing by shares is called ... funding. | inventory |
| 4. That is a very profitable deal, for that purpose we need extra ... | funding |
| 5. You can sell your shares and ... They are ... | inflow |
| 6. The current assets of a company usually include cash and | bond |
| 7. As a result of this deal we'll have greater ... than outflow. | debt |

Exercise III Translate into English:

1. Наше предприятие нуждается в денежных фондах для покупки оснащения.
2. Я предпочитаю акционерный способ образования денежного фонда предприятия.
3. Он привлекает большее количество капитала.
4. Акции и облигации могут быть куплены, проданы.
5. Я хочу купить десятипроцентные облигации.
6. Мы намерены выплатить все долги до начала финансового года.
7. Ты получишь хорошую прибыль при продаже этих товаров.
8. Он является совладельцем компании SONY.
9. Покупка акций этой компании – хороший долгосрочный вклад.
10. Если речь идет о моих деньгах, я выучу годовой отчет компании.

Dialogue

- Mary: It's so nice to see you, Frank. Sorry, I couldn't come to your office today.
- Frank: Never mind. Have a seat. Let's start by having some coffee later.
- Mary: So, Frank. I guess it might be right time for me to invest in that computer company. As my stockbroker, what can you suggest?
- Frank: I am sure they are doing extremely well and they would welcome your investment.
- Mary: But why do they need my investment if they are doing so well?
- Frank: OK. I think I should explain you a little about a corporate finance.
- Mary: Go ahead. If it concerns my money I am always interested.
- Frank: If a corporate enterprise wants to expand it needs financing.
- Mary: You are right.
- Frank: So there are two basic types of financing: equity and debt.

- Mary: What's the difference between them?
- Frank: If the money is supplied by the owners of a business it is called equity funding. And the use of money supplied by loans is called debt funding
- Mary: So as investor, what am I?
- Frank: Well, as an investor you become a partial owner of a business and receive equity. You get shares or certificates of common stock which represent your portion of ownership.
- Mary: You did right buying the stock for me. By the way, are any documents which show the financial state of the company?
- Frank: Oh, yes. You've just reminded me. I've brought a copy of the company's Annual Report for you to look over. You should read it very carefully. And if you have something to ask, do please.
- Mary: Thanks a lot, Frank. I will. Does this company pay dividends on its stock?
- Frank: Yes, In fact, I studied their Annual Report and I can tell you that they have good management. Their business is doing very well, the value of their stock has been rising. It can be an excellent long-term investment, I am sure.
- Mary: But if I want to sell my shares very soon?
- Frank: No problem. Undoubtedly you can make a profit on the sale. But it seems to me you'll want to keep this company in your portfolio.
- Mary: Thank you for your advice. You are wise as usual.
- Frank: Well, my advice now is to study the company's Annual Report. You need several days for that. Then we'll meet and talk again.

Active vocabulary

- a stockbroker – биржевой маклер, фондовый брокер
- if it concerns smth – если речь идет о чем-либо
- a loan – заем, ссуда
- a partial owner – частичный собственник
- annual report – годовой отчет акционерной компании
- to pay dividends – выплачивать дивиденды (часть прибыли, распределяемая ежегодно между акционерами)
- a long-term investment – долгосрочные вклады
- to make a profit on the sale – получить прибыль при продаже

Exercise I Transform the sentences according to the model:

Model: How should the company pay the expenses? / borrow from the government/

The company should pay the expenses by borrowing from the government.

1. How can we form an equity funding? / issue shares /
2. How can a business sell more shares of stock? / offer a dividend /
3. How should we know about the financial state of the company? / look over the Annual Report /
4. How should he invest his savings? / buy common stock /
5. How should they make people buy their bonds? / increase the interest /
6. How can this company make a profit? / raise investment capital /

Exercise II Transform the sentences according to the model:

Model: It takes a month to sell the bonds.

You need a month to sell the bonds.

1. It will take a half of the year to pay off the debts.
2. It takes her several days to count up net assets.
3. It won't take the company much time to repay the loan.
4. It will take him the rest of his life to learn how to run the corporation.
5. It takes them two days to sell the goods.
6. It will take them much time to decrease the outflow.
7. It will take him a month to raise the capital.

Exercise III Answer the following questions:

1. What kind of funding is preferable: equity or debt?
2. What shares of what enterprises of your town would you buy? Explain why.
3. Imagine that your business is going to get capital funds by borrowing. What bond interest would you charge? Explain why.
4. What should you do to produce more inflow of capital?
5. How can you calculate the net assets of your enterprise?
6. What traits of character need a stockbroker?

SUPPLEMENTARY TEXTS

MANAGEMENT

Management is a new science though it has its roots in antiquity. Only during the XXth century management has made the transition from a technology based on experience to a science based on a system of laws.

We all are involved in managing because we constantly make decisions concerning how to spend or use our resources. So management is the art and science of making appropriate choice.

By definition management is a function of planning, organizing, coordinating, directing and controlling. Our society is made up of all kinds of organizations, such as companies, government departments, hospitals, schools, libraries and so on. In all these organizations there are people carrying out the work of a manager. The role of the manager today is very important. First of all he must have a good understanding of management principles, he must possess the ability to analyze complex problems, he must be able to assess the current issues and to adapt to economic, political, social and ecological system in which we live.

In most companies the activity of a manager depends on the level at which he (she) is working. Top managers will be more involved in long-range planning, policy making, and the relations of the company with the outside world.

Middle management and supervisors are generally making the day-to-day decisions which help an organization to run efficiently and smoothly.

To be a successful manager you must know your responsibility and authority. Responsibility is the obligation to carry out a task. Authority is the right to act in the name of a superior in an organization. Successful managers are people who command the respect of workers and who set high standards. Management ability does not come automatically. The remedy for this is training and experience.

DEFINING ECONOMICS

What do you think of when you hear the word *economics*? Money, certainly, and perhaps more complicated things like business, inflation and unemployment. The science of economics studies all of these, but many more things as well. Perhaps you think that economics is all about the decisions that governments and business managers take. In fact, economics study the decisions that we all take every day.

Economics is a science concerned with how people use available resources to satisfy their wants through the process of production and exchange.

There have been many definitions of economics in the past. The earliest definitions described economics as the study of wealth and the older name for economics was «political economy». Later economics was defined as «the practical science of the production and distribution of wealth».

At the turn of the 19th century economists defined economics as a study of man's actions in the ordinary business of life. At that time economics focused on how men got their incomes and used them.

In more recent years, the subject of economics was defined more precisely as «the science which studies human behavior as a relationship between ends and scarce means which have alternative uses».

Today economics deals with data on income, employment, expenditure, prices, production, consumption, transportation and trade.

WHAT DOES AN ECONOMIST DO?

Economists are responsible for predicting trends in the ever-changing economy. They help various agencies to deal with money efficiently and are consulted when a change in economic policy is required. They try to predict future trends to help the economy from sinking into a depression, and help businesses to deal with down periods. Economists also have specialized areas they work in, depending on what business or area of the economy they are interested in.

Economists analyze, interpret and predict future trends in the economy. They are especially concerned with how we spend our money and the use of natural resources. These can include land and raw materials found in the Earth as well as the use of human labour and machinery. Often they collect data through surveys, and they try to predict when a rise or fall in the economy will occur.

Economists choose a specific area within the broad field of economics to work in. Microeconomists are responsible for individual businesses. They help the business to get the most for their money and provide the quality of service their customers expect. Macroeconomists look at the history of the economy and try to predict future developments, which can include a rise in the loss of jobs, inflation and growth in the economy. International economists study markets overseas and the exchange rates among them. They try to find the best policies that bring the most profit to both sides.

Along with conducting surveys, economists are also responsible for creating mathematical equations in which they can use the numbers from their surveys. These numbers will help in the prediction of future trends in the economy. They study business cycles to find and chart patterns. They also find and chart the trends of individual businesses to help them prepare for declines in the economy.

Economists use their findings in various areas of life, not simply in the area of money. Health, agriculture and education, as well as other areas, are all affected by economics. They help these industries find the best ways to compete against their rival businesses, and are also employed by the government. They track various laws and determine how they will help or hurt the economy in the future.

The area of taxes is strongly affected by the economy. Economists advise the government on how increases and decreases in taxes will affect people and industries, and how adjustments in social security could change the economy. They also advise the government about its own spending both in this country and abroad.

TRADITIONAL ECONOMY

All societies have an economic system or an organised way of providing for the wants and needs of their people. The way in which these decisions are made will determine the type of economic system they have. It is possible to group these different economic structures into four broad categories. These basic types of economic organization are usually described as Traditional, Market, Command and Mixed economies.

In a society with traditional economy nearly all economic activity is the result of ritual and custom. Habit and custom also prescribe most social behaviour. Individuals are not free to make decisions based on what they want or would like to have. Instead, their roles are defined. They know what goods and services will be produced, how to produce them, and how such goods and services will be distributed.

The basic economic problems do not arise as problems to be discussed and argued about. One follows the path that one was born to follow; a son follows in the footsteps of his father and uses the same skills and tools. A caste system provides a good example of the rigidity of a traditional society. The production problems are solved by using land as it has always been used and the worker carrying out the traditional skills according to his or her fixed place in social structure. The distribution problem is solved in a similar manner. There will be time-honoured methods of sharing out the produce of the harvest and hunt. The elders, the heads of families, the women and the children will receive shares according to ancient custom.

The main advantage of the traditional economy is that everyone has a role in it. This helps to keep economic life stable and community life continuous. The main disadvantage of the traditional economy is that it tends to discourage new ideas and even punishes people for breaking rules or doing things differently. So it tends to be stagnant or fails to grow over time.

COMMAND ECONOMY

Another method of solving the economic problems is also one which has a long history. This is the method of economic command where the solutions to the economic problems are worked out by some all-powerful authority which imposes its solutions on the population.

It is more usual to refer to the present-day command economies as planned economies, we shall use the term «planned economy» to refer to an economy which is subject to a high degree of direct centralized control.

It is important to note that no modern economy is without some elements of command. In all developed and most underdeveloped countries, even those described as capitalist, there is a large measure of government control. In the UK, for example, the government is the biggest business in the country.

Countries such as Cuba, North Korea and China are examples of command economies. Groups of high-level technicians, made up of engineers, economists, computer experts and industry specialists known as «planners», advice leaders who develop and implement a plan for the entire economy. It is the planners who decide what goods and services will be produced. They decide where to locate a new truck assembly plant and whether the factory will use more labour or more modern machinery. The major advantage of command system is that it can change direction in a short time.

The major disadvantage of a command system is that it does not always meet the wants and needs of individuals. The second disadvantage of a command system is the lack of incentives that encourage people to work hard. In most command economies today workers with different degree of responsibility receive similar wages. In addition, people seldom lose their jobs because of the quality of their work.

The command economy requires a large decision-making bureaucracy. Many clerks, planners and others are needed to operate the system. Most decisions cannot be made until a number of people are consulted, or a large amount of paper is processed. This causes production costs to increase and decision-making to slow down. Thus, a command system does not have the flexibility to deal with day-to-day problems.

MARKET ECONOMY

In a market economy, the questions of What, How and Whom to produce are made by individuals and firms acting in their own best interests. In economic term a market is an arrangement that allows buyers and sellers to come together to conduct transactions.

The state plays little or no part in economic activity.

The market system of economic organization is also commonly described as a free enterprise or capitalist system.

There are several other essential elements in a market economy. One of these is private property. By «private property» we mean the right of individuals and business firms to own the means of production.

Although markets exist in traditional and command economies, the major means of production (firms, factories, farms, mines, etc.) are usually publicly owned. They are owned by groups of people or by the government. In a market economy the means of production are owned by private individuals. Private ownership gives people the incentive to use their property to produce things that will sell and earn them the profit.

This desire to earn the profits is a second ingredient in a market economy. The profit motive drives sellers to produce the things that buyers want, and at a price they are willing to pay.

A market economy has several major advantages that traditional and command economies do not have. First, a market economy is flexible and can adjust to change over time. The second major advantage of the market economy is the freedom that exists for everyone involved. Producers are free to make whatever they think will sell.

They are also free to produce their products in the most efficient manner. Consumers on the other hand are free to spend their money or buy whatever goods and services they wish to have. The third advantage of the market economy is the lack of significant government intervention. Except for national defence, the government tries to stay out of the way. As long as there is a competition among producers, the market economy generally takes care itself. The final advantage of the market economy is the incredible variety of goods and services available to consumers. In fact, almost any product can and will be produced so long as there is a buyer for it.

MIXED ECONOMY

Mixed economy is an «economy that combines capitalism and socialism». Some sources prefer the use of «command economy» over «socialism» in defining a mixed economy.

We have seen that there is some use of the market mechanism in planned economies, there is some measure of state control in free market economies. Here the term mixed economy is used; it describes most of the economies in the noncommunist world. These countries are basically market economies, but all contain elements of state enterprise and governments in all of them intervene to modify the operation of market forces. They are mixtures of command and market economies.

In these mixed economies private property is an important institution. Supporters of the mixed system hold the view that private property provides an important incentive for people to work, save and invest. They oppose the abolition of private property and argue that it is possible to present great inequalities of wealth from arising by the appropriate government measures (heavy taxation of income and wealth).

The mixed economy has come into being as a result of increasing government intervention and control in capitalist countries. This development has been particularly extensive during the XXth century. The most famous mixed economy in the world is that of the UK.

The components of the mixed economy are:

- a) A free enterprise sector, where economic decisions are taken through the workings of the market.
- b) Government regulation of the economy through its budgets, etc.
- c) Public ownership of only some industries.
- d) Welfare services, either provided by the state or supplied through state administered schemes.

SOLE PROPRIETOR

The different types of business organisation found throughout the world are classified under five headings: the sole proprietor, the partnership, the joint stock company, the cooperative society, and the public corporation.

The sole proprietor is the simplest and the oldest form of business enterprise and often referred to as the one-person business. A single person provides the capital, takes the decisions, and assumes the risks. He or she is solely responsible for the success or failure of the business and has, therefore, the sole rights to such profits as may be made, or, alternatively, bears the sole responsibility for such losses as may accrue. The one-person business is still far more numerous than any other types of business organisation, but in terms of total output employment, value of capital employed, or value of total output, it is relatively unimportant compared with the joint stock company.

The strength of this type of firm lies in the direct personal interest of the proprietor in the efficiency of his enterprise. Ownership and control are vested in one person who enjoys all the fruits of success and hence has a great incentive to run the firm efficiently. Since the proprietor is the sole decision-taker and has no need to consult colleagues when changes of policy are required we should expect this type of organisation to be extremely flexible and capable of quick and easy adjustment to changes in market conditions.

The great disadvantage of the sole proprietor from an enterprise lies in the fact that the owner is personally liable for the debts incurred by his firm and his liability is unlimited. All his personal possessions are at risk and may be seized

to meet creditors demands in the event of the business becoming insolvent. Another disadvantage of this type of firm is the strict limitation of its ability to acquire capital for expansion. Finance is restricted to the amounts which the entrepreneur is able to provide from his own resources and whatever sums he can borrow on his own security.

We find the one-person business prevalent in farming, bailing, building, repair and maintenance work, and personal services such as hairdressing.

PARTNERSHIPS

Partnerships are voluntary combinations of from 2 to 20 persons formed for the purpose of carrying on business with a view of profit. This type of organisation represents a logical development from the one-person business since the obvious method by which such a firm may acquire further capital is to form a partnership. The motive, however, may not be financial and partnerships are often formed in order to bring new ability and enterprise into the business.

The partners usually share in the task of running the business, but a partner need not play an active role. A person who joins a partnership, supplying capital and sharing in the profits, but taking no part in the management is known as a sleeping partner. Partnerships are a common form of business organisation in such professions as law, accountancy, surveying, and medicine.

The advantages of this type of firm are similar to those of the one-person business. It is a flexible organisation which allows a greater degree of specialisation than the one-person business. Partners usually specialise in one or more aspects of the business; one may be responsible for buying, one for selling, one for production, and so on. Since it has greater access to capital, it can achieve greater size than the sole proprietor.

The great disadvantage, like that of the one-person business, is the fact that the liability of the partners is unlimited and they are all fully liable for the acts of the other partners. There are, however, some limited partnerships which have to be registered with the Registrar of Companies. In such firms some partners (e.g. dormant partners) may have their liability limited to some specified sum, but at least one of the partners must have unlimited liability.

The survival of a partnership depends upon the continued harmonious relationship between a number of people in situations which often give much cause for disagreement. Thus, where trading risks are very great, the partnership is not a very stable type of organisation.

THE JOINT STOCK COMPANY

The most important form of business organisation in the world is the joint stock company. Basically, it consists of an association of people who contribute towards a joint stock of capital for the purpose of carrying on business with a view to profit. A company may be defined as a legal person created to engage in business, capable of owning productive assets, of entering into contracts, and of employing labour in the same way as an individual.

There are two kinds of joint stock company, the private company and the public company. The public companies are much larger units and account for about two-thirds of all the capital employed by companies. In general, private companies are small firms, often consisting of the members of one family. Both public and private companies must have at least 2 members. A private company must include the word limited in its name while a public company must have the words public limited company at the end of its name although this can be abbreviated to «PLC». The basic distinction between a private and a public company is that a public company can offer its shares for sale to the general public. In the case of a private company it would be a criminal offence to ask the public to subscribe to its shares. All companies must file annually, with the Registrar of Companies, details of their turnover, profits, assets, liabilities and other relevant financial information about their structures and activities.

LAUNCHING A BUSINESS

There are numerous reasons that make people think about owning a business of their own. Personal independence, unlimited profit potential, the opportunity to work at something that they really love and at hours they choose are some of the reasons people have given for trying entrepreneurship. Many business leaders begin their careers as entrepreneurs after four years of undergraduate college training and even additional graduate school training. Others become successful entrepreneurs without special training.

Many colleges now offer programs that teach students how to start and operate a business. Basic information is combined with hands-on experience and the advice of successful business consultants. These programs help potential entrepreneurs decide whether their own ideas are good and how to follow through with them. With the high rate of business failure, this approach can prevent personal financial losses.

A common way to learn about a business, and the opportunities for starting one similar to it, is to learn while working for someone else. It provides a source of steady income to people while they are planning to start their own businesses. About 50 percent of entrepreneurs start their businesses in industries in which they have some experience.

Evidence shows that people who come from families whose members were in business they are more likely to start their own companies. Unfortunately, the record shows that two out of three new businesses fail within their first four years.

Small businesses face many problems. Bad economic times affect small business more than they do big business. In addition, small business profits tend to fall faster, and small businesses are more likely to fail.

What are the problems that face small business now? The four top problems facing small business are taxes, slow sales, the high cost of borrowing money and competition from other businesses. In a large business many hired managers do the tasks of organizing and operating.

A corporation is one kind of business organization. Other kinds of business organizations are sole proprietorships and partnerships. Sole proprietorships are the most numerous kinds of business organization, but most are very small. The reason for their popularity is that they are the easiest and least costly to organize.

Sole proprietors own all the profits of their enterprises, and they are their «own bosses», free to make whatever changes they please. They have minimal legal restrictions and do not have to pay the special taxes placed on corporations. Sole proprietors also have opportunity to achieve success and recognition through their individual efforts.

There are also disadvantages. A very serious one is the unlimited liability that each proprietor faces. All debts and all problems associated with the business belong to the owner. A second disadvantage of the sole proprietorship is that it has limited capital. The money that a proprietor can raise is limited by the amount of his or her savings and ability to borrow. Also, when the owner dies, the business dies. Other disadvantages may include lack of opportunities for employees, limitations of size and lack of management resources.

A partnership is a business organization that is owned by two or more persons. Partnerships offer certain advantages over sole proprietorships: partners bring additional funds to a proprietorship, partners can bring fresh ideas and talents to business organizations. Like the sole proprietorship, partnerships are relatively easy to form and are not subject to special taxation.

Partnerships have the following disadvantages: in many cases, each of the partners is subject to unlimited liability; partners are individually responsible for all the debts of the business. In other words, if the business were to fail, its creditors would have the right to recover their money from any, or all, of the partners. Shares of stock represent ownership of a corporation, and for that reason corporate owners are known as stockholders. One feature of the corporation is that the courts treat it as a legal «person». It can, for example, sue or be sued and enter into contracts, and it must pay taxes.

There are some other types of business organizations. They are: the corporation for small business, not-for-profit corporation, government-owned corporations, cooperatives and franchises.

SMALL BUSINESS

Many people find the potential independence and financial rewards that can come from owning a small business very appealing. For some, owning their own business has been a lifelong dream. Many people, however, hesitate to pursue this dream because they don't think they have enough education, experience or money – or are simply afraid they might fail. Others can't accept the idea that they can change their lives – that people like them could ever own their own business. For still others, going into business for themselves is a financial necessity because they have lost their job and there are no other readily available ways to earn a living, or even survive.

Whatever the reason, owning your own business can be one of the most challenging, satisfying, demanding and rewarding things you do in your life. However, there are real risks and difficulties in starting any new business.

ENTREPRENEURS

Small business owners are also called entrepreneurs. One definition of an entrepreneur is someone who organizes, manages and assumes the risks of a business or enterprise. Other experts say an entrepreneur is a person who can «create out of nothing» a viable business.

There are a number of myths and misconceptions about what it takes to be an entrepreneur. One misconception is the people who go into business for themselves are naturally high risk-takers. Of course, there are risks in business, but real entrepreneurs aren't gamblers who depend solely on chance to succeed.

In fact, just the opposite is true: successful entrepreneurs do everything possible to minimize the real risks associated with starting a company by studying, planning and organizing the information, people and materials they will need to succeed. They manage risk by setting reasonable and obtainable goals – then work to achieve them. In short, the successful small business owner works hard and intelligently.

Despite what many think, starting a successful small business does not always require a lot of formal education or prior management experience. Certain basic skills will be needed, plus some background in the business being contemplated. Just as important as formal education is the willingness to learn and improve the skills needed to succeed in business.

One of the biggest misconceptions about entrepreneurs is that they are only interested in making money. Entrepreneurs certainly like and respect

money, but money is only a byproduct of an even bigger goal for many very successful entrepreneurs.

As one U.S. expert on entrepreneurial management observed: «Many businesses fail because their owners were only interested in money. Most really successful companies are founded by someone with an idea and a dream. Whatever money and wealth they accumulated is the result of them being willing to work night and day to make this dream a reality. If you want to be really successful, know what your dreams are before going into business».

There are also a number of common traits successful entrepreneurs share: a great deal of energy; ability to establish priorities and make decisions; ability to deal effectively with a wide variety of people, such as customers, employees, suppliers, possible investors and lenders; ability to communicate clearly and effectively; ability to work with numbers; familiarity with customers and with the products or services to be sold; ability to balance conflicts between business and personal goals; awareness of personal strengths and weaknesses.

Becoming an entrepreneur is a way of looking at the world, seeing opportunity where others see problems. It is also knowing how to use certain basic tools to achieve your goals.

SELF-EMPLOYMENT

It's a small bookshop in the centre of Brighton. A place called George Street. It's a little bit off the beaten track, not in the main shopping street, because when we were first setting up, we didn't have the money to afford the rent on such premises. We sell books to students of English as a Foreign Language, and teachers in their schools. We've been open for about four years now.

The reason we set up the shop in the first place was because both of had been teachers for many years and we had the desire to be self-employed rather than working for someone else all the time.

We've just gone from strength to strength, really. It was the first six or eight months which were touch and go, trying to get new customers, but now we're very busy. We've got two other people working here.

Setting up the shop in the first place, as with all small businesses was very difficult. You have no financial track record in running a business yourself, so nobody wants to lend you any money. And you've never previously ordered goods on credit from anyone, so nobody wants to supply you any goods on credit.

So the most difficult thing is to get your potential suppliers, in our case educational publishers, to agree to supply you with your opening stock and wait for their money. And the other one is to find some friendly bank manager who's

willing to lend you cash at an extortionate rate of interest, which is always the case with business loans.

Having got over those two problems, and found a property that we could operate from, the rest of it seems to have been comparatively easy. The business is going so fast now, we're beginning to wonder whether it's the business which is running us or us running the business. That's the problem.

The other thing is that you don't escape from being told what to do when you become self-employed. Because when you're an employee, your boss tells you what to do. And when you're self-employed, it's your bank manager or your accountant or most of all your customers who tell you what to do. So you still find yourself tipping your cap to someone or other.

TYPES OF BUSINESS IN THE RUSSIAN FEDERATION

There are several forms in which a foreign company can undertake business activities in the Russian Federation: through a separate Russian entity recognized under the Russian law, a representative office, participation in a joint activity agreement, or through a combination of the above.

In accordance with the Civil Code of the Russian Federation, there are several types of Russian entities that can be established by a foreign company. The main ones are: joint stock companies; limited liability companies; full partnerships; limited or mixed partnerships.

Joint stock companies fall into two categories – «closed» and «open». The shares of an open JSC are freely transferable. In a closed JSC share transfers are restricted, with some shareholders generally having rights of preemption. The governing bodies of a JSC are the General Shareholders' Committee and Board of Directors. In a closed JSC with fewer than 50 shareholders, it is not necessary to have a Board of Directors. A Managing Board or General Director regulates daily activities of a JSC.

A limited liability company has participatory rights rather than shares. The number of «participants» in an LLC cannot exceed 50. The statutory documents of an LLC can contain certain restrictions about the transfer of a participant's rights. The governing organs of an LLC are the General Shareholders' Committee and the Managing Board or the General Director.

The principal features of a partnership are the personal contribution of participants to the partnership's business activity and the unlimited liability of at least some of the partners. Some partners in a limited partnership enjoy limited liability.

Foreign companies may also operate in Russia without creating a new entity by establishing a representative office. In summary, the advantages of operating through a representative office as compared to a JSC or LLC are that

a representative office has fewer administrative, tax, and accounting obligations; and has some tax benefits.

A representative office is generally understood to be a subdivision of a foreign legal entity that represents the company's interests in a foreign country. A «branch» of a foreign company is very rare in Russia, both for historic reasons and also because the basis of taxation of such an entity is unclear.

A representative office of a foreign company should be accredited with one of the state registration chambers and registered with the tax authorities and other state bodies. The nature of the activities performed will determine whether the activities are subject to Russian taxation.

Investors can also enter into a joint activity agreement with a Russian company to carry out business in Russia. In this case a foreign company usually contributes funds, property, or know-how in the form of tangible or intangible assets to the joint activity and, in accordance with the arrangement, is entitled to a share of the profit derived by the joint activity.

WHAT IS BUSINESS

Traditionally, business simply meant exchange or trade for things people wanted or needed. Today it has a more technical definition.

One definition of business is the production, distribution, and sale of goods and services. First, production is the creation of services or changing of materials into products. One example is the conversion of iron ore into metal car parts. Next these products need to be moved from the factory to the marketplace. This is known as distribution. Third is the sale of goods and services. Sale is the exchange of a product or service for money. A car is sold to someone in exchange for money. Goods are products which people need or want. Services are activities which a person or group performs for another person or organization. For instance, an auto-mechanic performs a service when he repairs a car.

Business, then, is a combination of all these activities: production, distribution and sale. However, there is another important factor. This factor is the creation of profit or economic surplus. Profit is the money that remains after all the expenses are paid. Creating an economic surplus or profit is, therefore, a primary goal of business activity.

ENTREPRENURIAL ABILITY

The term entrepreneur was first used in economics by Richard Cantillon (1680–1734). The term was later popularized by Jean-Baptiste Say (1767–1832). Joseph Schumpeter (1883–1950) further developed the concept of the entrepreneur. For Schumpeter, the term was applied to those persons who were

innovators and creators of new goods and processes. The act of creating something new is fundamental to the concept of the entrepreneur.

The person who provides the capital for a new venture is not an entrepreneur. The person who manages a project after its creation is not an entrepreneur. The process of creating new goods or processes is usually accompanied by risk.

Innovation and risk are important elements of the entrepreneurial function. The return to the entrepreneur is usually thought of as profit.

LIMITED LIABILITY COMPANY (LLC)

The LLC is a relatively new type of hybrid business structure that is now permissible in most states. It is designed to provide limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. Formation is more complex and formal than that of a general partnership. The owners are members, and the duration of the LLC is usually determined when the organization papers are filed. The time limit can be continued if desired by a vote of the members at the time of expiration. LLC's must not have more than two of the four characteristics that define corporations: Limited liability to the extent of assets; continuity of life; centralization of management; and free transferability of ownership interests.

STRATEGY

Every organization needs to know where it is going and how it is going to get there. I do not believe it is possible to see much further than 1 year in advance as far as day-to-day occurrences go, but some things take a long time to build. If the strategy is to consolidate all the warehouses, this may take a couple of years because the leases need to be arranged, and so forth. There are really different kinds of strategies.

The senior people of the company need to go away from everything for 2 or 3 days and, perhaps under the guiding hand of a consultant, examine the strategy of the company. They need to look at its resources, its goals, and its customers and to examine all these things and lay them out in a nice neat order before deciding where they are going to go. It is a mistake just to sit and guess at where they want to go without realizing that getting there requires trained people, resources, and the market. Having put all this together, the group members can then determine what they would like to see happen several years from now, what they would like the company to look like, not only in terms of profitability and sales but in terms of employees, markets, and places of working. For instance, it might be desirable to have an international operation functioning in 5 years. Well, they can then backtrack from that goal and

determine what building blocks will be necessary to make something happen 5 years from now.

Once the resources and goals are understood, the group can put together, piece by piece, the necessary products, people, and money to make it all happen. If it is apparent that these things are not available, then the strategy needs to be restructured. Every 6 months from then on, the group, members should get together to see how things are coming and, to determine whether it is necessary to revise the strategy.

Once the initial strategy is laid out, it should be given to people in the next level of operation for their comments and inputs. After all, these are the people who actually have to implement the strategy, and it is necessary to have them «buy off» on it. It is not possible to have everybody in the company go away for a strategy meeting. Some people have to be left out. However, they do not have to feel that they are left out of implementing the strategy and contributing their inputs.

Once a strategy is complete, it should be documented rather informally, and everybody who has a part in it should receive a copy. This lets them all have a common language. One thing companies miss is that having done all this, they hire a new executive and don't bother telling that person about the strategy.

PARTNERSHIP

Partnership, in law, term applied to an association of two or more persons who have agreed to combine their labour, property and skill, or some or all of them, for the purpose of engaging in lawful business and sharing profits and losses between them; in this definition the term business includes every trade, occupation and profession. The parties forming such an association are known as partners. Partners may adopt a fictitious name or use a real family name, which must be registered. A partnership can be formed only by contract. Any number of persons may contract to form a partnership, and firms of partners may enter into partnership with one other. New member may be admitted into an existing partnership only with the consent of all the partners. The agreement of partnership is generally for a definite period of time or for a limited project; if no duration is specified, it is said to be a partnership at will, and can be terminated at any time by any partner. By agreement of the members, a partnership may be dissolved or terminated and the terms of the partnership agreement modified at any time. Death or bankruptcy of a partner, the insanity or misconduct of a partner and the end of the period fixed for the duration of the partnership also operate to terminate the partnership.

A partner acts as an agent of the firm in the conduct of its business. Authority to act depends not only on the express powers given to a partner by the partnership agreement, but also on the implied powers resulting from the

partnership relation and the nature of the business conducted. In the case of a partnership formed to conduct a wholesale or retail business, for example, a partner has implied power to borrow money for trade purposes, to buy on cash or credit, to make contracts and negotiable instruments to hire employees, to pay debts and sell or mortgage property for that purpose, and to receive payment of debts owed the firm. A partner must, however, exercise the highest degree of good faith in all dealings with other partners, devote time and attention to the partnership business, and must account to the other partners for any secret profits made in the conduct of the partnership business. The liability of a partner for partnership debts is unlimited, except when the partner is a limited one in a limited partnership (that is, where the liability for the company's debts and losses is limited), organized in accordance with the provisions of a statute permitting such limitation of liability. The partnership agreement may contain provision for dissolution or expulsion of a partner; the expulsion powers must be exercised in good faith. The death of a partner, unless the agreement provides otherwise, terminates the partnership. When the owners of the partnership have unlimited liability they are called general partners. If partners have limited liability they are «limited partners». There may be a silent partner as well – a person who is known to the public as a member of the firm but without authority in management. The reverse of the silent partner is the secret partner – a person who takes part in management but who is not known to the public. Any business may have the form of the partnership, for example, in such professional fields as medicine, law, accounting, insurance and stockbrokerage. Limited partnerships are a common form of ownership in real estate, oil prospecting, quarrying industries, etc.

Partnerships have more advantages than sole proprietorships if one needs a big capital or diversified management. Like sole proprietorship they are easy to form and often get tax benefits from the government.

Partnerships have certain disadvantages too. One is unlimited liability. It means that each partner is responsible for all debts and is legally responsible for the whole business. Another disadvantage is that partners may disagree with each other.

CAPABLE MANAGEMENT

Perhaps more than any other factor, competent management stands out as the most important ingredient in business success. The people you place in key positions are crucial in determining the health and viability of your business. Moreover, their apparent experience and skills often determine whether your business plan is acted upon favorably by investors or banks.

Because of the significance of management to business success, many venture capital firms place the single greatest emphasis on this factor when deciding on their investments, and they review the management section of a

business plan with special scrutiny. Your business plan must inspire confidence in the capabilities of your management.

Before submitting your business plan to investors, conduct your own analysis of your management team. Evaluate each individual (and yourself) to see if he or she fits the profile of a successful manager. Some of the traits shared by successful managers are:

Experience. They have a long work history in their company's industry and / or they have a solid management background that translates well to the specifics of any business in which they become involved.

Realism. They understand the many needs and challenges of their business and honestly assess their own limitations. They recognize the need for careful planning and hard work.

Flexibility. They know things go wrong or change over time, and they are able to adapt without losing focus.

Ability to Work Well with People. They are leaders and motivators with the patience necessary to deal with a variety of people. They may be manding, but they are fair.

In developing your own business plan, determine whether key members of your management team, possess these characteristics. If not, perhaps you can increase training, add staff, or take other measures to enhance your management's effectiveness. For instance, if you have little or no experience in your chosen field, perhaps you should first take a job with an existing company in that field before opening your own business.

WHAT IS A MANAGER?

A number of different terms are often used instead of the term «manager», including «director», «administrator» and «president». The term «manager» is used more frequently in profit-making organizations, while the others are used more widely in government and non-profit organizations such as universities, hospitals and social work agencies.

In its broad meaning the term «managers» applies to the people who are responsible for making and carrying out decisions within a certain system. Almost everything a manager does involves decision-making. When a problem exists a manager has to make a decision to solve it. In decision-making there is always some uncertainty and risk. The amount of responsibility of any individual in a company depends on the position that he or she occupies in its hierarchy. Managers, for example, are responsible for leading the people directly under them, who are called subordinates. To do this successfully, they must use their authority, which is the right to take decisions and give orders.

Managing is a responsible and hard job. There is a lot to be done and there is relatively little time to do it. In all types of organizations managerial

efficiency depends on manager's direct personal relationships, hard work on a variety of activities and preference for active tasks. The characteristics of management often vary according to national culture, which can determine how managers are trained, how they lead people and how they approach their jobs.

Henry Fayol, a French industrialist, identified five managerial functions: planning, organizing, command, coordination and control. Over the years this list has been updated and expanded to eight managerial functions.

Planning. Planning is the formulation of future courses of action. Plans and objectives on which they are based give purpose and direction to the organization.

Decision making. Managers choose among alternative courses of action when they make decisions.

Organizing. Structural considerations such as the chain of command, division of labour and assignment of responsibility are part of the organizing function.

Staffing. Staffing is recruiting, training and developing people who can contribute to the organized effort.

Communicating. Managers are responsible for communicating to their employees the technical knowledge, instructions, rules and information required to get the job done.

Motivating. An important aspect of management today is motivating individuals to pursue collective objectives by satisfying needs and meeting expectations with meaningful work and valued rewards.

Leading. Managers become inspiring leaders by serving as role models and adapting their management style to the demands of the situation.

Controlling. When managers compare desired results with actual results and take the necessary corrective action they do it through the control function.

PEOPLE ARE THE HEART OF EVERY BUSINESS

The quality of the people determines the success of the business. Many investors base their investment choices almost entirely on the strength of the people involved in the enterprise. They know that the experience, skills, and personalities of the management team have a greater impact on the long-term fortunes of a company than the product or service provided. For this reason, investors and lenders are likely to review the management portion of a business plan before they read many other sections and make decision on investment. They read this section thoroughly, scrutinizing the qualifications of the people behind a business. They look not only to see if the management team has the experience necessary to run the business, but also if the internal structure makes maximum use of talents of team members. Most entrepreneurs give serious

thought to choosing people for key positions. They often undertake extensive recruitment efforts to find just the right person.

There always exist many questions that a manager should ask him/herself. Some of them are: How to actually run the company? How will decisions be made? What are the lines of authority? What voice do employees have when company policies and goals are set? Even the very best people will only do their best work in a system that encourages, recognizes, and rewards achievement. Two main areas in management are the people who run your business and your own management structure and style. They shape both the daily working atmosphere and the future of the company.

When examining their organization, managers usually begin with the formal structure – the official lines of authority. They decide how employees will be supervised and how job functions will be allocated.

Every business also has an informal structure which is important too. A manager should look at less formal relationships within the company when undertaking internal planning. If examining the informal structure the following questions should be asked:

- Which managers have the most impact on decisions?
- Which managers have ready access to the president or members of the Board of Directors?
- Do others effectively translate decisions at the top into action?
- Which subordinates have substantial influence on their superiors?
- Which divisions or groups of employees have the greatest morale problems? Who do they report to?

COMPANY STRUCTURE

Each company, firm, joint venture, stock-holding company, concern, bank, fund has its own complicated business structure and the staff which is necessary for the work.

But still there are some general principles how to organize the work at the enterprise. The Managing Director or the Chief Executive or President is the head of the company. The company is usually run by a Board of Directors – each Director is in charge of a department. The Chairman of the Boards is in overall control and may not be the head of any one department.

Vice-President or Vice-Chairman is at the head of the company if the President or the Chairman is absent or ill.

Most companies have Finance, Sales, Marketing, Production, Research and Development, Personnel, Tax, Logistics Departments. These are the most common departments, but some companies have others as well.

Most departments have a Manager, who is in charge of its day-to-day running, and who reports to the Director. The Director is responsible for strategic planning and for making decisions. Various personnel in each Department report to the Manager. Let's dwell on some positions in details.

General Manager supervises and leads the company's employees; maintains relations with customers, executes sales contracts and provides problem analysis and resolutions; represents the company at fairs and distributors' conferences; provides quality audits. General Manager is a self-motivated decision maker.

Sales Manager manages the sales staff of a company, supervises sales activity including a staff of sales representatives, plans and achieves target sales revenues and maintains a positive relationship between the company and its clients. Sales Manager must have extensive sales experience, often as many as 5 years in the position of sales representative before moving up to the position of sales manager. Excellent communication and management skills are required. The person must be a proven problem solver and possess management skills necessary to develop a sales team.

Finance and Administration Manager must have strong accounting experience including maintenance of Internal Controls, costing, budgeting, forecasting and the development of Management Information Systems. He/she must possess proven general management skills, including development of Logistics and Administration Systems to support a rapidly growing business.

Marketing Manager manages marketing department; plans, directs and executes all marketing and related activities; initiates and/or implements advertising strategy and promotional programs; oversees creative effort and media plans; must have 3 year commercial experience, strong interpersonal skills, ability to manage a team and lead personnel, excellent communication skills, computer literacy.

Customer Service Manager finds proper persons, organizes and supervises the job of Customer Service Clerks, Receptionist; provides the solution for all existing conflict situations; provides information and orders forms for distributors, directors; prepares monthly reports regarding performance of distributors.

Product Development Manager develops branded products for the company; prepares a brief of the project, a timeline with priorities and options for the successful competition of the project; researches on potential facilities, provides competitors' analysis, realizes market research on product quality and packing, negotiates with the producer.

Training Manager organizes and supervises trainers, develops and implements training courses for distributors, directors, staff; learns the existing training practice in other countries with the aim to extract, develop and

implement the best ideas; tests courses to satisfy all distributors' and directors' needs in training.

Forecast, Supply and Transport Supervisor makes monthly forecasts of all products, works with a company software system, provides logistics, works with suppliers concerning shipments of product, arranges shipments to Service Centers.

Treasury, Budget Specialist realizes treasury and cash flow management, prepares, reviews and monitors reports on all capital expenditure projects; provides budget cycle and management reporting; ensures the company's costing system; deals with internal projects, company's legal documents; coordinates all insurance matters, trains and develops staff in functional expertise.

Sales Representative realizes coordination of commercial activities, conducts negotiations with customers, markets intelligence functions targeting new customer group identifying business opportunities and introduction of new technologies, is responsible on and controls the selling activities in the frame of the regional strategy; frequently travels to customers, must have the following qualifications: engineering degree in some sphere, 3-5 year experience in the chosen field.

Financial Controller develops accounting policies and procedures, inputs and oversees confidential and complex transaction;, implements auditing techniques that ensure accuracy of financial results; analyzes data and provides recommendations to senior management for improvement; prepares consolidated results; provides financial analysis; improves internal controls; must have University education, detail-oriented personality, be well-organized and accurate.

WHAT IS THE PURPOSE OF A BOARD OF DIRECTORS?

A company's board of directors helps management develop business plans, economic policy objectives, and business strategy. A board of directors often elects the chief executive of the business, supports him, reviews his performance, and may dismiss him.

Through regular meetings, the board helps ensure effective organizational planning and sees that company resources are managed effectively. The board of directors also sees that the company meets regulatory requirements that apply to that business. The board of directors also must assess overall performance of the corporation.

Directors monitor a company's financial performance and the success of its products, services and strategy. Directors are expected to follow developments that affect the business. They must set aside any potential conflict

between their personal or individual business interests to support the well-being of the business which they serve.

The most effective board of directors will be a group of professionals who bring a breadth of skills, experience and diversity to a company. If the company grows and changes, the governing board also will have to meet changing needs and circumstances.

The major duties of Board of Directors are:

1. to select and appoint a chief executive to whom responsibility for the administration of the organization is delegated, including:

- to review and evaluate his/her performance regularly on the basis of a specific job description, including executive relations with the board, leadership in the organization, in program planning and implementation, and in management of the organization and its personnel;

- to offer administrative guidance and determine whether to retain or dismiss the executive.

2. to govern the organization by broad policies and objectives, formulated and agreed upon by the chief executive and employees, including to assign priorities and ensure the organization's capacity to carry out programs by continually reviewing its work.

3. to acquire sufficient resources for the organization's operations and to finance the products and services adequately.

4. to account to the public for the products and services of the organization and expenditures of its funds, including:

to approve the budget, and formulate policies related to contracts from public or private resources;

- to accept responsibility for all conditions and policies in new, innovative, or experimental programs.

Major responsibilities of Board of Directors are to determine the organization's mission and purpose; to select the executive; to support the executive and review his or her performance; to ensure effective organizational planning; to ensure adequate resources; to manage resources effectively; to determine and monitor the organization's programs and services; to enhance the organization's public image; to assess organization's performance.

MODERN WORLD ECONOMY

The world economy is becoming a single economic unit. Individual national economies are developing closer ties through trade, capital investment and financial institutions. The role of global business in world affairs is becoming more important. Multinational corporations spread their activities across national boundaries, the international banking system carries on banking

activities throughout the world, financial and commodity markets have become world markets. Over the last few decades export and import shares of output have increased considerably in practically all industrial sectors. For most industrial nations, exports and imports remain the most important international activity. In addition to visible trade, which involves the import and export of goods, they are trying to develop invisible trade, which involves the exchange of services between nations, thus improving their balances of trade.

As the world is developing a single economy, international organizations, including the World Trade Organisation, the International Monetary Fund and the World Bank Group, are contributing to the liberalization of trade, monetary and economic cooperation. They have had a positive effect on economic growth, price stability and the flow of capital.

Nevertheless, serious economic and social challenges remain: how to bridge the gap between the industrialized and developing world; how to prevent inflation; how to improve employment opportunities; how to maintain economic growth; how to put an end to poverty.

ECONOMIC ACTIVITIES

Production, distribution and consumption are clearly economic activities. Each of these activities is interrelated with other aspects of society as well as the natural and built environments. It may be helpful to think of an economic system as a process that begins with a set of inputs that are used for production that must be distributed for ultimate consumption.

The economic process begins with a set of inputs. These inputs are often referred to as resources or «factors of production». Typically, these resources are classified as labour, capital, land, and entrepreneurial ability.

Land is a resource or input that is a «gift of nature». It exists independently of human activities. Soil, a forest, a deposit of oil or coal, a river are a few examples of land. In economics the payment for land is often called rent. There are many categories of land.

Some resources, like solar or wind, are referred to as «flow resources». If the resource is used for one purpose, there is no significant impact on the availability of the resource for other uses. Other land resources are called «renewable». A forest, fishery water quality and the like are renewable resources.

Other resources are called exhaustible resources. There is a finite amount available and once used it is gone, it cannot be replaced. Coal and oil are examples of these resources. In practice, society does not know about all deposits of those resources. As one deposit of coal is mined out, new deposits may be discovered.

Labour is any human effort to produce goods and services. The payment for labour is usually called wages (payments might be commissions, salary, bonus or whatever). Labour can be physical or mental. A person managing a firm, or performing accounting functions is providing labour.

Capital is a means of production that is made by human labour and used for the further production of goods and services. Dams, roads, irrigation canals and buildings are examples of things that may be considered as capital if they are used to produce other goods. The payment for capital is usually measured as interest.

Production, distribution and consumption are interrelated. What to produce is influenced by what individuals want to consume. What people want to consume is influenced by the distribution process and what can potentially be produced. This coordination may come in the form of cooperative activities, such as the creation of a business firm. The firm usually organizes production internally as a cooperative process but must compete externally. Alternatively, the coordination of activities may be accomplished by competition or some combination of cooperation and competition.

GENERAL DEFINITIONS OF SUPPLY AND DEMAND

Demand is the quantity of a good that buyers wish to buy at each price. Other things equal, at low prices the demanded quantity is higher.

Supply is the quantity of a good that sellers wish to sell at each price. Other things equal, when prices are high, the supplied quantity is high as well. The market is in equilibrium when the price regulates the quantity supplied by producers and the quantity demanded by consumers. When prices are not so high as equilibrium price, there is excess demand (shortage) raising the price. At prices above equilibrium price, there is excess supply (surplus) reducing the price.

There are some factors influencing demand for a good, such as the prices of other goods, consumer incomes and some others.

An increase in the price of a substitute good (or a decrease in the price of a complement good) will at the same time raise the demanded quantity. As consumer income is increased, demand for a normal good will also increase but demand for an inferior good will decrease. A normal good is a good for which demand increases when incomes rise. An inferior good is a good for which demand falls when incomes rise.

As to supply, some factors are assumed as constant. Among them are technology, the input price, as well as degree of government regulation. An improvement in technology is as important for increasing the supplied quantity of a good as a reduction in input prices.

Government regulates demand and supply, imposing ceiling prices (maximum prices) and floor prices (minimum prices) and adding its own demand to the demand of the private sector.

MANAGING

1. A good manager is a leader, not a boss. A boss gives orders, and workers obey because they have to, but that's all they do. When a leader maintains high activity standards by educating, directing and supporting people and sets examples more than is required.

2. Workers in boring jobs do better under a flexible, considerate boss than one who forces their «noses to the grindstone» but those doing more complex, less clearly defined jobs often function better under an authoritarian. Theory: when work is stressful, employees welcome orders and structure.

A smiling boss makes for a happy and more productive employee. Research from the Journal of Applied Psychology suggests that a boss who gives explicit instructions with a smile get more results than one who barks out orders.

Caution: smiles without specific instructions will only result in relaxed but confused workers.

3. Respect the people who answer to you. Handing out a public scolding may make you feel important and powerful, but no executives stay on top for long without the loyalty of their employees. Criticize in private.

4. When you are the owner, remember that it's the people on the line – in the plant and out with the sales forces – which are doing the work that makes the company run. Get out of your office to see how they are doing.

5. One perk that comes with being in business for yourself is the freedom to come and go as you choose. You may put in 14-hour days, but if you need a few hours for a personal or family matter, you don't have to ask anyone's permission. It's best to be discreet when you're leaving the office for personal reasons. The reason: employees may resent that they can't do the same, and might question your commitment to the business. The result could be a drop in employee morale and increase problems with excessive absences and lateness.

6. When you have got a tough decision to make, don't just ask for opinions. Ask for facts. When you have all the facts, many decisions become automatic.

7. When you schedule a meeting with your employees, plan to keep it brief by scheduling it for the hour or half-hour before lunch. There will be fewer digressions from the topic if staff members are eager to get out for a meal.

8. Don't impose your social life on the social lives of your employees, he'll take it as an imposition and see it as a sign of weakness. They'll think you

need them to stress your importance even away from the office. You should develop a rewarding social life that's completely separate from business life.

9. Don't go into business with friends. It's almost impossible to keep business decisions from negatively affecting personal relationships.

10. Business owners who frequently join in after-hours socializing with employees can put themselves into a no-win situation. Subordinates observe what owners do and what is said. And in the social surroundings, it is easy to send the wrong message. Chains of command, reporting relationships, and routine office procedures can break as employees lose respect for the superior's status.

Occasional socializing with employees, still, is beneficial. It allows the owners to reveal their human side – or to provide special recognition. But when allowed to become a regular occurrence, it can turn into an unwanted substitute for normal office organizational structure.

11. Never hire your in-laws. They aren't relatives and they aren't employees. They are somewhere in the «twilight zone».

12. Good activity is very hard to get from the average worker unless they: Know specifically what is expected.

Get immediate feedback on their activity.

Are rewarded for doing well (with money, praise, recognition or specially pleasant tasks).

13. Symptoms of poor delegators:

Working longer hours than your workers.

Taking work home almost every day.

Having no time for a social life and educational or professional divides.

14. Less painful firing. Tell employees they are good at what they do, but those skills don't match the company's current needs. Be brief and fair. End by offering support in the job search.

15. Don't let employees who are quitting pick their replacements. They'll probably choose someone less capable; either to make themselves look good or leave the door open if they ever want to come back. Don't let them write the ob specifications, either. They'll make the job sound much harder than it really is.

16. Secretaries can be most useful when they:

Always know where to reach you, even during short absences.

Know who your contacts are and what they do, so that they can prevent unnecessary delays.

Handle routine correspondence, either personally or by preparing it for your signature.

Understand the reasons for their duties, and have the opportunity to develop more advanced skills, including the option of taking work time to attend courses or seminars.

17. Have each of your managers write a goal paper for the next 6 months, twice a year. It should include exactly what they are trying to do, what must be

done to reach the goals, and the projected problems to obtaining them-showing those that can be solved within their area and those that will require help in solving.

The paper should also review the plans for the previous 6 months, the achievements, the effects on company goals, and what was not done and why.

18. If you permit ex-employees to come back as part-timers or consultants, consider the effect on morale. Full-time employees may get the idea that the way to get the flexibility or freedom they want is to quit.

19. New clothes and shiny shoes on employees who normally dress more casually often show that they are job-hunting. Another sign: someone who lacks clerical duties begins to write letters and use the office copier, especially during lunch hour.

20. Treat the person who brings you unpleasant news just as well as the one who bears good tidings. If bad news is met with a cool reception, people will eventually stop bringing it to you.

21. Golden rule of discipline: 95 % of employees pose no significant discipline problems. Deal with the problem 5 % firmly, but fairly. Common fear: that setting up a formal disciplinary system will cause uproar among employees. Reality: the trouble-free 95 % usually welcome it.

22. Hire older workers. They have less absenteeism, display sounder judgment, are more loyal and reliable and on average are more satisfied with their jobs than younger employees. Tap into this vast resource by hiring older employees as permanent part-timers and rehiring the company's retirees as consultants. When training older workers:

- Make use of their current skills and experience. Allow these workers opportunities to share their experience with younger workers;
- Be patient. The speed at which people learn, decreases with age. An older worker may need to have a new idea explained or to practice a new task several times before learning it completely;
- Allow for uniqueness. Provide older workers with alternative methods of learning so they can choose a method they are comfortable with;
- Tailor training to the worker's educational level.

BE RESOURCEFUL

Often the best marketing vehicles are not the most obvious or the most expensive. A large ad in a specialty publication may prove far more effective and less expensive than a small one in a general newspaper.

A well-stocked public library can be an excellent source of marketing information. In particular, you may want to consult the Standard Rate and Data Service to find names and prices of specialty and general publications.

To find information on trade shows, refer the Trade Shows and Directory. Trade Show to books, such as Professional Exhibits and Exhibit Schedule; or Trade Show Week Data Book.

If you are marketing to businesses, identify potential customers for direct mail or telemarketing efforts through the Thomas Register, an invaluable source similar to a giant, national *Yellow Pages* directory.

Some of the marketing vehicles you may choose include:

- *Brochures*. Leaflets, flyers, or other descriptive circulars; these are particularly useful for service businesses;
- *Print media*. Newspapers, magazines, and specialty publications;
- *Broadcast media*. Radio can be targeted to specific markets; television can be expensive, especially on network stations;
- *Advertising Specialties*. Items imprinted with the company name given to customers, e.g., calendars, caps, desk sets, and gifts;
- *Direct Mail*. Flyers, catalogues, brochures, and coupons;
- *Public Relations*. Free feature and news articles in the media and other publicity, usually secured by public relations specialists;
- *Sampling*. Distribution of free product samples, or coupons entitling recipients to free or discounted samples of your product or service;
- *Informal Marketing / Networking*. Activities such as joining organizations, public speaking, or attending conferences.

WHAT IS A MANAGER?

The characteristics required by a good manager are well-documented and clearly definable. The person has to be, among other things, responsible, communicative, supportive and approachable. These adjectives focus attention on interpersonal skills, but a debate still rages as to who make the best managers – men or women. The implication is that he or she will automatically become a successful manager.

Surveys have been carried out to find out why certain individuals become national leaders. After all, if a person occupies the leading position in a country, there ought to be some common identifiable qualities which have universal appeal. The facts discovered are bizarre. For example, some leaders have been above average height or were well below it. They have been intelligent, but not geniuses and have had great enthusiasm, courage, determination, energy and faith. But possession of all these traits would be unusual in any one person. So these are necessary, but not sufficient conditions; good leaders have these qualities, but their possession alone does not make a good leader.

In his book, *Understanding Organisations*, professor Charles Handy claims there is not right style of leadership. He says that leadership will be most effective when the requirements of the leader, the subordinates and the task fit

together. This would seem to rather exclude personality from the equation. And yet, we can all recall managers whom we have liked or disliked, so there has to be more to the magic formula for a successful manager. Handy adds that managers need value systems which would acknowledge the desire for personal success and the planning and control of the actions of the people below them in the company hierarchy.

In his later theories, he defines managers as people who are responsible for making things happen. These are professionals who are accountable to the people who pay them and to the people working with and for them. Managers take responsibility for the actions of others. This is a popular modern definition of a manager, and while Handy accepts that personal characteristics like assertiveness, patience, loyalty and consistency are very important, he has added further vital statistics which he calls the four P's: Projects (in which teams are involved), Professionalism, Passion and Pride.

MORE ABOUT MANAGEMENT

Some people learn everything without the help of a teacher; others learn nothing even when carefully taught. Most of us, however, fall in the category where we can learn if we are taught. The better we are taught, the better we learn. A skill can definitely be taught. A skill is something that can be observed, analyzed, explained, practiced, criticized and practiced again. Management is the kind of skill that can be taught, learned and must be practiced. Management is not an academic subject to be absorbed passively. Even when managers have received degrees in their field, most of their learning gets done on the job. In this way learning to manager is a bit like learning to ride a bicycle. Management is a kind of house-keeping. But it is also home-making in that it involves dealing with people. Management means getting things done and no one not even the single entrepreneur can do it alone. The successful manager knows how to get the right people to do the right jobs. He/she knows how to delegate authority: how to make people feel good about the responsibility they are taking and the creativity they engage in. All of us need a sense of self-fulfillment and the successful manager will know how to give such a sense to the people who work with him/her.

All management involves three elements: planning, execution and control. Every enterprise must be carefully planned before the first step is taken. That does not mean that plans cannot be changed mid-stream. The successful manager should be flexible enough to let his/her original design go. Execution means that plans are realistic enough to be carried out. Control is seeing that the project doesn't get too far out of touch with the possible, keeping people on track, keeping lines of communication open. Managers never work alone. They

listen to others and they pay attention. The best way to know who the best manager is, is to look at the final result of the project.

THE EVOLUTION OF MANAGEMENT THOUGHT

Management thought has evolved over the years. Although the practice of management dates back to the earliest recorded history, the systematic study of management is largely a product of the twentieth century. An information explosion in management theory has created a management theory jungle. Five conventional approaches to management are: the universal process approach, the operational approach, the behavioral approach, the systems approach, and the contingency approach. A modern unconventional approach centers on Peters' and Waterman's attributes of corporate excellence.

Henry Fayol's universal process approach assumes that all organizations, regardless of purpose or size, require the same management process. Furthermore, it assumes that this rational process can be reduced to separate functions and principles of management. The universal process approach, the oldest of the various approaches, is still popular today.

Dedicated to promoting production efficiency and reducing waste, the operational approach has evolved from scientific management to operations management. Frederick W. Taylor, the father of scientific management, and his followers revolutionized industrial management through the use of standardization, time and motion study, selection and training, and pay incentives. Largely a product of the post-World War II era, operations management has broadened the scientific pursuit of efficiency to include all productive organizations. Operations management specialists often rely on sophisticated models and quantitative techniques.

Management has turned to the human factor in the human relations movement and organizational behavior. Emerging from such factors as unionization, the Hawthorne studies, and the philosophy of industrial humanism, the human relations movement began as a concerted effort to make employees' needs a high management priority. Today, organizational behavior tries to identify the multiple determinants of job performance.

Advocates of the systems approach recommend that modern organization, be viewed as open systems. Open systems depend on the outside environment for survival, whereas closed systems do not. General systems theory, an interdisciplinary field based on the assumption that everything is systematically related, has identified a hierarchy of systems and has differentiated closed and open system.

The contingency approach is an effort to determine through research which managerial practices and techniques are appropriate in specific

situations. It is characterized by an open-system perspective, a practical research orientation, and a multivariate approach to research.

DREAM JOB

A good job means different things to different people. Some people would just like to do nothing and get paid. Others feel that the more they work the happier they are. There are a lot of people who prefer to be told what to do. Some of us enjoy being solo and taking all the responsibilities for the work we do. There are also those who enjoy the feeling of being part of the team or belonging to an organization or a group of people. We enjoy doing what we know how to do and what we feel professionally competent to do. Lots of people are also very sensitive to the status of their job, which is the value which is attributed by the society to this or that profession at a given moment of time.

The pay is recognized to be a very important factor in job satisfaction. The salary is way to reach basic needs, many people also view it as a symbol of the value of their work by the society and the company. Health-insurance, free training or family vacations can be a substantial part of what an employee gets from his company. But material incentives are not always number one. There are people who would prefer status, the reputation of the company they work for, or moral satisfaction over the pay. Promotion opportunities may be high on the priority list for many people.

There are certain jobs in which you reach your target very fast. You can raise your position after you improve your professional skills. Often individuals who are promoted on the basis of seniority do not experience as much satisfaction as those who are promoted on the basis of job performance. Most of people view supervision or management as an important part of their job satisfaction. In our country with its highly personalized touch in human relations it is extremely important to have a boss who communicates with the worker on a personal as well as an official level.

The nature of the work group or people you work with is another important factor or job satisfaction. The work group may vary in age, social status and educational background. Working together with diversified groups may either bring satisfaction or disappointment and anxiety.

Working conditions may also have an effect on our job satisfaction. If the working conditions are good and we work in attractive, clean surroundings, we find it easier to carry out our job. On the other hand, if the working conditions are poor we find it more difficult to get things done. Many of us do not give working conditions a great deal of thought unless they are extremely bad. Not all the companies provide their employees with recreation facilities or even a place to have lunch. In our country where office space is always a problem we often suffer from being crowded and having no personal space.

All these factors are very important. Just as you don't marry the first man or woman you met, you don't have to stick to the job that makes you unhappy, making everybody about you unhappy too. You can always make a change!

Meredith Belbin has identified these types of team members or team player:

- the implementer, who convert the team's plan into something achievable;
- the coordinator, a confident member who sets objectives and defines team member's roles;
- the shaper, who defines issues, shapes ideas and leads the action;
- the plant, a creative and imaginative person who supplies original ideas and solves problems;
- the resource investigator, who communicates with outside world and explores opportunities;
- the monitor evaluator, who sees all the possibilities, evaluates situations objectively, and sees what is realistically achievable;
- the teamworker, who builds the team, supports others and reduces conflict;
- the completer, who meets deadlines, corrects mistakes and sure nothing is forgotten.

The typical stages of team life are:

- forming: the group is anxious and feels dependent on a leader; the group tries to discover how it is going to operate and what the 'normal' ways of working will be;
- storming: the atmosphere may be one of conflict between members, who may resist control from any one person; there may be the feeling that the task cannot be achieved;
- norming: at this stage, members of the group feel closer together and the conflicts are forgotten; members of the group will start support each other; there is increasingly the feeling that it possible to achieve the task;
- performing: the group is carrying out the task for which it was formed; members feel safe enough to express differences of opinion in relation to others;
- mourning: the group's work is finished, and its members begin to have pleasant memories of their activities and achievements.

LEADERSHIP

Leaders emerge from within the structure of the informal organization. Their personal qualities, the demands of the situation, or a combination of these and other factors attract followers who accept their leadership within one or several overlay structures. Instead of the authority of position held by an

appointed head or chief, the emergent leader wields influence or power. Influence is the ability of a person to gain cooperation from others by means of persuasion or control over rewards.

Power is a stronger form of influence because it reflects a person's ability to enforce action through the control of a means of punishment.

An individual who is appointed to a managerial position has the right to command and enforce obedience by virtue of the authority of his position. However, he must possess adequate personal attributes to match his authority, because authority is only potentially available to him. In the absence of sufficient personal competence, a manager may be confronted by an emergent leader who can challenge his role in the organization and reduce it to that of a figurehead. So a leader may occupy a formal position to which he is appointed or he may emerge as a leader in response to the needs of the informal group. Ideally, a manager appointed to a position of authority in the formal organization will possess the necessary personal qualities for leadership.

ORGANIZATIONAL STRUCTURE

Organizational structure is very important in any company. It is the relationship that exists between the positions and the people who hold the positions. Organizational structure helps to establish an efficient work system and a system of communication.

Historically, line structure is the oldest type of organizational structure. It is based on the idea of direct vertical relationships between the positions and tasks of each level. For example, the Chief Engineer may be in a line position between the President and the Head of the Technical Control Department. This means that the President has direct authority over the Chief Engineer, who in turn has direct authority over the Head of the Technical Control Department. This establishes a chain of command which can simplify the problem of giving and carrying out orders.

When a business grows in size and complexity, there is a need for specialists. At this point, executives may add staff departments and staff specialists to do specific work. These people provide specific services and they are not directly connected with the company product. These people make up the staff structure and their work includes such special activities as accounting, personnel, credit, and advertising. In general, they do not give orders to other departments.

MANAGEMENT STYLE

Managing people is very important to be left to chance. Your employees are one of your valuable resources; you must make certain you are not wasting

your human resources. But most managers define their jobs in terms of the tasks to be done rather than the methods to be used. They see their role as making things, rather than motivating and aiding those who make them. Thus, their management styles are usually just extensions of their personal styles. Your management style should reinforce your corporate culture and company mission.

For most companies, especially smaller companies building a sense of teamwork is essential. Help your employees feel they are an important part of the organization and that their contribution matters. Communication is a vital ingredient in team building; if employees know what's going on in the company, they feel a part of a business. Recognize achievement both privately and publicly. Regardless of your management style, remember that everyone, whether mailroom clerk or company president, wants to feel important. Reward initiative with both monetary and nonmonetary awards. Acknowledge jobs well done. Solicit (просить) suggestions, and be responsive (откликающийся) to concerns.

Here are the five most important elements of your management style: clear policies, employee recognition, communication, fairness, employee's ability to affect change.

Managers often delegate authority. By definition, managers cannot do everything themselves (although some try and fail). They have to rely on other people. This means that employees at lower levels in the company hierarchy can use their initiative that is make decisions without asking their manager. Symptoms of poor delegators: working longer hours than your workers. taking work home almost every day, having no time for a social life and educational or professional activities.

When it comes to dealing with people, managers: organize and allocate work, get the right people to the work, ensure that these people know what to do and are capable of doing it, develop skills and capabilities (competence), reward people, using both financial and non-financial methods, involve people and communicate with them, handle people issues and problems as they arise.

WHAT IS PRODUCTION MANAGEMENT?

Production management is also called operations management: It includes planning, co-ordination and control of industrial processes. The aim of production management is to ensure that goods are produced efficiently to the satisfaction of the customer at the right price, of the right quality, in the right quantity, at the right cost and on time.

In manufacturing production manager is responsible for product and process design, planning and control issues involving capacity and quality, and organization and supervision of the workforce.

The scope of the job of production manager depends on the nature of the production system: jobbing production; mass production; process production; and batch production. Many companies have several types of production, so the job of production manager becomes more complex.

TYPICAL WORK ACTIVITIES OF PRODUCTION MANAGER

Depending on the size of the organization the functions of production manager are: to draw up a production schedule; to work out the needed resources; to estimate how long a job will take, to estimate the cost of it, and to set the quality standards; to monitor the production processes and adjust schedules as needed.

At the pre-production stage the production manager has responsibility for the selection and design of equipment, the plant layout and materials handling, and production planning (including demand forecasting, production scheduling and the ordering of material).

During the production stage the responsibilities of the production manager include production control (the sequencing of jobs, updating time schedules, etc.), stock control, quality control and the maintenance and replacement of production equipment. Production managers are also concerned with product design and purchasing.

In a small firm production manager makes many of the decisions by himself, but in a larger organization there are planners, controllers, production engineers and production supervisors who assist him. In a very large firm senior production manager plays a more strategic role estimating future capacity, coordinating the work of planners and supervisors and working with buyers, sales and engineering staff. In progressive firms the production manager's role is tending to be more closely integrated with other functions, such as marketing and finance.

TYPICAL WORK ACTIVITIES OF FACTORY (OR OPERATIONS) MANAGER

Much of the work involves full operational control over what happens at the plant/works including engineering, output, personnel and often logistics and other commercial activity (sales and marketing).

Typical work activities of factory manager are: to review and approve plans for the control of planned output, budget spending, material efficiency, engineering effectiveness, and human resources; to supervise employees; to establish strong working relations with other functional managers; to report regularly to the production manager.

TYPICAL WORK ACTIVITIES OF PRODUCTION SUPERVISOR

A production supervisor is sometimes known as a shift manager or team leader. He reports to the production manager or plant manager and is responsible for achieving immediate and short-term objectives laid down by the production manager, for example output, quality, waste, yield, safety and overtime costs. In particular, the supervisor can have a significant effect on how effectively their production staff performs as a team. Much of the work requires the ability to make immediate decisions.

Typical activities of production supervisor include: at the beginning of each shift, checking on absences (e.g. through sickness); reallocating tasks or rescheduling production, where necessary; Supervisors are responsible for production plant or equipment, too.

The responsibility they carry again varies with the situation. In some cases they may have to take technical decisions on a regular basis, whereas in others they may call upon maintenance or other technical staff for backup when necessary.

PERSONNEL MANAGEMENT

Personnel management is concerned with the effective use of the skills of people. They may be salespeople in a store, clerks in an office, operators in a factory, or technicians in a research laboratory. In a business, personnel management starts with the recruiting and hiring of qualified people and continues with directing and encouraging their growth as they encounter problems and tensions that arise in working toward established goals.

In addition to recruiting and hiring, some of the responsibilities of a personnel manager are: to classify jobs and prepare wage and salary scales; to counsel employees; to deal with disciplinary problems; to develop safety standards and practices; to manage benefit programs, such as group insurance, health, and retirement plans; to provide for periodic reviews of the performance of each individual employee, and for recognition of his or her strengths and needs for further development; to assist individuals in their efforts to develop and qualify for more advanced jobs; to plan and supervise training programs; to be informed of developments in personnel management.

Personnel managers often deal with the following difficult situations, concerning the employees: the firm's employees, especially the most qualified ones, can find better jobs with other employers; when a firm has not enough qualified personnel with adequate experience and job capabilities, it has to train and develop its own people (this can be time consuming and expensive); the cost of hiring and training employees at all levels is increasing, for instance, several thousand dollars for a salesperson. A mistake in hiring or in slow and

inefficient methods of training can be costly; most employees want better direct compensation, employee benefits, and working conditions that the firm cannot afford, but other employers can. So, all employee policies and operating procedures should be developed with great care.

The personnel department has the responsibility to define and implement policies, procedures and programs for recruitment, selection, training, placement, safety, employee benefits, compensation, labor relations, organization planning, and employee development

Effective human resource management develops the abilities of job candidates and employees to meet the needs of the firm. Human resource management is a balancing act. At one extreme, you hire only qualified people who are well suited to the firm's needs. At the other extreme, you train and develop employees to meet the firm's needs. Most expanding small businesses fall between the two extremes: they hire the best people they can find and afford, and they also recognize the need to train and develop both current and new employees as the firm grows.

One function of personnel management is to hire and train the right people. The effective personnel system is: assessing personnel needs, recruiting personnel, screening personnel, selecting and hiring personnel, orienting new employees to the business, deciding compensation issues.

The second function of human resource management is the training and development of employees.

A third function is raising employee trust and productivity. These three functions stress the importance of a good human resource management climate and provide specific guidelines for creating such a climate.

LEADERSHIP AND MANAGEMENT

«Managers are people who do things right, while leaders are people who do the right thing»

Warren Bennis, Ph.D.

The English word «leader» means a person who guides or directs others. Good leaders are made not born. If you have the desire and willpower, you can become an effective leader. Good leaders develop through a never ending process of self-study, education, training, and experience.

To inspire your workers into higher levels of teamwork, there are certain things you must be, know, and, do. These do not come naturally, but are acquired through continual work and study. Good leaders are continually working and studying to improve their leadership skills; they are not resting on their laurels. The basis of good leadership is honorable character and selfless service to your organization. In your employees' eyes, your leadership is

everything you do that effects the organization's objectives and their well-being.

What makes a person want to follow a leader? People want to be guided by those they respect and who have a clear sense of direction. To gain respect, they must be ethical. A sense of direction is achieved by conveying a strong vision of the future.

PRINCIPLES OF LEADERSHIP

To help you be, know, and do follow these eleven principles of leadership:

Know yourself and seek self-improvement. In order to know yourself, you have to understand your be, know, and do, attributes. This can be accomplished through self-study, formal classes, reflection (размышление, обдумывание).

Be technically proficient. As a leader, you must know your job and have a solid familiarity with your employees' tasks. Seek responsibility and take responsibility for your actions. Search for ways to guide your organization to new heights. And when things go wrong, they always do sooner or later do not blame others. Analyze the situation, take corrective action, and move on to the next challenge.

Make sound and timely decisions. Use good problem solving, decision making, and planning tools.

Set the example. Be a good role model for your employees. They must not only hear what they are expected to do, but also see.

Keep your workers informed. Know how to communicate with not only them, but also seniors and other key people.

Develop a sense of responsibility in your workers. Help to develop good character traits that will help them carry out their professional responsibilities.

Ensure that tasks are understood, supervised and accomplished. Communication is the key to this responsibility.

Train as a team. Although many so called leaders call their organization, department, section a team; they are not really teams, they are just a group of people doing their jobs.

Know your people and look out for their well-being. Know human nature and the importance of sincerely caring for your workers.

Use the full capabilities of your organization – by developing a team spirit you will be able to employ your organization, department, section to its fullest capabilities.

Leadership and management are not identical. What is the difference between leading and managing? Managers manage things, but lead people.

LEVELS OF MANAGEMENT

Supervisors are managers whose major functions are directing and controlling the work of employees in order to achieve the team goals. They are the only level of management managing non-managers. Thus, most of the supervisor's time is allocated to the functions of directing and controlling. In contrast, top managers spend most of their time on the functions of planning and organizing.

The top manager determines the mission and sets the goals for the organization. His or her primary function is long-range planning. Top management is accountable for the overall management of the organization. They engage in more strategic and conceptual matters.

Top managers have middle managers working for them and who are in charge of a major function or department. Middle management is responsible for carrying out the decisions made by top-level management. Middle managers may have first-line managers (or supervisors) working for them and who are responsible to manage the day-to-day activities of a group of workers. Supervisors direct the actual work of the organization at the operating level.

Note that there are different types of managers across the same levels in the organization. At the middle level a functional manager is in charge of a major function, such as a department in the organization: marketing, sales, engineering, finance, etc. A project manager is in charge of developing a certain project, e.g., development of a new building. A product manager is in charge of a product or service. Similarly, a product line manager is in charge of a group of closely related products. General managers are in charge of numerous functions within an organization or department.

WHAT DO MANAGERS DO?

Managers create and maintain an internal environment, commonly called the organization, so that others can work efficiently in it. A manager's job consists of planning, organizing, directing, and controlling the resources of the organization. These resources include people, jobs or positions, technology, facilities and equipment, materials and supplies, information, and money. Managers work in a dynamic environment and must anticipate and adapt to challenges. The functions of a manager (planning, organizing, directing, and controlling) are goal-directed, interrelated and interdependent.

Planning involves identifying goals, objectives, methods, resources, responsibilities and dates of completion of tasks. It prepares the organization for the future. Examples of planning are strategic planning, project planning, promotions planning, advertising and staffing planning. When the plan is ready, the manager can follow it.

Organizing: To achieve the goals a manager often needs to organize new departments, office systems or re-organize businesses according to the plan, recruit, select and train employees. Assigning work and granting authority to employees are two important elements of organizing. A manager in a large organization often works with the company's human resources department to accomplish this goal.

Directing/Leading: Managers must also lead. They set direction for the organization, groups of people or individuals and influence people to follow that direction to achieve organizational goals. Directing/Leading involves motivating, communicating, guiding, and encouraging employees.

Controlling includes constant monitoring and adjustment of systems, processes and structures and taking any corrective actions if necessary.

All managers at all levels of every organization perform these functions, but the amount of time a manager spends on each one depends on both the level of management and the specific organization.

The extent to which managers perform the functions of management – planning, organizing, directing, and controlling – varies by level in the management hierarchy. The term supervisor could be applied at all management levels of the organization to those who direct the work of others. But in common usage, however, the title tends to be used only in the first level of the management hierarchy. If an organization is divided into top, middle, and lower managerial levels, the term generally applies to the lower level.

HOW TO MOTIVATE YOUR EMPLOYEES?

Successful managers know how to motivate their employees. When workers feel good about themselves, the work they do, the company they work for, it is much easier to get their cooperation.

Involve employees in decision-making process. If not decide what is to be done, then how it is to be done, or when or in what way and by whom.

Keep employees informed about changes that can directly affect them such as business policy changes, product information changes, etc.

Be aware of morale level of your employees. Be sensitive to changes in morale.

Maintain an open-door policy. Be available, approachable, and interested, not distant.

Always treat your employees with respect. Be thoughtful and considerate of the person you are dealing with.

Be sure to listen. Always listen and try to understand what workers are communicating.

Recognize (признавать заслуги) your employees. Give appropriate praise for work well done.

Give constructive criticism and never make personal attacks.

Ask for suggestions. Be sure to invite new suggestions and ideas from employees concerning work. Put good ideas into effect by making changes.

Maintain high standards of performance. You will build the pride and self-confidence.

TIME MANAGEMENT

Time is constant. No matter what position a person has in a company, he cannot stop time, he cannot slow it down, and he cannot speed it up. Time must be managed well if a person wants to be creative. Time is wasted when it is used for things that are less important. A person with a clear set of objectives and priorities can identify important activities and plan the best way to use the time.

A number of normal human tendencies make it more difficult to manage time well because of:

- Lack of clear objectives and priorities.
- People prefer to do things that are interesting and pleasant before doing things that are hard and unpleasant.
- People prefer to do easy things before doing extremely difficult things.
- People tend to wait until before a deadline to do a task.
- People tend to do things that are urgent before doing things that are not, because urgent things are usually initiated by others than by ourselves.

There are even some paradoxes:

- People who are very busy cannot find time for planning that would save more time than it takes.
- People who are able to find time to do things for others are likely to be asked to do even more things.
- People who tend to leave things out on their desk so they will not be lost or forgotten create such clutter that things are lost or forgotten.

Improving time management has a variety of benefits. Time management allows you to concentrate on the activities that are most important and in this way increase your effectiveness. Greater effectiveness is likely to increase work satisfaction and chances for career advancement and also reduces the frustration (разочарование) and stress resulting from being overloaded with work.

Common Time Wasters for managers are:

1) **Telephone Interruptions.** The telephone is an important medium of communication and it can save time. But it can become a major form of interruption if not controlled:

- If you have a lot of calls, your secretary should screen them. For example, give the secretary a list of people who should be put through immediately or your secretary should inquire about the nature of their business.
- Delegate responsibility for answering some questions to your secretary or subordinates

- Set aside some periods each week when people know they can call you.
- Have materials and information ready for calls that you expect to receive.

2) Drop-in Visitors. The managerial work requires many brief contacts with people, including subordinates, peers (равный), superior, clients, and other outsiders. There are some possible ways out of this problem: let your secretary screen your visitors, make yourself inaccessible during particular times of the week, use a «Do Not Disturb» sign outside your door, prepare polite excuses to shorten visits (such as «I have to leave for a meeting», «I'm expecting an important call» and «Can I meet with you later?», meet with people in their offices instead of yours, set up regular meetings each week with members of your work unit, have open office periods each week when you are available without an appointment for anybody who needs to see you for a few minutes, use non-verbal methods to signal that you are busy (for example, don't give eye contact to people who pass by, look frequently at your watch to show that a meeting is running too long, hold a telephone in your hand as someone comes in).

3) Cluttered Office

- Set priorities on incoming correspondence and paperwork. Sort your mail into categories including «read now», «handle now» and «read later». Read your mail at the same time each day.
- Have a person to screen and sort out your correspondence.
- Delegate responsibilities to your subordinates to answer routine types of correspondence.
- Reduce the amount of required reports and memos from clients, subordinates, etc.
- Have a place for everything and put everything in its place.

4) Unnecessary Tasks. The reasons are:

Lack of clear objectives and priorities.

- Delegate less important tasks to the subordinates and your secretary.
- Inability to say «no» to requests. You should prepare tactful ways to say «no» to them and in case of a request by your boss you can ask a boss to decide which task is more important to him or her.

– Use political power to get some tasks transferred to someone else or to another unit in the organization.

– Best suggestion for saving time - schedule 10 minutes to do nothing. That time can be used to just sit and clear your mind.

5) Unnecessary or over-long meetings.

Unproductive meetings occur due to some causes, such as lack of clear purpose, absence of key people, late participants, unprepared participants, unnecessary socializing, interruptions, lack of skilled leadership, and deviation from the agenda. You should: prepare a clear agenda, inform people about what

they need to do to prepare for a meeting, and make sure they receive necessary information, start meeting on time.

6) Planning Daily routine.

When planning one's daily activities, the first step is to make a list for the day and assign priorities to each activity.

SKILLS

In order to perform the functions of management and to assume multiple roles, managers must be skilled. Robert Katz identified three managerial skills that are essential to successful management: technical, human, and conceptual. Technical skill involves process or technique knowledge and proficiency. Managers use the processes, techniques and tools of a specific area. Human skill involves the ability to cooperate and interact effectively with people. Conceptual skill involves the formulation of ideas. Managers understand abstract relationships, develop ideas, and solve problems creatively. Thus, technical skill deals with things, human skill concerns people, and conceptual skill concerns ideas.

A manager's level in the organization determines the relative importance of possessing technical, human, and conceptual skills. Top level managers need conceptual skills in order to view the organization as a whole. Conceptual skills are used in planning and dealing with ideas and abstractions. Supervisors need technical skills to manage their area of specialty. All levels of management need human skills in order to interact and communicate with other people successfully.

The following are some skills and personal characteristics that are important for managers:

- Leadership – ability to influence others to perform tasks;
- Self-objectivity – ability to evaluate yourself realistically;
- Analytic thinking – ability to interpret and explain information;
- Behavioral flexibility – ability to modify personal behavior to react objectively rather than subjectively to accomplish organizational goals;
- Oral communication – ability to express ideas clearly in words;
- Written communication – ability to express clearly ideas in writing;
- Personal impact – ability to create a good impression and instill confidence;
- Resistance to stress – ability to perform under stressful conditions;
- Tolerance for uncertainty – ability to perform in ambiguous situations.

ROLES PERFORMED BY MANAGERS

A manager wears many hats. Not only is a manager a team leader, but he or she is also a planner, organizer, cheerleader, coach, problem solver, and

decision maker – all rolled into one. In addition, managers' schedules are usually jam-packed. Whether they're busy with employee meetings, unexpected problems, or strategy sessions, managers often find little spare time on their calendars. (And that doesn't even include responding to e-mail!)

In his classic book, *The Nature of Managerial Work*, Henry Mintzberg describes a set of ten roles that a manager fills. These roles fall into three categories:

- interpersonal (this role involves human interaction);
- informational (this role involves the sharing and analyzing of information);
- decisional (this role involves decision making).

Category	Role	Activity
Informational	Monitor	Seek and receive information; scan periodicals and reports; maintain personal contact with stakeholders
	Disseminator	Forward information to organization members via memos, reports, and phone calls
	Spokesperson	Transmit information to outsiders via reports, memos, and speeches
Interpersonal	Figurehead	Perform ceremonial and symbolic duties, such as greeting visitors and signing legal documents
	Leader	Direct and motivate subordinates; counsel and communicate with subordinates
	Liaison	Maintain information links both inside and outside organization via mail, phone calls, and meetings
Decisional	Entrepreneur	Initiate improvement projects; identify new ideas and delegate idea responsibility to others
	Disturbance handler	Take corrective action during disputes or crises; resolve conflicts among subordinates; adapt to environments
	Resource allocator	Decide who gets resources; prepare budgets; set schedules and determine priorities
	Negotiator	Represent department during negotiations of union contracts, sales, purchases, and budgets

MANAGEMENT AND HUMAN RESOURCES DEVELOPMENT

Managers perform various functions, but one of the most important and least understood aspects of their job is proper utilization of people. Research reveals that worker performance is closely related to motivation; thus keeping employees motivated is an essential component of good management. In a business context, motivation refers to the stimulus that directs the behaviour of workers toward the company goals. In order to motivate workers to achieve company goals, managers must be aware of their needs.

Many managers believe workers will be motivated to achieve organizational goals by satisfying their fundamental needs for material survival. These needs include a good salary, safe working conditions, and job security. While absence of these factors results in poor morale and dissatisfaction, studies have shown that their presence results only in maintenance of existing attitudes and work performance. Although important, salary, working conditions and job security do not provide the primary motivations for many workers in highly industrialized societies, especially at the professional or technical levels.

Increased motivation is more likely to occur when work meets the needs of individuals for learning, self-realization, and personal growth. By responding to personal needs – the desire for responsibility, recognition, growth, promotion, and more interesting work – managers have altered conditions in the workplace and, consequently, many employees are motivated to perform more effectively.

In an attempt to appeal to both the fundamental and personal needs of workers, innovative management approaches, such as job enrichment and job enlargement, have been adopted in many organizations. Job enrichment gives workers more authority in making decisions related to planning and doing their work. A worker might assume responsibility for scheduling work-flow, checking quality of work produced, or making sure deadlines are met. Job enlargement increased the number of tasks workers perform by allowing them to rotate positions or by giving them responsibility for doing several jobs. Rather than assembling just one component of an automobile, factory workers might be grouped together and given responsibility for assembling the entire fuel system.

By improving the quality of work life through satisfaction of fundamental and personal employee needs, managers attempt to direct the behaviour of workers toward the company goals.

ORGANISATIONAL STRUCTURE

Every organisation made up of more than one person will need some form of organisational structure.

The way in which a company is organised can be illustrated for a packaging company. The company will be owned by shareholders that choose directors to look after their interests. The directors then appoint managers to run the business on a day-to-day basis. The Managing Director has the major responsibility for running of the company, including setting company targets and keeping an eye on all departments.

The Distribution Manager is responsible for controlling the movement of goods in and out of the warehouse, supervising drivers and overseeing the transport of goods to and from the firm.

The Production Manager is responsible for keeping a continuous supply of work flowing to all production staff and also for organising manpower to meet the customers' orders.

The Sales Manager is responsible for making contact with customers and obtaining orders from those contacts.

The Company Accountant controls all the financial dealings of the company and is responsible for producing management accounts and financial reports.

Other organisations will have different structures. For example most organisations will have a marketing department responsible for market research and marketing planning. A customer services department will look after customer requirements. A human resources department will be responsible for recruitment and selection of new employees, employee motivation and a range of other people focused activities. In addition there will be a number of cross-functional areas such as administration and Information Technology departments that service the functional areas of the company. These departments will provide back up support and training.

Organisations are structured in different ways:

1. by function as described above,
2. by regional area – a geographical structure e.g. with a marketing manager North, marketing manager South etc.,
3. by product e.g. marketing manager crisps, marketing manager drinks, etc.,
4. into work teams, etc.

Reporting in organisations often takes place down the line. An employee might be accountable to a supervisor, who is accountable to a junior manager, who is then accountable to a senior manager – communication and instructions can then be passed down the line.

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