

O'ZBEKISTON RESPUBLIKASI OLIY VA O'RTA MAXSUS
TA'LIM VAZIRLIGI

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Economics in Use

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Economics in Use

Axunbabayeva N.X.

The purpose of this manual is to create the understanding of the economic concepts for the ESP 3rd year students of the “Economy” speciality in cipher 5230100. The best was done in order to create a manual which would be more interesting, colourful and diverse while learning the new information. Various activities and exercises based on new pedagogical technologies and methods were given so that to develop and improve the language skills and abilities of the students and to make the learning process more captivating.

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Introduction

Economics is the social science of studying the production, distribution and consumption of goods and services and it is a complex social science that spans from mathematics to psychology. At its most basic, however, economics considers how a society provides for its needs. Its most basic need is survival; which requires food, clothing and shelter. Once those are covered, it can then look at more sophisticated commodities such as services, personal transport, entertainment, the list goes on. Today, this social science known as "Economics" tends to refer only to the type of economic thought which political economists refer to as *Neoclassical Economics*. It developed in the 18th century based on the idea that Economics can be analysed mathematically and scientifically.

It's the study of *scarcity*, the study of how people use resources and respond to incentives, or the study of decision-making. It often involves topics like wealth and finance, but it's not all about money. Economics is a broad discipline that helps us understand historical trends, interpret today's headlines, and make predictions about the coming years.

Economics ranges from the very small to the very large. The study of individual decisions is called *microeconomics*. The study of the economy as a whole is called *macroeconomics*. A microeconomist might focus on families' medical debt, whereas a macroeconomist might focus on sovereign debt.

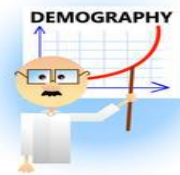
- economics is about the study of *scarcity and choice*
- economics finds ways of reconciling unlimited wants with *limited resources*
- economics explains the problems of living in communities in terms of the underlying resource costs and consumer benefits
- economics is about the co-ordination of activities which result from specialization.

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LESSON 1 THE ECONOMIC PROBLEM





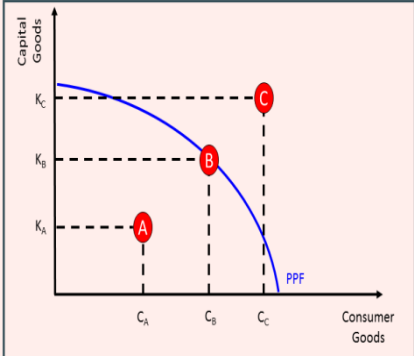
Activity1. What is the connection between the following problems with the economy? What other economic problems do you know?



ECONOMIC PROBLEMS



Activity2. Learn the table. Resume the economic problem.

The Economic Problem	How do we best satisfy unlimited needs and wants with finite resources?		
Economic Resources  Labour  Land  Capital  Entrepreneurship		Economic Trade-off What goods should be produced? How the goods should be produced? Who should receives the produced the goods?	Production Possibilities Frontier 
Scarcity of Resources		Opportunity Cost	A Productively Inefficient B Productively Efficient C Infeasible

Activity 3. Read and translate the text.

All societies face the economic problem, which is the problem of how to make the best use of limited, or scarce, resources. The economic problem exists because, although the needs and wants of people are endless, the resources available to satisfy needs and wants are limited.

Resources are limited in two essential ways:

Choice and opportunity cost are two fundamental concepts in economics. Given that resources are limited, producers and consumers have to make choices between competing alternatives. Individuals must choose how best to use their skill and effort, firms must choose how best to use their workers and machinery, and governments must choose how best to use taxpayer's money.

Making an economic choice creates a sacrifice because alternatives must be given up.

America's first Nobel Prize winner for economics Paul Samuelson, is often credited with providing the first clear and simple explanation of the economic problem - namely, that in order to solve the economic problem societies must endeavour to answer three basic questions - What to produce? How to produce? And, for whom to produce?

Activity 4. Read, translate, learn and retell the following vocabulary:

- Economics --**making, buying and selling goods or services**
- Barter --**trade**
- Goods --**things people buy or sell**
- Services --**work for other people. Workers earn money for their services.**
- Supply --**how many goods there are for people to buy**
- Demand --**how many people want to buy something**
- Scarcity --**a limited number, not enough**
- Producers --**people who make goods or offer services**
- Consumers --**people who pay for goods or services**
- Opportunity Cost --**something you give up so you can choose another thing**
- Profit --**extra money you earn from selling goods or services**
- Loss --**money you lose from selling goods or services**

Activity 5. Work in groups. Choose any product and follow the diagram answering the question step by step.



Activity 6. Supplementary reading.

An **economy** (from Greek οἶκος – "household" and νέμωμαι – "manage") is an area of the production, distribution and trade, as well as consumption of goods and services by different agents. Understood in its broadest sense, 'The economy is defined as a social domain that emphasize the practices, discourses, and material expressions associated with the production, use, and management of resources'.

Economic agents can be individuals, businesses, organizations, or governments. Economic transactions occur when two groups or parties agree to the value or price of the transacted good or service, commonly expressed in a certain currency. However, monetary transactions only account for a small part of the economic domain. Economic activity is spurred by production which uses natural resources, labor and capital. It has changed over time due to technology (automation, accelerator of process, reduction of cost functions), innovation (new products, services, processes, expanding markets, diversification of markets, niche markets, increases revenue functions) such as, that which produces intellectual property and

changes in industrial relations (most notably child labor being replaced in some parts of the world with universal access to education).

Activity 7. Find out the names of the companies according to their slogans.

SLOGAN	PRODUCT
"Just Do It"	
"Think small"	
"Connecting People"	
"The best a man can get"	
"It's everywhere you want to be"	
"Let your fingers do the walking"	
"Same time tomorrow?"	
"Don't dream it. Drive it!!"	
"Have it your way!"	
"Because I'm worth it!"	
"Betcha can't just eat one"	
"They're grrreat!"	
"Have a break, have a!"	
The happiest place on earth	
"Obey your thirst"	
"Express Yourself Everyday"	
"Two for me and none for you"	

KitKat Volkswagen Twix Disneyland
 Gillette L'Oreal Sprite Burger King
 Nokia Nike Phillips Diet Pepsi
 VISA Jaguar Kellogg's Frosted Flakes
 Lay's potato chips Yellow Pages

LESSON 2 ADAM SMITH

Activity 1. Groupwork: divide according to the names of the groups in tables. Describe briefly each type with vital examples. Brainstorm on scarcities. How can the scarcity problem be solved?

Types of Economic Activities

Primary group: employs people to collect or produce natural resources from the land or sea, like farming and fishing.

Secondary group: makes or manufactures goods, like car assembly.

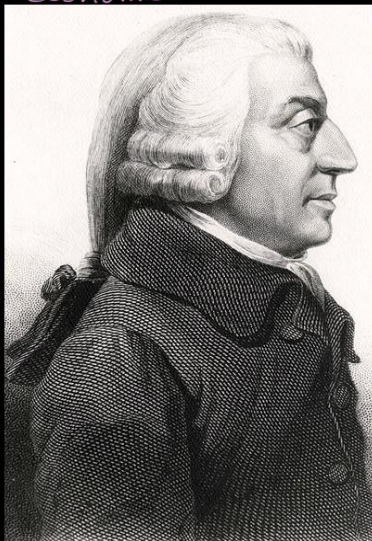
Tertiary group: provides services for people, like the High School.

Quaternary group: is a new definition related with high tech. service, industry that carries out research and provides information and advice.



Activity 2. Read and translate the text.

Economics



"He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By ... directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it."

Microeconomics - actor make decision/
allocations scarce resources • 1776 - Adam Smith

Macroeconomics - aggregate economy
millions actors
policy

khanacademy

Adam Smith was an 18th-century philosopher renowned as the father of modern economics and a major proponent of laissez-faire economic policies. In his first book, "The Theory of Moral Sentiments," Smith proposed the idea of an invisible hand—the tendency of free markets to regulate themselves by means of competition, supply and demand, and self-interest. Smith is also known for his theory of compensating wage differentials, meaning that dangerous or undesirable jobs tend to pay higher wages to attract workers to these positions. But he is most famous for his 1776 book, "An Inquiry into the Nature and Causes of the Wealth of Nations." Read on to learn about how this Scottish philosopher argued against mercantilism to become the father of modern free trade and the creator of the concept now known as the GDP. The recorded history of Smith's life begins on June 5, 1723, at his baptism in Scotland; however, his exact birthdate is undocumented. Smith attended the University of Glasgow at age 14, later attending the prestigious Balliol College at Oxford University. After returning from his education at Oxford, Smith embarked on a series of public lectures in Edinburgh. The success of the lectures proved a stepping stone to a professorship at his alma mater. He started with logic but later taught moral philosophy at the university. Those years spent teaching and tutoring resulted in the publishing of some of Smith's lectures in his 1759 book, "The Theory of Moral Sentiments." The foundations for the canvas of Smith's work were laid during this year and resulted from his interactions with notable figures, associated with multiple fields. For example, he was friends with James Watt, inventor of the steam engine, as well as the philosopher David Hume. Smith moved to France in 1763 because he was offered a more remunerative position as a personal tutor to the stepson of Charles Townshend, an amateur economist and future Chancellor of the Exchequer. It was during his sojourn in France that Smith wrote "An Inquiry into the Nature and Causes of the Wealth of Nations," which would ultimately cement his place in history.

Activity 3. Read, translate, learn and retell the following vocabulary:

- **Economics**
 - The study of choices people make to satisfy their needs and wants
- **Microeconomics**
 - The study of how individuals and firms deal with scarcity
- **Macroeconomics**
 - The study of how society as a whole deals with scarcity

Activity 4. Supplementary reading.

Milton Friedman (/ˈfriːdmən/; July 31, 1912 – November 16, 2006) was an American economist who received the 1976 Nobel Memorial Prize in Economic Sciences for his research on consumption analysis, monetary history and theory and the complexity of stabilization policy. With George Stigler and others, Friedman was among the intellectual leaders of the Chicago school of economics, a neoclassical school of economic thought associated with the work of the faculty at the University of Chicago that rejected Keynesianism in favor of monetarism until the mid-1970s, when it turned to new classical macroeconomics heavily based on the concept of rational expectations. Several students and young professors who were recruited or mentored by Friedman at Chicago went on to become leading economists, including Gary Becker, Robert Fogel, Thomas Sowell and Robert Lucas Jr.

He theorized that there existed a "natural" rate of unemployment and argued that unemployment below this rate would cause inflation to accelerate. He argued that the Phillips curve was in the long run vertical at the "natural rate" and predicted what would come to be known as stagflation. Friedman promoted an alternative macroeconomic viewpoint known as "monetarism" and argued that a steady, small expansion of the money supply was the preferred policy. His monetary

theory influenced the Federal Reserve's response to the global financial crisis of 2007–2008.

Friedman was an advisor to Republican President Ronald Reagan and Conservative British Prime Minister Margaret Thatcher.

A survey of economists ranked Friedman as the second-most popular economist of the 20th century, following only John Maynard Keynes^[21], and *The Economist* described him as "the most influential economist of the second half of the 20th century ... possibly of all of it".

Activity 5. Solve the case problem.

Priscilla Diller quit her \$60,000 per year job with South Central Construction to open her own company, Diller Didactic Consulting. She rented an office in the Peach Street Professional Building for \$550 a month, hired a receptionist for \$1,500 a month, and leased a computer from Silly Clone Systems for \$130 per month.

At first, business was slow, so Priscilla paid \$800 to use a mailing list and sent out 1,200 advertising brochures. The cost of postage and printing was \$1.37 per brochure. Business improved immediately, and no further advertising has been necessary.

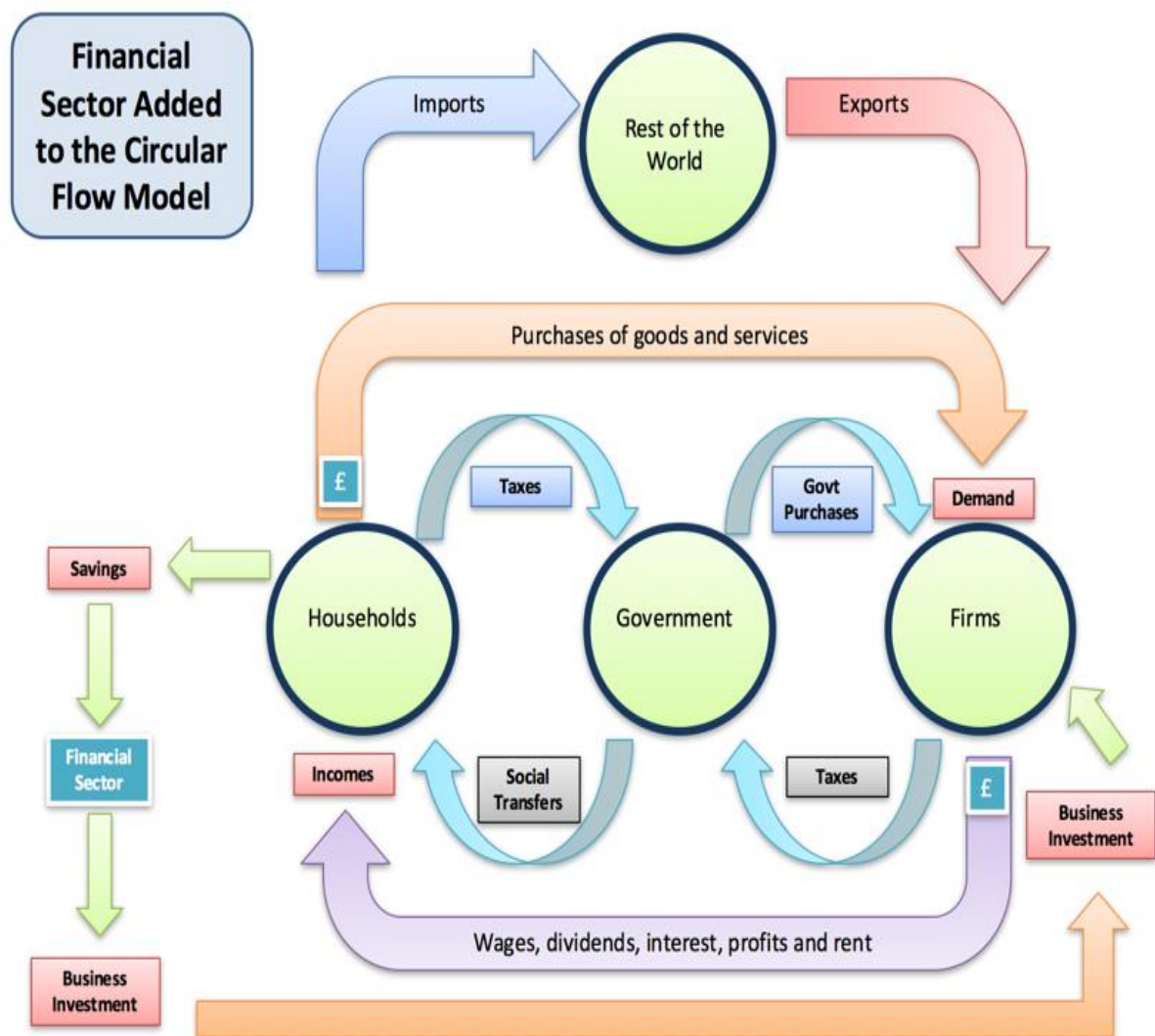
Priscilla's business improved so much that she hired two associates for \$5,000 per month and installed them in the remaining two offices in the Peach Street Professional Building, and then she bought the building for \$198,000. She replaced her one leased computer with three computers of the same type that she purchased from Silly Clone Systems for \$22,000 and she talked her husband into quitting his \$24,000 per year teaching job so that he could work for Diller Didactic as an executive secretary.

Use the preceding information to solve Problems 1 through 3.

1. What were the explicit, implicit, and relevant monthly costs of running Diller Didactic Consulting before business improved? What monthly revenue was required for the firm to break even?
2. What are the explicit, implicit, and relevant monthly costs of running Diller Didactic Consulting after business improved? What monthly revenue is required for the firm to break even?
3. Are any of Diller Didactic's past expenditures irrelevant to future business decisions; i.e., are any of them sunk costs? If so, which?

Activity 6. Divide into groups according to the names inside the circles.

Discuss the meaning of the routes to and from.



Activity 7. Are the following statements true or false? Ex: T/F.

1. Economic cost is generally lower than accounting cost._____
2. Accounting costs and explicit costs are the same._____
3. Sunk costs are not relevant to managerial decisions._____
4. In the short run, total cost is equal to zero when output is equal to zero._____
5. In the long run, total cost is equal to zero when output is equal to zero._____
6. Economic cost curves define the minimum economic costs of producing various levels of output._____
7. Total variable cost is equal to short-run total cost minus total fixed cost._____
8. The average fixed cost curve is U-shaped._____
9. The law of diminishing returns is reflected in the downward-sloping portion of the short-run marginal cost curve._____
10. Average total cost is equal to marginal cost where marginal cost is at a minimum.

LESSON 3 THE INDIVIDUAL AND SOCIETY

Activity 1. Look at the picture. Guess the professions of individuals by their clothing. Which profession do you like the best? Why?



Activity 2. Match the job titles with their definitions.

- | | |
|---------------------------|---|
| 1. Butcher _____ | a) Someone who fixes cars _____ |
| 2. Waiter/Waitress _____ | b) Someone who puts out fires. |
| 3. Doctor _____ | c) Someone who helps sick patients. |
| 4. Pilot _____ | d) Someone who catches criminals. |
| 5. Flight Attendant _____ | e) Someone who cooks food. |
| 6. Dentist _____ | f) Someone who brings out food at a restaurant. |
| 7. Accountant _____ | g) Someone who helps passengers on an airplane. |
| 8. Teacher _____ | h) Someone who flies airplanes. |
| 9. Mechanic _____ | i) Someone who helps sick animals. |
| 10. Farmer _____ | j) Someone who educates students |
| 11. Veterinarian _____ | k) Someone who explores outer space. |
| 12. Firefighter _____ | l) Someone who cuts meat. |
| 13. Police Officer _____ | m) Someone who harvest crops in the outdoors. |
| 14. Secretary _____ | n) Someone who answers calls, makes appointments and maintains paperwork. |
| 15. Astronaut _____ | o) Someone who performs in movies. |
| 16. Chef _____ | p) Someone who prepares financial information for a company. |
| 17. Actor _____ | q) Someone who specializes in teeth. |

Activity 3. Read and translate the text.

Man is a social animal. He has a natural urge to live an associated life with others. Man needs society for his existence or survival. The human child depends on his parents and others for its survival and growth. The inherent capacities of the child can develop only in society. The ultimate goal of society is to promote good and happy life for its individuals. It creates conditions and opportunities for the all round development of individual personality. Society ensures harmony and cooperation among individuals in spite of their occasional conflicts and tensions. If society helps the individuals in numerous ways, great men also contribute to

society by their wisdom and experience. Thus, society and individuals are bound by an intimate and harmonious bond and the conflicts between the two are apparent and momentary. In a well-ordered society, there would be lasting harmony between the two.

The term “society” means relationships social beings, men, express their nature by creating and re-creating an organization which guides and controls their behavior in myriad ways. Society liberates and limits the activities of men and it is a necessary condition of every human being and need to fulfillment of life. Society is a system of usages and procedures of authority and mutual aid many divisions of controls of human behavior and of liberties. This changing system, we call society and it is always changing. Society exists only where social beings “behave” toward one another in ways determined by their recognition of one another.

Activity 4. Read, translate, learn and retell the following vocabulary:

Society - a society is a population of humans characterized by patterns of relationships between individuals that share a distinctive culture and/or institutions. More broadly, a society is an economic, social and industrial infrastructure, in which a varied multitude of people are a part of. Members of a society may be from different ethnic groups.

Antisocial - antisocial - (*against society*) is often used in colloquial speech to mean unfriendly or not sociable (*asocial*). In scientific use, **antisocial** refers more specifically to a person who is harmful or hostile to others, or to society in general.

Social class - social class refers to the hierarchical distinctions (or stratification) between individuals or groups in societies or cultures.

People may be part of lower, middle or higher classes.

Minority - a minority or subordinate group is a sociological group that does not constitute a politically dominant voting majority of the total population of a given society.

Social solidarity - refers to the integration, and degree and type of integration, shown by a society or group.

Health care - Health care, or healthcare, is the prevention, treatment, and management of illness and the preservation of health through services offered by the medical, dental, nursing, and allied health professions. Health care embraces all the goods and services designed to promote health, including “preventive, curative and palliative interventions, whether directed to individuals or to populations”.

Voluntary work - Voluntary work is done by volunteers for the benefit of a community or society.

A **volunteer** - is someone who works for a community or for the benefit of environment primarily because they choose to do so. Volunteers do not normally get paid.

Citizenship

Citizenship is membership in a political community (originally a city or town but now usually a country) and carries with it rights to political participation; a person having such membership is a **citizen**.

Gender Roles

Activity 5. Make a guess accordingly:

1. Girl eating noodles Consumer or Producer
2. Family watching a movie Consumer or Producer
3. Construction Worker Consumer or Producer
4. Boy reading a book Consumer or Producer
5. Painter Consumer or Producer
6. Nurse Consumer or Producer
7. Soccer Player Consumer or Producer
8. Policeman Consumer or Producer

Activity 6. Supplementary reading.

A market-based economy is one where goods and services are produced and exchanged according to demand and supply between participants (economic agents) by barter or a medium of exchange with a credit or debit value accepted within the network, such as a unit of currency. A command-based economy is one where political agents directly control what is produced and how it is sold and distributed. A green economy is low-carbon, resource efficient and socially inclusive. In a green economy, growth in income and employment is driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services. A gig economy is one in which short-term jobs are assigned or chosen via online platforms and a programmable economy is the set of revolutionary changes taking place in the global economy due to technology innovations. New economy is a term referred to the whole emerging ecosystem where new standards and practices were introduced, usually as a result of technological innovations.

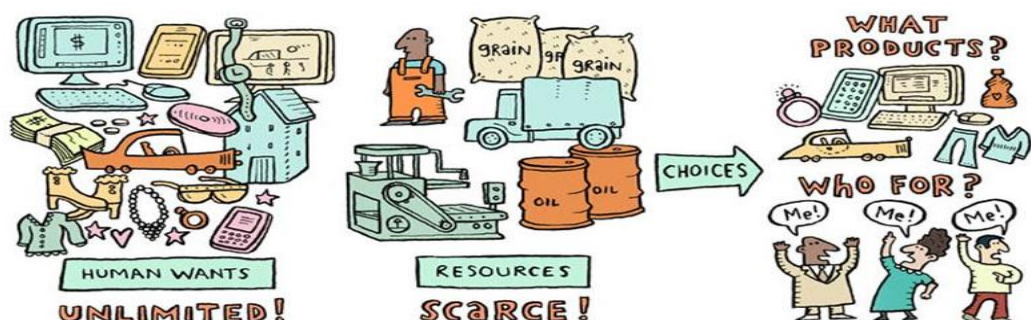
LESSON 4 SCARCITIES AND CHOICE

Activity 1. What is the picture about? Brainstorm on scarcities. How can the scarcity problem be solved?

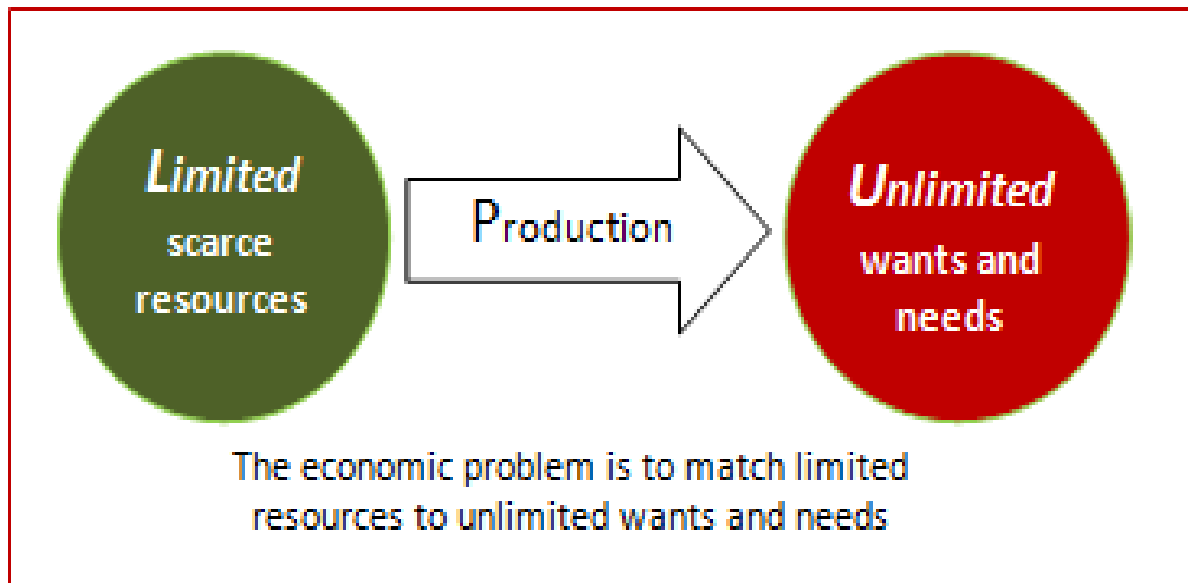
Back to.....

The basic economic problem

Human wants are unlimited but resources are scarce



Activity 2. What limited scarce resources do you know? How are they matched to the unlimited wants and needs in order to produce goods?



Activity 3. Read and translate the text.

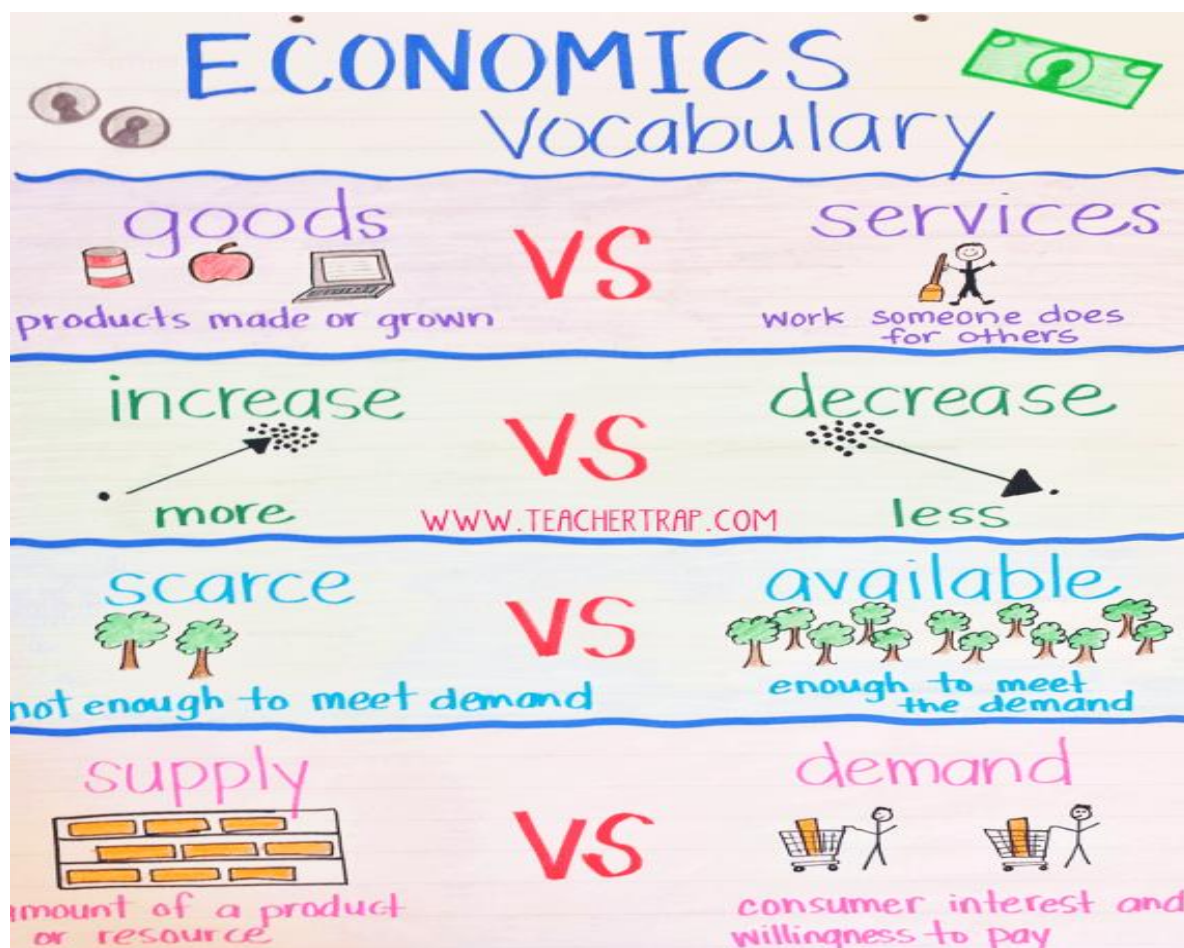
Scarcity means that people want more than is available. Scarcity limits us both as individuals and as a society. As individuals, limited income (and time and ability) keep us from doing and having all that we might like. As a society, limited resources (such as manpower, machinery, and natural resources) fix a maximum on the amount of goods and services that can be produced.

Scarcity requires **choice**. People must choose which of their desires they will satisfy and which they will leave unsatisfied. When we, either as individuals or as a society, choose more of something, scarcity forces us to take less of something else. Economics is sometimes called the study of scarcity because economic activity would not exist if scarcity did not force people to make choices.

When there is scarcity and choice, there are **costs**. The cost of any choice is the option or options that a person gives up. For example, if you gave up the option of playing a computer game to read this text, the cost of reading this text is the enjoyment you would have received playing the game. Most of economics is based on the simple idea that people make choices by comparing the benefits of option **A** with the benefits of option **B** (and all other options that are available) and

choosing the one with the highest benefit. Alternatively, one can view the cost of choosing option **A** as the sacrifice involved in rejecting option **B**, and then say that one chooses option **A** when the benefits of **A** outweigh the costs of choosing **A** (which are the benefits one loses when one rejects option **B**).

Activity 4. Read, translate, learn and retell the following vocabulary:



Activity 5. Supplementary reading.

Microeconomics is the study of individuals, households and firms' behavior in decision making and allocation of resources. It generally applies to markets of goods and services and deals with individual and economic issues. Microeconomic study deals with what choices people make, what factors influence their choices and how their decisions affect the goods markets by affecting the price, the supply and demand.

Microeconomics is the study of economic tendencies, or what is likely to happen when individuals make certain choices or when the factors of production change. Individual actors are often grouped into microeconomic subgroups, such as buyers, sellers, and business owners. These groups create the supply and demand for resources, using money and interest rates as a pricing mechanism for coordination.

- Microeconomists use mathematics as a language to formulate theories and observational studies to test their theories against the real world performance of markets.

[illegible]

Activity 7. Solve the following case problem:

Charlie is considering the purchase of a laundry business, but does not know how much it is worth. The business generates \$18,000 in profit per year and will not require any of Charlie's time to operate. Charlie plans to buy the business, for 10 years, and then sell it for the same price he pays for. If the appropriate discount rate is 18%, what is the most Charlie should pay for the business?

If the discount rate falls to 9% at the end of 10 years, what will happen to the price at which Charlie can sell the business?

LESSON 5 TYPES OF BUSINESS ORGANIZATION

Activity 1. Look at the pictures and give the definitions for each type of business.

Types of business organisations



Sole
Proprietorship



Non-profit
organizations



Corporation



Limited Liability



General
Partnership

Activity 2. Read the characteristic of a business. Define its type.

Characteristic	Business Type
Owned and operated by a single individual	
Subject to double taxation	
Has a retained earnings account on its balance sheet	
One owner may be held personally liable for actions taken on behalf of the business by different owner	
Profits benefit a single individual	
Frequently uses legal agreements to define profit distribution for two or more owners	
Most highly regulated form of business	
The business dissolves with the death of its only owner	
Offers the least capacity to raise capital	
Provides the best opportunity to benefit a few people	
Has only one capital account on its balance sheet	

Activity 3. Read and translate the text.

It is important that the business owner seriously considers the different forms of business organization—types such as sole proprietorship, partnership, and corporation. Which organizational form is most appropriate can be influenced by tax issues, legal issues, financial concerns, and personal concerns. For the purpose of this overview, basic information is presented to establish a general impression of business organization.

A Sole Proprietorship consists of one individual doing business. Sole Proprietorships are the most numerous form of business organization in the United States, however they account for little in the way of aggregate business receipts.

A Partnership consists of two or more individuals in business together. Partnerships may be as small as mom and pop type operations, or as large as some of the big legal or accounting firms that may have dozens of partners. There are different types of partnerships—general partnership, limited partnership, and limited liability partnership—the basic differences stemming around the degree of personal liability and management control.

Corporations are probably the dominant form of business organization in the United States. Although fewer in number, corporations account for the lion's share of aggregate business receipts in the U.S. economy. A corporation is a legal entity doing business, and is distinct from the individuals within the entity. Public corporations are owned by shareholders who elect a board of directors to oversee primary responsibilities. Along with standard, for-profit corporations, there are charitable, not-for-profit corporations.

Activity 4. Read, translate, learn and retell the following vocabulary:

VOCABULARY

- **prehistoric**
 - In prehistoric times, some people used shells as money.
 - before human beings recorded events in writing
- **standard**
 - Long ago, food and animals were standard forms of payment.
 - widely used or accepted
- **primitive**
 - Long ago, some people used stones as a primitive form of money.
 - of or relating to early human culture
- **shortage**
 - I have plenty of pennies, but a shortage of dollar bills.
 - a lack of something
- **imitation**
 - This fake dollar bill is an imitation of a real one.
 - something that is made to look like something else
- **function**
 - The function of a piggy bank is to help you save money.
 - to serve a particular purpose

Activity 5. Supplementary reading.

Welfare economics is the study of how the allocation of resources and goods affects social welfare. This relates directly to the study of economic efficiency and income distribution, as well as how they affect the overall well-being of people in the economy. In practical application, welfare economists seek to provide tools to guide public policy to achieve beneficial social and economic outcomes for all of society. However, welfare economics is a subjective study that depends heavily on

chosen assumptions regarding how welfare can be defined, measured, and compared for individuals and society as a whole.

- Welfare economics is the study of how the structure of markets and the allocation of economic goods and resources determines the overall well-being of society.
- Welfare economics seeks to evaluate the costs and benefits of changes to the economy and guide public policy toward increasing the total good of society, using tools such as cost-benefit analysis and social welfare functions.

Activity 6. Solve the following case problem:

Elaine had always wanted to operate a restaurant, so one day she took a leave of absence from her job, which pays \$25,000 per year, and bought a restaurant for \$100,000 in cash. At the end of the year, she had to decide whether to go back to her old job or to continue operating the restaurant, so she examined her revenues and expenses for the year. She found that her revenues were \$185,000 and that her operating expenses were \$68,000 for labor, \$80,000 for food and supplies, and \$12,000 for utilities, repairs and insurance. She also found that she can sell the restaurant back to the old owner for exactly what she paid for it. If she came to you, what advice would you give her? Should she keep the restaurant or go back to her old job? Why?

Activity 7. Match the following words with their correct descriptions:

___ Limited Liability

a. the rights of all partners in a partnership to act as agents for the normal business operations of the partnership, and their responsibility for their partner's business related actions

___ Unlimited Liability

b. type of investment in which a partner cannot lose more than the amount invested

___ Mutual Agency

c. a type of investment in which a partner or investor can lose an unlimited amount of money

___ Partnership Act

d. a partnership in which some of the partners have a limited liability to the firm's creditors

___ Limited Partnership

e. a share of profits received by a stockholder

___ Dividends

f. documentation that outlines the legal obligations of a partnership

LESSON 6 SOLE PROPRIETORSHIP

Activity 1. Divide into groups according to the names in the circles and try to argue the reason why it is the best type of business to run.



Activity2. Fill in the following table.

Type of Business Organization	How many owners are there?	What type of liability do owners have?	What is the lifespan of the business?	Who makes the operating decisions?	What type of taxation do owners have?
Sole Proprietorship					
Partnership					
Corporation					

Activity 3. Read and translate the text.

A sole proprietorship, also known as a consultant, independent contractor, or freelancer is a business owned by a single person. Sole proprietorships are “the most common form of business organization” (Beatty, 2006, p. 755).

Pros and cons of a Sole Proprietorship

Pros

Simplicity in retirement plans, easiest form of business to set up and dissolve, avoids the expense of forming a partnership or corporation, not required to file a separate tax return (although it will be on a separate schedule), no need to register with the government (a few states and local governments require sole proprietorships to possess a business license)

Cons

You are on your own, unlimited personal liability for all debts of the business, limited financing options (cannot raise capital from outside investors), self-employment taxes of 15.3% on the first \$106,800 of earnings, business dissolves

when owner dies or sells rights to business (new owner must start new sole proprietorship)

Activity 4. Read, translate, learn and retell the following vocabulary:



Activity 5. Supplementary reading.

This microeconomic analysis leads to the condition of Pareto efficiency as an ideal in welfare economics. When the economy is in a state of Pareto efficiency, social welfare is maximized in the sense that no resources can be reallocated to make one individual better off without making at least one individual worse off. One goal of economic policy could be to try to move the economy toward a Pareto efficient state. To evaluate whether a proposed change to market conditions or public policy will move the economy toward

Pareto efficiency, economists have developed various criteria, which estimate whether the welfare gains of a change to the economy outweigh the losses. These include the Hicks criterion, the Kaldor criterion, the Scitovsky criterion (also known as Kaldor-Hicks criterion), and the Buchanan unanimity principle. In general, this kind of cost-benefit analysis assumes that utility gains and losses can be expressed in money terms. It also either treats issues of equity (such as human

rights, private property, justice, and fairness) as outside the question entirely or assumes that the status quo represents some kind of ideal on these type of issues.

Activity 6. Solve the following case problem:

Fred has \$10,000 to invest. If he invests in Business A, he will receive \$18,000 at the end of five years. If he invests in Business B, he will receive \$2,000 at the end of each of the next 10 years. If Fred does not invest in a business, he can earn a rate of return equal to the discount rate from a certificate of deposit. If the appropriate discount rate is 10%, should Fred invest in A, B, or neither?

Activity 7. Are the following statements true or false? Ex: T/F

1. Business profit is generally greater than economic profit. _____
2. The wages paid to workers employed by a firm are an example of an explicit cost. _____
3. Sales taxes paid to the state by a retail firm are an example of an implicit cost. _____
4. Business profit is equal to total revenue minus all implicit costs. _____
5. A building owned by a firm has an explicit cost of zero, but its implicit cost is not zero. _____
6. Businesses are taxed on the basis of their economic profit. _____
7. Implicit costs refer to the value of inputs owned and used by a firm. _____
8. Economic profit is equal to total revenue minus all implicit costs. _____
9. Business profit minus economic profit is equal to the total of all implicit costs. _____
10. Economic cost is equal to the sum of explicit and implicit costs. _____

LESSON 7 ADVANTAGES AND DISADVANTAGES OF SOLE PROPRIETORSHIP

Activity 1. Discuss the advantages and disadvantages of sole proprietorship.

Advantages of Sole Proprietorship



+ Easy Formation

+ Taxation

+ Prompt Decisions

+ Easy Dissolution

Disadvantages of Sole Proprietorship



- Limited Resources

- Limited Business Life

- Unlimited Liability

- Scale of Business & Expertise

Activity 2. Read and translate the text.

The most common and simplest form of business is a sole proprietorship. Many small businesses operating in the United States are sole proprietorships. An individual proprietor owns and manages the business and is responsible for all business transactions. The owner is also personally responsible for all debts and liabilities incurred by the business. A sole proprietor can own the business for any duration of time and sell it when he or she sees fit. As owner, a sole proprietor can even pass a business down to his or her heirs.

In this type of business, there are no specific business taxes paid by the company. The owner pays taxes on income from the business as part of his or her personal income tax payments.

Advantages of a Sole Proprietorship






















- A sole proprietor has complete control and decision-making power over the business.
- Sale or transfer can take place at the discretion of the sole proprietor.
- No corporate tax payments

- Minimal legal costs to forming a sole proprietorship
- Few formal business requirements

Disadvantages of a Sole Proprietorship

- The sole proprietor of the business can be held personally liable for the debts and obligations of the business. Additionally, this risk extends to any liabilities incurred as a result of acts committed by employees of the company.
- All responsibilities and business decisions fall on the shoulders of the sole proprietor.
- Investors won't usually invest in sole proprietorships.

Activity 3. Work on the following vocabulary and name the pictures.

Natural Resource	   
Human Resource	   
Capital Resource	  
Producers	  
Goods	  
Services	   

Activity 4. Supplementary reading.

Macroeconomics is a branch of economics that studies how an overall economy—the market systems that operate on a large scale—behaves. Macroeconomics studies economy-wide phenomena such as inflation, price levels, rate of economic

growth, national income, gross domestic product (GDP), and changes in unemployment.

Some of the key questions addressed by macroeconomics include: What causes unemployment? What causes inflation? What creates or stimulates economic growth? Macroeconomics attempts to measure how well an economy is performing, to understand what forces drive it, and to project how performance can improve.

Macroeconomics deals with the performance, structure, and behavior of the entire economy, in contrast to microeconomics, which is more focused on the choices made by individual actors in the economy ((like people, households, industries, etc.).

Activity 5. Fullfill the following:

Match the characteristics of the 3 major types of business ownership under the appropriate heading. Three answers can be used twice.

<p>Has limited life (2)</p> <p>Can sell stocks</p> <p>Must share profits (2)</p> <p>Has elected directors</p> <p>Has profits taxed twice</p>	<p>Is complex to set up</p> <p>Can sell bonds</p> <p>Has unlimited life</p> <p>Has limited liability</p> <p>Has total control</p>	<p>Has fewer skills to run business</p> <p>Has unlimited liability (2)</p> <p>Keeps all the profits</p> <p>Is viewed as a legal entity</p>
Sole Proprietorship	Partnership	Corporation
1. _____	1. _____	1. _____
2. _____	2. _____	2. _____
3. _____	3. _____	3. _____
4. _____		4. _____
5. _____		5. _____
		6. _____
		7. _____
		8. _____
		9. _____

Activity 6. Divide into groups and brainstorm on the following topics:

Macro Objectives

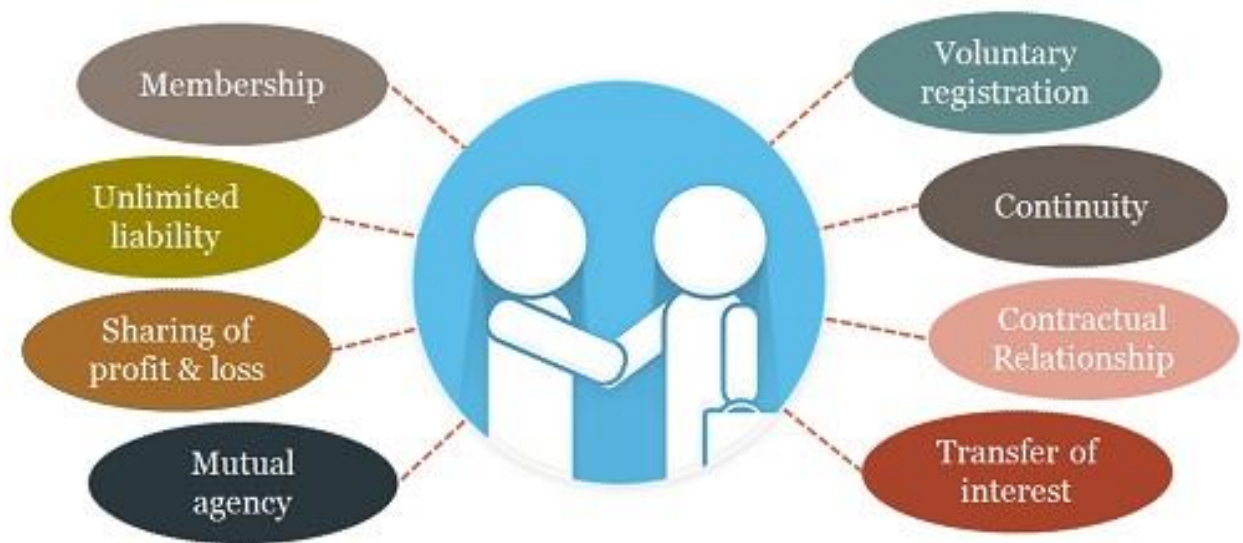
- **Talk'n' Economics**
 - **Vocabulary: GDP, Inflation, Debt, Supply, Demand...and much, much more**
- **Economic Facts**
 - **Descriptions of the US and world economies**
- **Economic Models**
 - **Simplifying a complex reality**
- **Economic Policy Analysis**
 - **Laissez – faire vs. activism**

Activity 7. Take this true/false quiz about Economics.

T	F	1. Because it is desirable, sunshine is scarce.
T	F	2. Because it is limited, HIV is scarce.
T	F	3. Because water covers three-fourths of the earth's surface it cannot be considered scarce.
T	F	4. The main cost of going to college is tuition, room and board.
T	F	5. If public transportation fares are raised, everyone will take the trains anyway.
T	F	6. You always get what you pay for.
T	F	7. If someone makes an economic gain, someone else loses.
T	F	8. If one nation produces everything better than another nation, there is no economic reason for these two nations to trade.
T	F	9. A non-regulated monopoly tends to charge the highest possible price.
T	F	10. A business owner's decision to show more care for consumers is a decision to accept lower levels of profits.

LESSON 8 PARTNERSHIP

Activity 1. Study the picture. Discuss the concepts given inside the circles.



Activity 2. Read and translate the text.

A partnership is a formal arrangement by two or more parties to manage and operate a business and share its profits.

There are several types of partnership arrangements. In particular, in a partnership business, all partners share liabilities and profits equally, while in others, partners have limited liability. There also is the so-called "silent partner," in which one party is not involved in the day-to-day operations of the business.

A partnership is an arrangement between two or more people to oversee business operations and share its profits and liabilities. In a general partnership company, all members share both profits and liabilities. Professionals like doctors and lawyers often form a limited partnership. There may be tax benefits to a partnership compared to a corporation.

In a broad sense, a partnership can be any endeavor undertaken jointly by multiple parties. The parties may be governments, non-profits enterprises, businesses, or private individuals. The goals of a partnership also vary widely.

In a general partnership, all parties share legal and financial liability equally. The individuals are personally responsible for the debts the partnership takes on. Profits

are also shared equally. The specifics of profit sharing will almost certainly be laid out in writing in a partnership agreement.

Activity 3. Read, translate, learn and retell the following vocabulary:



Activity 4. Supplementary reading.

There are two sides to the study of economics: macroeconomics and microeconomics. As the term implies, macroeconomics looks at the overall, big-picture scenario of the economy. Put simply, it focuses on the way the economy performs as a whole and then analyzes how different sectors of the economy relate to one another to understand how the aggregate functions. This includes looking at variables like unemployment, GDP, and inflation. Macroeconomists develop models explaining relationships between these factors. Such macroeconomic models, and the forecasts they produce, are used by government entities to aid in the construction and evaluation of economic, monetary and fiscal policy; by businesses to set strategy in domestic and global markets; and by investors to predict and plan for movements in various asset classes.

Given the enormous scale of government budgets and the impact of economic policy on consumers and businesses, macroeconomics clearly concerns itself with

significant issues. Properly applied, economic theories can offer illuminating insights on how economies function and the long-term consequences of particular policies and decisions. Macroeconomic theory can also help individual businesses and investors make better decisions through a more thorough understanding of what motivates them, how to best maximize utility and scarce resources.

- Macroeconomics is the branch of economics that deals with the structure, performance, behavior, and decision-making of the whole, or aggregate, economy.
- The two main areas of macroeconomic research are long-term economic growth and shorter-term business cycles.
- Macroeconomics in its modern form is often defined as starting with John Maynard Keynes and his theories about market behavior and governmental policies in the 1930s; several schools of thought have developed since.
- In contrast to macroeconomics, microeconomics is more focused on the influences on and choices made by individual actors in the economy (people, companies, industries, etc.).

Activity 5. Supplementary information.

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is the monetary value, in local currency, of all final economic goods and services produced within a country during a specific period of time.

It is the broadest financial measurement of a nation's total economic activity.

The total goods and services bought by consumers encompasses all private expenditures, government spending, investments, and exports but excludes imports that take place within a designated country.



Activity 6. What does the cost of living mean? Calculate your own cost of living.



Activity 7. Do the following exercises:

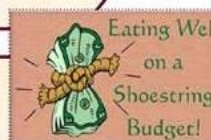
1) Match the idioms with the definitions.

- | | |
|-----------------------------|--|
| 1. cost an arm and a leg | A. using very little money |
| 2. tighten your belt | B. make a big profit |
| 3. save for a rainy day | C. having a lot of money |
| 4. rip sb off | D. cheat sb by charging too much money for sth |
| 5. make ends meet | E. have only enough money to survive |
| 6. make a killing | F. save money for a time when you really need it |
| 7. rolling in money/it | G. extremely cheap |
| 8. dirt cheap | H. be very expensive |
| 9. on a shoestring | I. have just enough money to buy what you need |
| 10. live from hand to mouth | J. spend less money than usual |



2) Choose the right answer: a, b or c.

- If you buy something that's **dirt cheap**, the quality will probably
 - be excellent
 - be very low
 - be quite important
- Sarah will have to **tighten her belt** because she's
 - lost her job
 - short of time
 - been losing her weight
- My new car **cost me an arm and a leg**, it is
 - very cheap
 - very expensive
 - very ugly
- My friend **made a killing** when he sold his business, so he
 - had no money
 - lost a lot of money
 - made a fortune
- How much did you say you paid for your computer? You've **been ripped off** and you've
 - lost a lot of money
 - found a lot of money
 - inherited a lot of money



LESSON 9 ADVANTAGES AND DISADVANTAGES OF PARTNERSHIP

Activity 1. Fulfill the following activity:

Partnership

In pairs write down as many advantages and disadvantages of being a partnership that you can think of – 2 minutes



* Advantages

- * Can raise more capital (from partners)
- * Risks and responsibilities are shared
- * Can keep activities private

* Disadvantages

- * Profits are shared
- * Unlimited liability
- * Disagreements amongst partners
- * Formal paperwork required

Activity 2. Read and translate the text.

The business partnership offers a lot of advantages to those who choose to use it. One of the main advantages of a partnership business is the lack of formality compared with managing a limited company. The accounting process is generally simpler for partnerships than for limited companies. The partnership business does not need to complete a Corporation Tax Return, but you'll still need to keep records of income and expenses. A partnership tax return must be submitted to HMRC and each partner will need to file their own self assessment tax return including details of their profits from the partnership (as well as any other income). The partners can agree to create the partnership verbally or in writing. There's no need to register with Companies House and registering the business partnership for taxation with HMRC is quite simple. The partners will also individually need to register for self assessment, which they can do online. Compared to a limited company, the affairs of a partnership business can be kept confidential by the partners. By contrast, in a limited company certain documents are available for

public inspection at Companies The more partners there are, the more money there may be available from their combined resources to invest into the business, which can help to fuel growth. Together, their borrowing capacity is also likely to be greater.

While there are lots of benefits of a partnership business, this model also carries a number of important disadvantages. A business partnership has no independent legal existence distinct from the partners. By default, unless a partnership agreement with alternative provisions is put in place, it will be dissolved upon the resignation or death of one of the partners. This possibility can cause insecurity and instability, divert attention from developing the business and will often not be the preferred outcome of the remaining partners. Again because the business does not have a separate legal personality, the partners are personally liable for debts and losses incurred. So if the business runs into trouble your personal assets may be at risk of being seized by creditors, which would generally not be the case if the business was a limited company.

The partners are jointly and severally liable. As one partner can bind the partnership, you can effectively find yourself paying for the actions of the other partners. If your partners are unable to settle debts, you'll be responsible for doing so. In an extreme example where you only own 10% of the partnership, if your partners have no assets you might end up having to settle 100% of the debts of the partnership and need to sell your possessions in order to do so.

Activity 3. Read, translate, learn and retell the following vocabulary:

Partners are two or more organizations that agree to work together in a mutually defined and implemented relationship.

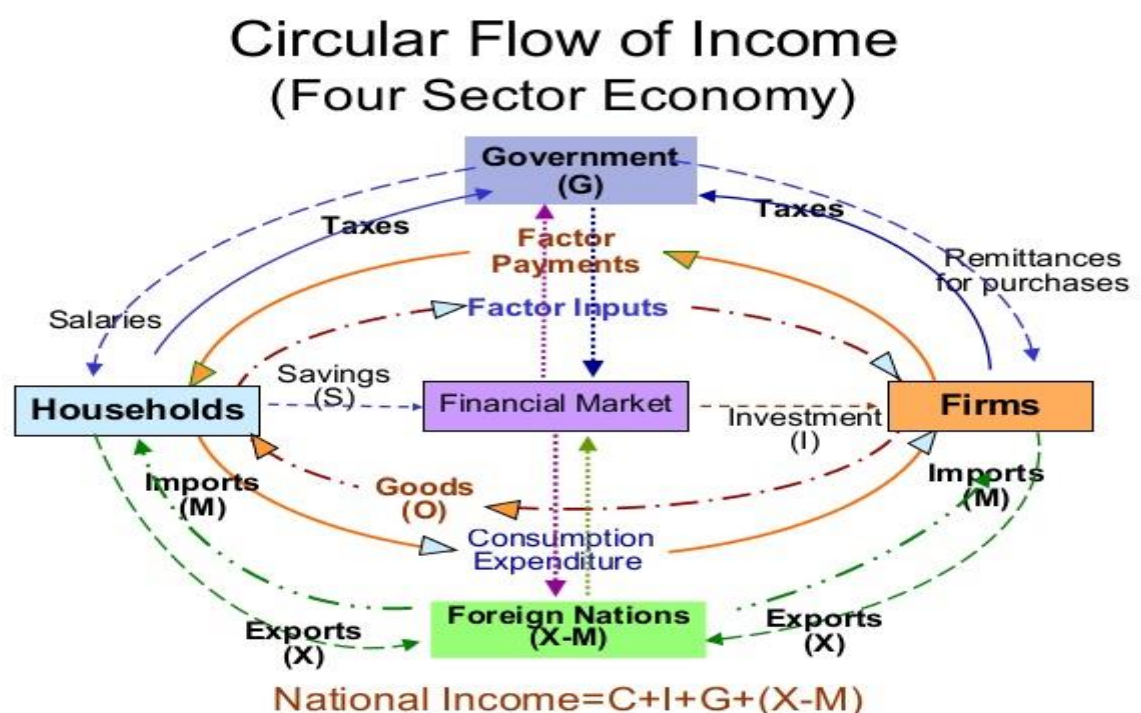
An **alliance** is a relationship between partners that is formed to benefit the community and strengthen each partner. More complex alliances are more intense; they take more time, more effort, and more commitment.(1)

A **system** is the universe of services, projects, and programs offered by organizations for a particular set of consumers. A system is made up of organizations.

Cooperation is characterized by informal relationships that exist without any commonly defined mission, structure, or planning effort. Information is shared as needed, and authority is retained by each organization so there is virtually no risk. Resources are separate, as are rewards. Coordination is characterized by more formal relationships and an understanding of compatible missions. Organizations that coordinate are usually completing some task or project. Everyone agrees that this is a good task to do. Some planning and division of roles are required, and communication channels are established. Authority still rests with the individual organizations, but there is some risk to all participants. Resources are available to participants and rewards are mutually acknowledged.

Collaboration is a mutually beneficial and well-defined relationship entered into by two or more organizations to achieve results they are more likely to achieve together than alone.

Activity 4. What does this diagram mean? Follow the arrows and discuss.



Activity 5. Supplementary reading.

Economic growth refers to an increase in aggregate production in an economy. Macroeconomists try to understand the factors that either promote or retard economic growth in order to support economic policies that will support development, progress, and rising living standards.

Adam Smith's classic 18th-century work, *An Inquiry into the Nature and Causes of the Wealth of Nations*, which advocated free trade, laissez-faire economic policy, and expanding the division of labor, was arguably the first, and certainly one of the seminal works in this body of research. By the 20th century, macroeconomists began to study growth with more formal mathematical models. Growth is commonly modeled as a function of physical capital, human capital, labor force, and technology.

Activity 6. Complete the dialogue using the words inside the table:

afford	bargain	borrow	debt	discount	lend
saving up	waste				

Ben Did I tell you I was ¹_____ for a digital camera?

Jay Are you? I can ²_____ you some money, if you want.

Ben Thanks, but I'd rather not. I hate being in ³_____.

Jay I know what you mean. What do your parents think?

Ben They think it's a ⁴_____ of money. They say I should use theirs instead of buying my own.

Jay Well maybe you can buy a ⁵_____ in the sales.

Ben That's what I'm hoping. I should be able to buy a good one even if I can't ⁶_____ the best one in the shop.

Jay You need to look around and see what ⁷_____ the shops are offering.

Ben Good idea. Do you want to come with me?

Activity 7. Supplementary information:

Four Economic Systems

An economic system is the method used by a society to produce and distribute goods and services.

Traditional economies rely on habit, custom, or ritual to decide what to produce, how to produce it, and to whom to distribute it.

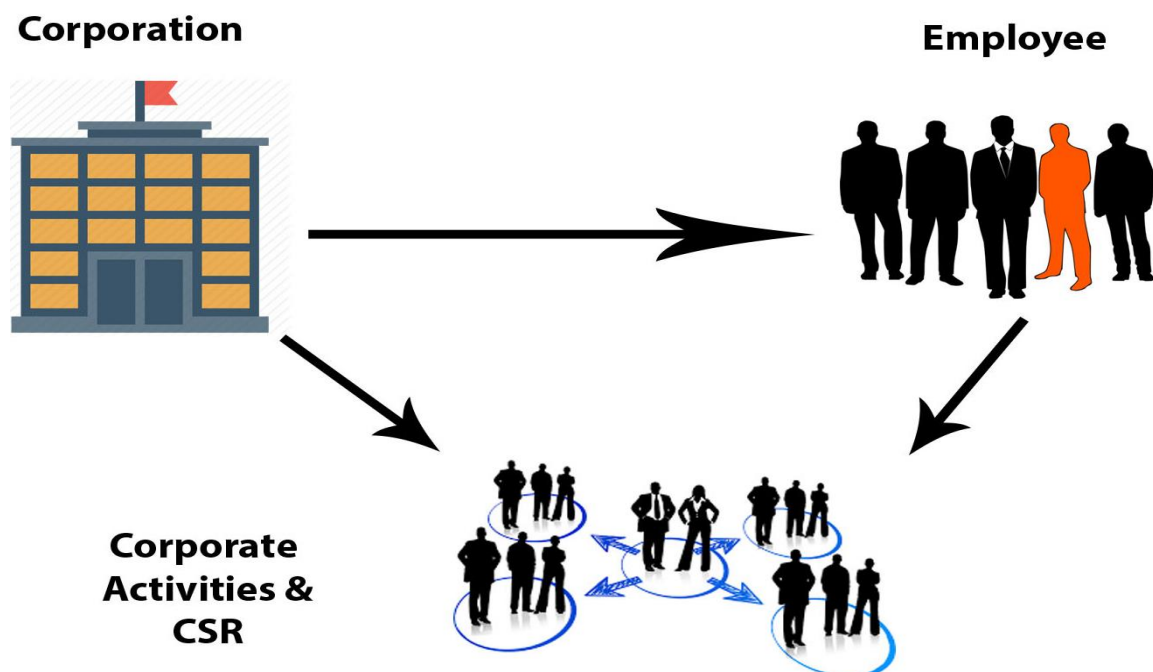
In a **centrally planned economy** the central government makes all decisions about the production and consumption of goods and services.

In a **market economy** economic decisions are made by individuals and are based on exchange, or trade.

Mixed economies are systems that combine tradition and the free market with limited government intervention.

LESSON 10 CORPORATIONS

Activity 1. What is a corporation? Discuss.



Activity 2. Read and translate the text.

A corporation is a legal entity that is separate and distinct from its owners. Corporations enjoy most of the rights and responsibilities that individuals

possess: they can enter contracts, loan and borrow money, sue and be sued, hire employees, own assets, and pay taxes. Some refer to it as a "legal person." All kinds of businesses around the world use corporations. While its exact legal status varies somewhat from jurisdiction to jurisdiction, a corporation's most important aspect is limited liability. This means that shareholders may take part in the profits through dividends and stock appreciation but are not personally liable for the company's debts. Almost all well-known businesses are corporations, including Microsoft Corporation, the Coca-Cola Company, and Toyota Motor Corporation. Some corporations do business under their names and also under business names, such as Alphabet Inc., which famously does business as Google. A corporation is created when it is incorporated by a group of shareholders who have ownership of the corporation, represented by their holding of common stock, to pursue a common goal. A corporation's goals can be for-profit or not, as with charities. However, the vast majority of corporations aim to provide a return for its shareholders. Shareholders, as owners of a percentage of the corporation, are only responsible for the payment of their shares to the company's treasury upon issuance.

Activity 3. Read, translate, learn and retell the following vocabulary:



Activity 4. Supplementary reading.

Superimposed over long term macroeconomic growth trends, the levels and rates-of-change of major macroeconomic variables such as employment and national output go through occasional fluctuations up or down, expansions and recessions, in a phenomenon known as the business cycle. The 2008 financial crisis is a clear recent example, and the Great Depression of the 1930s was actually the impetus for the development of most modern macroeconomic theory. While the term "macroeconomics" is not all that old (going back to Ragnar Frisch in 1933), many of the core concepts in macroeconomics have been the focus of study for much longer. Topics like unemployment, prices, growth, and trade have concerned economists almost from the very beginning of the discipline, though their study has become much more focused and specialized through the 1990s and 2000s. Elements of earlier work from the likes of Adam Smith and John Stuart Mill clearly addressed issues that would now be recognized as the domain of macroeconomics. Macroeconomics, as it is in its modern form, is often defined as starting with John Maynard Keynes and the publication of his book *The General Theory of Employment, Interest and Money* in 1936. Keynes offered an explanation for the fallout from the Great Depression, when goods remained unsold and workers unemployed. Keynes's theory attempted to explain why markets may not clear.

Activity 5. Are the following statements true or false? Ex: T/F.

- _____ Articles of incorporation is the document that sets out the basic structure of the corporation
- _____ Members of an organization that is not incorporated can be individually responsible for any debts of the organization
- _____ A shareholder is a term that is normally associated with a partnership
- _____ Board of directors is a group of individuals elected by the corporation shareholders

Activity 6. Match the following highlighted words with their meanings.

income bookkeeping duty creditor debt

an amount of money that a person, a company, a country, etc. owes:

a person, company, etc. that sb/sth owes money to:

the money that a person earns from work, from investing money, etc.:

a tax that you pay on things that you buy, especially those that you bring into a country:

the work of keeping an accurate record of the accounts of a business:

Activity 7. Why have these companies become so successful? Brainstorm.

**THE TOP 10 BEST-PERFORMING COMPANIES
IN THE WORLD, 2019**

-  1. Apple: \$961.3 billion
-  2. Microsoft: 946.5 billion
-  3. Amazon: 916.1 billion
-  4. Alphabet: 863.2 billion
-  5. Berkshire Hathaway: 516.4 billion
-  6. Facebook: 512 billion
-  7. Alibaba: 480.8 billion
-  8. Tencent Holdings: 472.1 billion
-  9. JPMorgan Chase: 368.5 billion
-  10. Johnson & Johnson: 366.2 billion

LESSON 11 DIFFERENCIES BETWEEN CORPORATIONS AND OTHER FORMS OF BUSINESS

Activity 1. Match the term or abbreviation to its proper definition.

1. SEC	A. A system that collects and processes financial information about an organization and reports that information to decision makers.
2. Investing activities	B. Measurement of information about a business in the monetary unit (dollars or other national currency).
3. Private company	C. An unincorporated business owned by two or more persons.
4. Corporation	D. A company that sells shares of its stock privately and is not required to release its financial statements to the public.
5. Accounting	
6. Partnership	
7. FASB	
8. Financing activities	
9. Unit of measure	

Activity 2. What is the difference between a corporation and a company? What do you know about these companies and corporations? Discuss.



Activity 3. Read and translate the text.

There are a few key differences between a corporation and a company. For instance, companies are typically smaller than corporations. There is also a difference in capital requirements to form a company and to form a corporation.

Corporations, private and public, have required minimum requirements for capital, needed to form.

While both corporations and companies pay taxes, corporations are typically taxed twice on their profits while many companies can pass-through their earnings or losses onto their individual tax return. Furthermore, corporations are usually owned by multiple people and the ability to exchange ownership is easy, while companies can be owned by one individual and ease of transferring ownership depends on the business structure.

Simply put, a company is any business entity that conducts a value exchange of goods or services with customers. The end goal of a company should be to earn a profit. Interestingly, all corporations are considered companies, even though not every company is considered a corporation.

There are a few different ways to structure a company and each have their own advantages and disadvantages to business operations and tax purposes. When deciding on a business structure, it's important to take your time and find the option that is best for your specific needs. Because selecting a business structure as a company can be so difficult, it may be a good idea for you to conduct additional research online or to hire legal counsel to assist with your entity designation.

Activity 4. Read, translate, learn and retell the following vocabulary:



Activity 5. Supplementary reading.

An economy encompasses all activity related to production, consumption, and trade of goods and services in an area. An economy applies to everyone from individuals to entities such as corporations and governments. The economy of a particular region or country is governed by its culture, laws, history, and geography, among other factors, and it evolves due to necessity. For this reason, no two economies are identical.

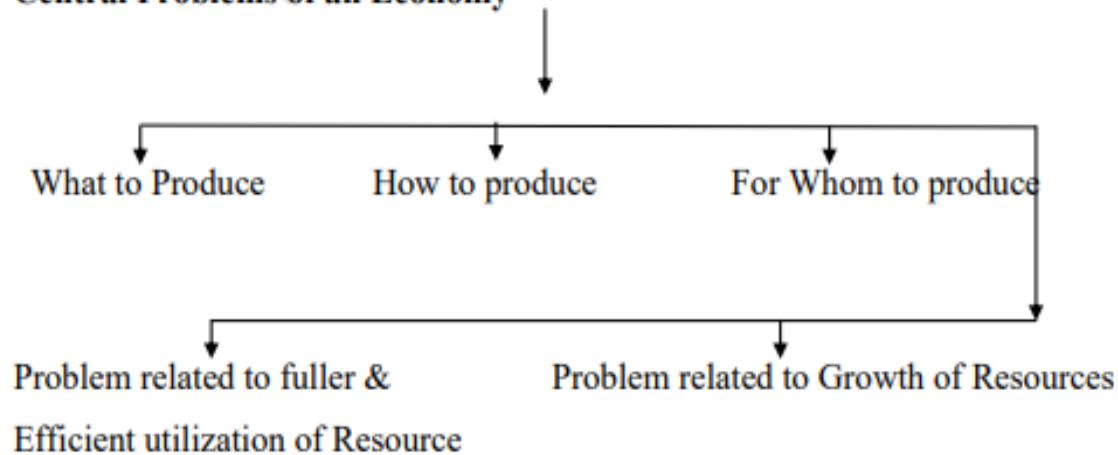
Market-based economies allow goods to flow freely through the market, according to supply and demand. The United States is considered a market economy where consumers and producers determine what's sold and produced. Producers own what they make and decide their own prices, while consumers own what they buy and decide how much they're willing to pay.

However, the law of supply and demand can impact prices and production. If consumer demand for a specific good increases and there's a resulting supply shortage, prices tend to rise as consumers are willing to pay more for that good. In turn, production tends to increase to satisfy the demand since producers are driven by profit. As a result, a market economy has a tendency to naturally balance itself. As the prices in one sector for an industry rise due to demand, the money, and labor necessary to fill that demand shift to those places where they're needed.

Pure market economies rarely exist since there's usually some government intervention or central planning. Even the United States could be considered a mixed economy. Regulations, public education, social security benefits are provided by the government to fill in the gaps from a market economy and help to create balance. As a result, the term market economy refers to an economy that is more market-oriented in general.

Activity 6. Devide into groups named under the different companies. You may choose famous companies as well as not so famous ones. Describe their functions according to the below mentioned structure.

Central Problems of an Economy



1. **What to produce:** - An economy have unlimited wants and limited means having alternative use. Economy can't produce all type of goods like consumer goods, producer goods etc. So, Economy has to make a choice what type of goods and services are to be produced and in what quantities.

Activity 7. Are the following statesments true or false? Ex: T/F.

1. A duopoly is an oligopoly in which several firms duel for consumer demand._____
2. A differentiated oligopoly is a form of market organization where several different large firms produce a homogeneous commodity._____
3. Oligopoly is the prevalent form of market organization in the manufacturing sectors of industrial nations._____
4. A market may be organized as an oligopoly if there are many producers of a product, but transportation costs limit the number that compete directly on a local market._____
5. Oligopolistic markets are characterized by rivalries between firms that arise because the actions of each firm in an industry have an effect on the other firms in the industry._____

6. Limit pricing refers to the oligopolistic practice of charging a price so low that new firms are discouraged from entering the industry._____
7. The sources of oligopoly are generally the same as for monopoly, i.e., barriers to entry._____
8. Concentration ratios measure the total number of firms required to produce the total output of an industry._____
9. The Herfindahl index is equal to the sum of the market shares of all firms in an industry._____
- 10.If the concentration ratio for an industry is small, then the Herfindahl index is likely to be large._____

LESSON 12 CENTRAL BANKS

Activity 1. Make up sentences with the following words.



Account - n. a record of money a person deposits into a bank

ATM - n. Automatic Teller Machine / cashpoint / cash machine / hole in the wall (coll.)

Balance - n. the difference between credits and debits in an account

Bank - n. a building in which commercial banking is transacted

Bank charges - n. money paid to a bank for the bank's services etc.

Barter - v. to trade without using money.

Borrow - v. to ask for the temporary use of money on the condition of repayment and at a set rate of interest.

Branch - n. local office or bureau of a bank

Cashflow - n. cash earnings minus cash outflows for fixed- and working-capital investment.

Cashier - n. an employee of a bank or building society who receives and pays out money.

Chequebook - n. book containing detachable cheques

Activity 2. Read and translate the text.

A central bank is an independent national authority that conducts monetary policy, regulates banks, and provides financial services including economic research. Its goals are to stabilize the nation's currency, keep unemployment low, and prevent inflation.

Most central banks are governed by a board consisting of its member banks. The country's chief elected official appoints the director. The national legislative body approves him or her. That keeps the central bank aligned with the nation's long-term policy goals. Central banks affect economic growth by controlling the liquidity in the financial system. They have three monetary policy tools to achieve this goal.

First, they set a reserve requirement. It's the amount of cash that member banks must have on hand each night. The central bank uses it to control how much banks can lend.

Second, they use open market operations to buy and sell securities from member banks. It changes the amount of cash on hand without changing the reserve requirement. They used this tool during the 2008 financial crisis. Banks bought government bonds and mortgage-backed securities to stabilize the banking system. The Federal Reserve added \$4 trillion to its balance sheet with quantitative easing. It began reducing this stockpile in October 2017.

Third, they set targets on interest rates they charge their member banks. That guides rates for loans, mortgages, and bonds. Raising interest rates slows growth, preventing inflation. That's known as contractionary monetary policy. Lowering rates stimulates growth, preventing or shortening a recession. That's called expansionary monetary policy.

Activity 3. Read, translate, learn and retell the following vocabulary:

account

a record or narrative description of past events

ATM

an unattended machine (outside some banks) that dispenses money when a personal coded card is used

balance

harmonious arrangement or relation of parts within a whole

checkbook

a book issued to holders of checking accounts

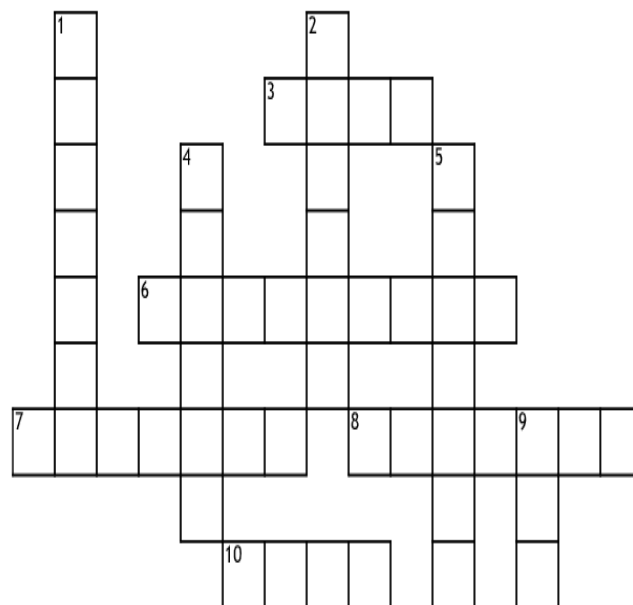
commission

the act of granting authority to undertake certain functions

credit

an estimate of ability to fulfill financial commitments

Activity 4. Solve the crossword.



Across

- 3. Don't need this to survive
- 6. We call them our customers
- 7. What does banking provide
- 8. This sector uses natural resources
- 10. Another term for a product

Down

- 1. Another term for long lasting
- 2. Name a Factor of Production
- 4. Why do businesses exist
- 5. What do businesses in the Tertiary sector provide
- 9. An objective of a business

Activity 5. Supplementary reading.

Modern Monetary Theory (MMT) is a heterodox macroeconomic framework that says monetarily sovereign countries like the U.S., U.K., Japan and Canada are not operationally constrained by revenues when it comes to federal government spending. In other words, such governments do not need taxes or borrowing for spending since they can print as much as they need and are the monopoly issuers of the currency.

MMT challenges conventional beliefs about the way the government interacts with the economy, the nature of money, the use of taxes and the importance of budget deficits. These beliefs, supporters say, are a hangover from the gold standard era and are no longer accurate, useful or necessary.

MMT is used in policy debates to argue for more progressive legislation like universal healthcare and other expensive public programs for which governments claim to not have enough money for.

The central idea of MMT is that governments with a fiat currency system can and should print (or create with a few keystrokes in today's digital age) as much money as they need to spend because they cannot go broke or be insolvent unless a political decision to do so is taken.

Traditional thinking says such spending would be fiscally irresponsible as the debt would balloon and inflation would skyrocket.

But according to MMT, a large government debt isn't the precursor to collapse we have been led to believe it is, countries like the U.S. can sustain much greater deficits without cause for concern, and in fact a small deficit or surplus can be extremely harmful and cause a recession since deficit spending is what builds people's savings.

Activity 6. Solve the case problem:

Gary operates an automobile detailing business in a mid-sized town in Pennsylvania. An automobile detailer restores a car to the level of cleanliness and

perfection that it had when it was new. His fastidious nature, attention to detail, and ability to effectively manage employees have helped to make his business profitable, but he believes that more information about the market would allow him to operate more efficiently. He uses regression analysis to estimate the demand function for his business and gets the following result: $QX = 235 - 3PX + 40A - 20U + 8PW$ The number of detailing jobs he gets per month (QX) depends on the price he charges per job (PX), his monthly advertising expenditures (A) measured in \$1,000s, the regional percentage unemployment rate (U), and the average price charged by local car wash businesses (PW) for a standard wash and wax.

Use the estimated demand function given above to solve Problems 1 through 3.

1. Is automobile detailing a normal good or an inferior good? How can you tell?
2. Is a wash and wax at the local car wash a complement or a substitute for automobile detailing? How can you tell?
3. Gary is currently charging \$65 per detailing job and spending \$3,500 per month on advertising. The regional unemployment rate is 7.5% and the average price of a wash and wax at a local car wash is \$15. How many detailing jobs per month can Gary expect under these conditions?

Activity 7. Are the following statements true or false? Ex: T/F.

1. The profitability per dollar invested is referred to as the profitability index._____
2. One problem with the profitability index is that it ignores the time value of money._____
3. In the absence of capital rationing, a firm should undertake all projects with a profitability index greater than zero._____
4. One advantage of using internal funding to support investment projects is that the firm experiences no economic cost of capital for internal funding._____
5. The cost of debt should generally be figured on an after-tax basis._____

6. The difference between the external and internal cost of raising equity capital is due to flotation costs._____
7. The cost of raising equity capital should generally be figured on an after-tax basis._____
8. The rate of return that stockholders require to invest in a firm is the cost of equity capital._____
9. The cost of debt is generally greater than the cost of equity capital._____
10. The difference between the rate of return on debt issued by the government and the rate of return on equity capital is referred to as a risk premium._____

LESSON 13 THE CENTRAL BANK AND THE COMMERCIAL BANKS

Activity 1. What does this idiom mean? Find other idioms about money.



Activity 2. Read and translate the text.

Central Bank is the supreme financial institution that regulates the banking and monetary system of the country. It is formed to bring monetary stability, issue notes and maintain the value of a country's currency in the international market. It administers the currency and credit system of the nation.

The entities that provide banking and financial services to a large number of people are known as Commercial Banks. They act as a mediator between the borrowers and savers. The Commercial Banks receive deposits from the general public and lends it on high interest to the individuals and organizations. In this way, the mobilization of savings takes place, and the economic cycle goes on smoothly.

In earlier times, people used to deposit money in post offices for saving purposes, when the requirement of the banking system was felt. The people want an establishment where they can deposit their savings and withdraw it at the time of need. At present, there are more than 600 commercial banks in India, which include public sector banks, private sector banks, scheduled banks, non-scheduled banks, nationalized banks, etc. The essential functions of a Commercial Bank are:

It accepts deposits from the general public, firms, institutions and organization. Further, it gives the facility to withdraw money on demand. Banks pay interest on deposits at various rates on different deposits.

It lends money to public, institutions, and organization in the form of long term and short term loans for a particular period and charges interest on the amount lent. Moreover, it provides overdraft and cash credit facilities to the customer.

Activity 3. Read, translate, learn and retell the following vocabulary:

Cash



Physical money in general is referred to as cash.

Counterfeit



When money is not real it is called counterfeit

Credit card



A card that allows you to buy things and pay for them later.

Stocks



These are portions of a company that people can buy.

Teller

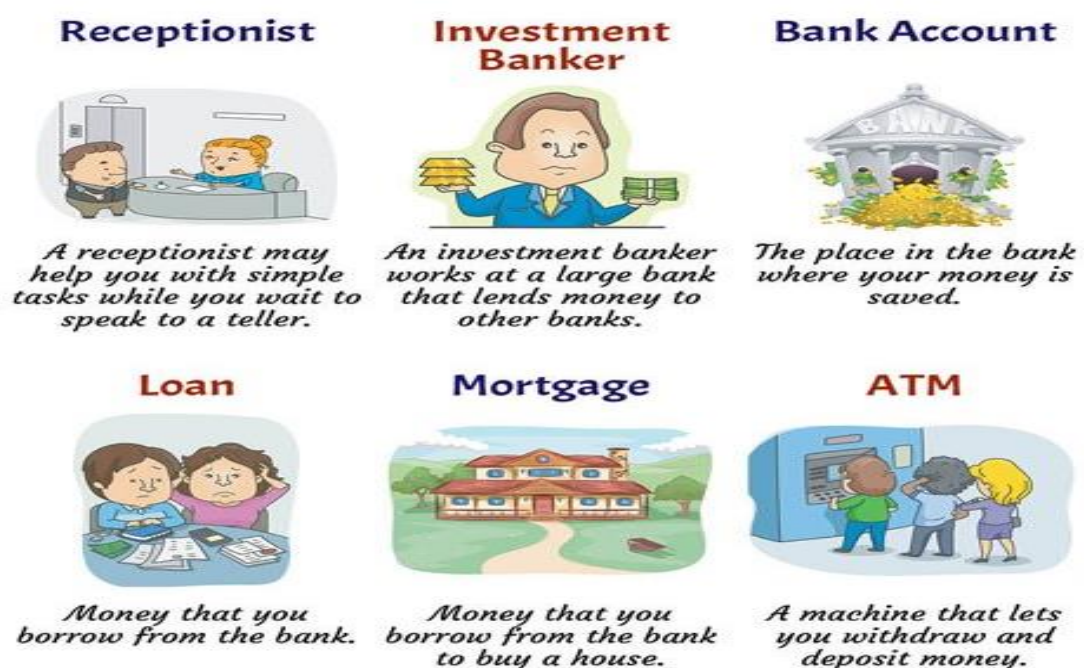


A teller is a person who works for a bank and is responsible for interacting with customers.

Bank Manager



The person in charge of a local office of the bank (called a branch).



Activity 4. Supplementary reading.

The history of banking began with the first prototype banks which were the merchants of the world, who gave grain loans to farmers and traders who carried goods between cities. This was around 2000 BC in Assyria, India and Sumeria. Later, in ancient Greece and during the Roman Empire, lenders based in temples gave loans, while accepting deposits and performing the change of money. Archaeology from this period in ancient China and India also shows evidence of money lending.

Many histories position the crucial historical development of a banking system to medieval and Renaissance Italy and particularly the affluent cities of Florence, Venice and Genoa. The Bardi and Peruzzi Families dominated banking in 14th century Florence, establishing branches in many other parts of Europe. The most famous Italian bank was the Medici bank, established by Giovanni Medici in 1397. The oldest bank still in existence is Banca Monte dei Paschi di Siena, headquartered in Siena, Italy, which has been operating continuously since 1472.

Development of banking spread from northern Italy throughout the Holy Roman Empire, and in the 15th and 16th century to northern Europe. This was followed by

a number of important innovations that took place in Amsterdam during the Dutch Republic in the 17th century, and in London since the 18th century. During the 20th century, developments in telecommunications and computing caused major changes to banks' operations and let banks dramatically increase in size and geographic spread. The financial crisis of 2007–2008 caused many bank failures, including some of the world's largest banks, and provoked much debate about bank regulation.

Activity 5. Are these statements true or false: Ex: T/F.

1. The monopoly theory of profits argues that restricted entry into an industry tends to keep profits low._____
2. The idea that profits are a form of reward for the successful introduction of a new product or process is the frictional theory of profit._____
3. The managerial efficiency theory of profit holds that firms that enjoy higher levels of profit _____
4. Economic profit is an important mechanism for the efficient reallocation of resources in a free-enterprise economy._____
5. Managerial economics is largely independent of the internationalization of economic activity._____
6. Business ethics refers to enforceable laws of business conduct._____
7. Business ethics provides guidelines as to what is acceptable behavior in business transactions._____
8. Many firms have responded to the need for ethical behavior by establishing codes of ethical behavior._____
9. Firms typically provide employees with a list of all possible forms of unethical behavior._____
10. The Internet has had very little impact on the way that business is conducted.

Activity 6. Work in pairs. Do the following role playing:

1. Translate: You

Could you tell me today's exchange rate?

Could I change fifty pounds into euros?

I'd like to check my balance, please.

I'd like to withdraw some money.

I'd like to put 100 euros into my account.

Clerk

Could I help you?

Do you need a check book?

Would you like to get a credit card?

Do you have your bank card with you?

We take a commission-three per cent.

Could you fill in this form, please?

Will you sign here, please?



2. React to the following phrases:

Clerk

-Good day! How could I help you?

-How much money would you like to withdraw?

-Could I see your Identification Card, please?

-Can you give me your bank card, please?

-It's OK. What currency would you like to get: euros or pounds?

-OK, euros. Could you sign here, please?

-Here is your sum of money. Check it, please.

-You're welcome.



You

- _____

- _____

- _____

- _____

- _____

- _____

- _____

- _____

3. Play the roles: You

You are at the bank. You need to change money and put money into your account.

You ask the bank clerk:

-to tell you the exchange rate;

-to change one hundred pounds into euros;

-about the commission.

You also ask the clerk to put one hundred pounds into your account.

Clerk

You are a bank clerk. You greet the customer and ask him/her:

-what he/she wants to get.

You tell the customer:

-the exchange rate;

-about a two per cent commission;

-his/her identification;

-to sign in the document.

You ask the customer:

-his bank card.

You thank the customer.



LESSON 14 CURRENCY

Activity 1. Brainstorm on the different countries and name their currencies. Name top three strong currencies of the world and tell the reason of them being stable and strong.



Activity 2. Read and translate the following money idioms:

All that glitters is not gold

This phrase means that appearances can be misleading and that everything that looks priceless doesn't have to be.

Blank cheque

To leave a cheque blank is to allocate unlimited funds to a project or a person.



Dime a dozen

This phrase is used to refer to something that is very easy to procure and thus is of little value.



Easy money

The phrase is used to refer to money that can be earned without much effort.



Feel like a million bucks

The phrase is used to refer to a feeling of immense happiness.



Give somebody a run for their money

This phrase is used for someone who is better than a professional in a particular sphere.



Go broke

This phrase is used to refer to a condition where someone loses all their money.



Make ends meet

This phrase is used to refer to a situation where there is not enough or just enough money for daily expenses and needs.

Not worth a cent

This phrase is used to refer to an object that is worth nothing, not even a cent which is an exceedingly small amount of money.

Worth your salt

This phrase is used when something is worth the amount it costs.



Activity 3. Read and translate the text.

Money is an economic unit that functions as a generally recognized medium of exchange for transactional purposes in an economy. Money provides the service of

reducing transaction cost, namely the double coincidence of wants. Money originates in the form of a commodity, having a physical property to be adopted by market participants as a medium of exchange. Money can be: market-determined, officially issued legal tender or fiat moneys, money substitutes and fiduciary media, and electronic cryptocurrencies.

Understanding Money


Money is commonly referred to as currency. Economically, each government has its own money system. Cryptocurrencies are also being developed for financing and international exchange across the world.

Money is a liquid asset used in the settlement of transactions. It functions based on the general acceptance of its value within a governmental economy and internationally through foreign exchange. The current value of monetary currency is not necessarily derived from the materials used to produce the note or coin. Instead, value is derived from the willingness to agree to a displayed value and rely on it for use in future transactions. This is money's primary function: a generally recognized medium of exchange that people and global economies intend to hold as and are willing to accept as payment for current or future transactions.

Economic money systems began to be developed for the function of exchange. The use of money as currency provides a centralized medium for buying and selling in a market. This was first established to replace bartering. Monetary currency helps to provide a system for overcoming the double coincidence of wants. The double coincidence of wants is a ubiquitous problem in a barter economy, where in order to trade, each party must have something that the other party wants. When all parties use and willingly accept an agreed-upon monetary currency, they can avoid this problem.

Activity 4. Read, translate, learn and retell the following vocabulary:

😊 Cash	😊 Wages	😊 Financial statement
😊 Coins	😊 Income	😊 Bonds
😊 Capital	😊 Finance	😊 Shares (UK)/ stocks (US)
😊 Reserves	😊 Pension	😊 Gilts (UK)/ Treasury bills (US)
😊 Funds	😊 Maintenance	😊 Instalment (UK)/ installment (US)
😊 Currencies	😊 Allowance	😊 Notes (UK)/ bills (US)
😊 Deposit	😊 Rebate	😊 Cheque (UK)/ check (US)
😊 Monies	😊 Budget	😊 IOU/ Note of Hand
😊 Loan	😊 Aid	
😊 Debt	😊 Fees	
😊 Subsidy	😊 Gift	
😊 Salary	😊 Stake	
😊 Donation	😊 Voucher	









Activity 5. Supplementary information.

Monetarism rose to prominence in the 1970s, especially in the United States. During this time, both inflation and unemployment were increasing, and the economy was not growing. Paul Volcker was appointed as chairman of the Federal Reserve Board in 1979, and he faced the daunting task of curbing the rampant inflation brought on by high oil prices and the Bretton Woods system's collapse. He limited the money supply's growth (lowering the "M" in the equation of exchange) after abandoning the previous policy of using interest rate targets. While the change did help the inflation rate drop from double digits, it had the added effect of sending the economy into a recession as interest rates increased. Since monetarism's rise in the late 20th century, one key aspect of the classical approach to monetarism has not evolved: The strict regulation of banking reserve requirements. Friedman and other monetarists envisioned strict controls on the reserves held by banks, but this has mostly gone by the wayside as deregulation of the financial markets took hold and company balance sheets became ever more complex. As the relationship between inflation and the money supply became looser, central banks stopped focusing on strict monetary targets and more on

inflation targets. This practice was overseen by Alan Greenspan, who was a monetarist in his views during most of his near-20-year run as Fed chairman from 1987 to 2006.

Activity 6. Match the picture and word.

	vault	money	teller
	bank	ATM	money
	checkbook	teller	vault
	money	checkbook	bank
	teller	squirrel	ATM
	ATM	bank	checkbook

Activity 7. Are the following statements true or false? Ex: T/F.

1. If there was no inflation, the value of a dollar received now would be greater than the value of a dollar received a year from now. ____
2. The concept of the circular flow of economic activity illustrates the point that all economic activities are interdependent. ____
3. The theory of the firm holds that the primary goal of a firm is to maximize the discounted present value of the positive difference between the firm's total revenue and the firm's total cost or to minimize the present value of the negative difference between the firm's total revenue and total cost. ____

4. The value of a firm will increase if there is a reduction in the uncertainty associated with the firm's cash flows. _____
5. An increase in the uncertainty associated with a firm's cash flows will cause a decrease in the discount rate that is applied to the valuation of the firm. _____
6. Profit is a constraint on the operation of a firm. _____
7. The value of a firm under constrained optimization is generally below what it would be under unconstrained optimization. _____
8. The firm, as an organizational structure, exists in order to reduce transactions costs. _____
9. Transaction cost refers to the price paid for a good or service. _____
10. The costs of negotiating and enforcing contracts are transaction costs. _____

LESSON 15 THE FUNCTIONS OF MONEY

Activity 1. Find out the countries according to their currencies.

What country uses the -



Pound



Euro



Baht



Dong



Won



Yuan Renminbi



Dollar



Ringgit



Singapore Dollar

Activity 2. Read and translate the text.

To get a better idea of the role of money in a modern economy, let's imagine a system in which there is no money. In this system, goods and services are *bartered*—traded directly for one another. Now, if you're living and trading under such a system, for each barter exchange that you make, you'll have to have something that another trader wants. For example, say you're a farmer who needs help clearing his fields. Because you have plenty of food, you might enter into a barter transaction with a laborer who has time to clear fields but not enough food: he'll clear your fields in return for three square meals a day. This system will work as long as two people have exchangeable assets, but needless to say, it can be inefficient. If we identify the functions of money, we'll see how it improves the exchange for all the parties in our hypothetical set of transactions.

Money serves as a medium of exchange because people will accept it in exchange for goods and services. Because people can use money to buy the goods and services that they want, everyone's willing to trade something for money. The laborer will take money for clearing your fields because he can use it to buy food. You'll take money as payment for his food because you can use it not only to pay him but also to buy something else you need (perhaps seeds for planting crops). Money simplifies exchanges because it serves as a measure of value. We state the price of a good or service in monetary units so that potential exchange partners know exactly how much value we want in return for it. This practice is a lot better than bartering because it's much more precise than an ad hoc agreement that a day's work in the field has the same value as three meals.

Activity 3. Read, translate, learn and retell the following vocabulary:



Activity 4. Match the money idiom and explain its meaning.

1. come into	A. one's pocket
2. dip into your	B. feed
3. be in	C. butter
4. look like	D. savings
5. chicken	E. to riches
6. from rags	F. some money
7. to bring home	G. a song
8. bread and	H. debt
9. burn a hole in	I. a million dollars
10. buy sth for	J. the bacon

A curved arrow points from item 3, "be in", to item H, "debt".

Activity 5. Supplementary reading.

The concept of the (QTM) began in the 16th century. As gold and silver inflows from the Americas into Europe were being minted into coins, there was a resulting rise in inflation. This development led economist Henry Thornton in 1802 to assume that more money equals more inflation and that an increase in money supply does not necessarily mean an increase in economic output. Here we look at the assumptions and calculations underlying the QTM, as well as its relationship to monetarism and ways the theory has been challenged. The quantity theory of money states that there is a direct relationship between the quantity of money in an economy and the level of prices of goods and services sold. According to QTM, if the amount of money in an economy doubles, price levels also double, causing inflation (the percentage rate at which the level of prices is rising in an economy). The consumer, therefore, pays twice as much for the same amount of the good or service. Another way to understand this theory is to recognize that money is like any other commodity: increases in its supply decrease marginal value (the buying capacity of one unit of currency). So an increase in money supply causes prices to rise (inflation) as they compensate for the decrease in money's marginal value.

Activity 6. Supplementary information.

Penny 1¢	
Nickel 5¢	
Dime 10¢	
Quarter 25¢	

Activity 7. Fullfill the following exercises:

3) Underline the correct answers.

1. You can pay at the **till / price** over there.
2. Would you like to pay in **credit card / cash**?
3. The camera is faulty, but I don't want another one. I want a **refund / return**.
4. Ann bought her coat at half price in the summer **sale / reduction**.
5. The camcorder you want is currently out of **offer / stock**, but we can order it for you.
6. Please keep the **cheque / receipt** so that if your sister doesn't like the purse, you can return it.
7. Did Sam really buy those trainers for 15 pounds? That was a **bargain / clearance**.
8. Here's your new sweater, and here's 5 pounds **exchange / change**.
9. The bank strongly resisted cutting **interest / salary** rates.

4) Complete the sentences with the words below. there are two words that you do not need.

bargain / customers / receipt / refund / by / out cash / interest / stock / back / price / on / around

1. Sam doesn't have enough _____, so he'll pay _____ credit card.
2. Peter wanted to buy a camera _____ the Internet, but they told him that the model he wanted was out of _____.
3. Can I take this dress _____ to the shop, even though I've lost the _____?
4. You can find some real _____ if you shop _____ during the winter sales.
5. I find the other _____ very rude.
6. Ted wasted his money and couldn't get a _____.
7. Tickets include the _____ of refreshments.


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LESSON 16 PRICES

Activity 1. What is the price? How is it calculated? Discuss.



Activity 2. Do the following exercises:

5 What or who are they?	6 Where can you buy these things?
 <div>price bakery shop assistant complaining sale shopping</div>	<div>1 necklace earrings bracelet <input type="text"/></div> <div>2 milk cheese coffee <input type="text"/></div> <div>3 bread rolls cake <input type="text"/></div> <div>4 meat sausages chicken <input type="text"/></div> <div>5 vitamins soap perfume <input type="text"/></div> <div>6 jumping rope ball teddy bear <input type="text"/></div> <div>7 guinea pig dog food tank <input type="text"/></div> <div>8 cucumber peach cauliflower <input type="text"/></div>
<div>1 A person who works in a shop: _____</div> <div>2 Buying things from shops: _____</div> <div>3 A shop that sells bread and cakes: _____</div> <div>4 A time when a shop sells things for less money than usual: _____</div> <div>5 How much money you pay to buy something: _____</div> <div>6 Saying that you do not like something: _____</div>	<div>iSLCollective.com</div>

Activity 3. Read and translate the text.

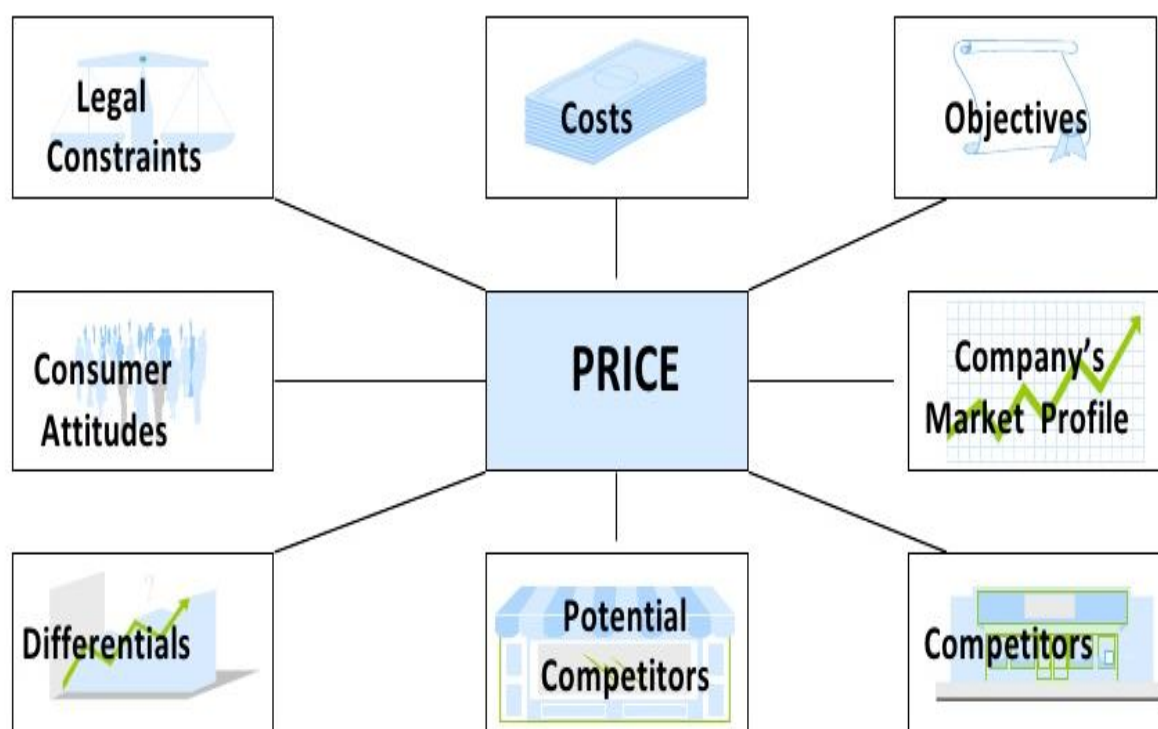
A price is the quantity of payment or compensation given by one party to another in return for one unit of goods or services. A price is influenced by both production costs and demand for the product. A price may be determined by a monopolist or may be imposed on the firm by market conditions.

In modern economies, prices are generally expressed in units of some form of currency. (For commodities, they are expressed as currency per unit weight of the commodity, e.g. euros per kilogram or Rands per KG.) Although prices could be quoted as quantities of other goods or services, this sort of barter exchange is rarely seen. Prices are sometimes quoted in terms of vouchers such as trading stamps and air miles. In some circumstances, cigarettes have been used as

currency, for example in prisons, in times of hyperinflation, and in some places during World War II. In a black market economy, barter is also relatively common. A market is a place where two parties can gather to facilitate the exchange of goods and services. The parties involved are usually buyers and sellers. The market may be physical like a retail outlet, where people meet face-to-face, or virtual like an online market, where there is no direct physical contact between buyers and sellers.

The term market also takes on other forms. For instance, it may refer to the place where securities are traded—the securities market. Alternatively, the term may also be used to describe a collection of people who wish to buy a specific product or service such as the Brooklyn housing market or as broad as the global diamond market.

Activity 4. Read, translate, learn and retell the following vocabulary:



Activity 5. Fullfill the following exercise

3. Saying prices.

We write	We say
£10.00	ten pounds
20p	twenty pee
£ 8.99	eight pounds ninety-nine <i>or</i> eight ninety-nine
£27.50	twenty-seven pounds fifty <i>or</i> twenty-seven fifty

4. Asking for and giving prices.

How much is it ?

How much are these ?

It's £12.

They're £1 (each).

5. Now it's up to you.

- How much are these items? Practise saying the price



A newspaper is 90p



an ice cream: £1.55



tennis shoes: £29.99

Full English Breakfast

£ 7.95

Breakfast: £7.95

Activity 6. Fullfill the following exercises from the chart.

1 Find ten shopping words in the word search.

E	G	I	F	T	C	A	R	D
G	B	A	G	H	A	T	I	B
O	M	A	L	L	S	M	J	C
B	O	O	K	S	H	O	P	A
P	U	R	S	E	W	L	U	F
A	S	R	E	B	R	L	K	É
T	R	O	L	L	E	Y	O	D

2 Match the words and the pictures

- grocery
- cash
- buying
- supermarket
- cashier
- barcode
- cash register
- discount
- shop - window
- greengrocer's
- price
- shopping list
- complaining
- shopping basket
- escalator

3 Find the odd word out.

- butcher's - grocery - clothes shop - greengrocer's
- boutique - fishmonger's - clothes shop - shoe shop
- e-shop - mall - market - delicatessen
- barcode - cash - credit card - cashier
- buying - complaining - selling - paying

4 Put the letters in the correct order.

1 roscmute: _____	6 tlweal: _____
2 stmcsehi: _____	7 mgtirfoitno: _____
3 reicp: _____	8 tisecegrrahs: _____
4 nelgsil: _____	9 epmsrruaakt: _____
5 nawesnsget: _____	10 cindotsu: _____

Activity 7. Are the following statements true or false? EX: T/F.

- Economic relationships can be expressed as equations, graphs, and schedules. _____
- If an economic relationship is complex, it must generally be expressed as an equation. _____
- Differential calculus can be applied directly to the graph of an economic relationship. _____
- The optimal solution to a problem refers to the best solution. _____
- For any given total function, the total is always larger than the average and the average is always larger than the marginal. _____

6. The form of the relationship between total, average, and marginal functions is the same whether it is applied to total revenue, product, cost, or profit._____
7. Total cost is equal to average cost times marginal cost._____
8. Average revenue is equal to marginal revenue between zero units of output and one unit of output._____
9. If total cost is increasing, marginal cost is positive._____
10. If total revenue is decreasing, average revenue is negative._____

LESSON 17 PREDICTING PRICES

Activity 1. Do you know the prices? Practice telling the prices in pair work.



Activity 2. Read and translate the text.

Price forecasting is predicting a commodity/product/service price by evaluating various factors like its characteristics, demand, seasonal trends, other commodities' prices (i.e. fuel), offers from numerous suppliers, etc.

Price forecasting may be a feature of consumer-facing travel apps, such as Trainline or Hopper, used to increase customer loyalty and engagement. At the

same time, other businesses may also use information about future prices. Entrepreneurs may need to define an optimal time to buy a commodity to adjust prices of products or services that require a commodity (lumber, coffee, gold), or evaluate the investment appeal of fixed assets.

Price prediction can be formulated as a *regression task*. Regression analysis is a statistical technique used to estimate the relationship between a dependent/target variable (electricity price, flight fare, property price, etc.) and single or multiple independent (interdependent) variables AKA predictors that impact the target variable. Regression analysis also lets researchers determine how much these predictors influence a target variable. In regression, a target variable is always numeric.

In general, price forecasting is done by the means of descriptive and predictive analytics.

Descriptive analytics. Descriptive analytics rely on statistical methods that include data collection, analysis, interpretation, and presentation of findings. Descriptive analytics allow for transforming raw observations into knowledge one can understand and share. In short, this analytics type helps to answer the question of *what happened?*

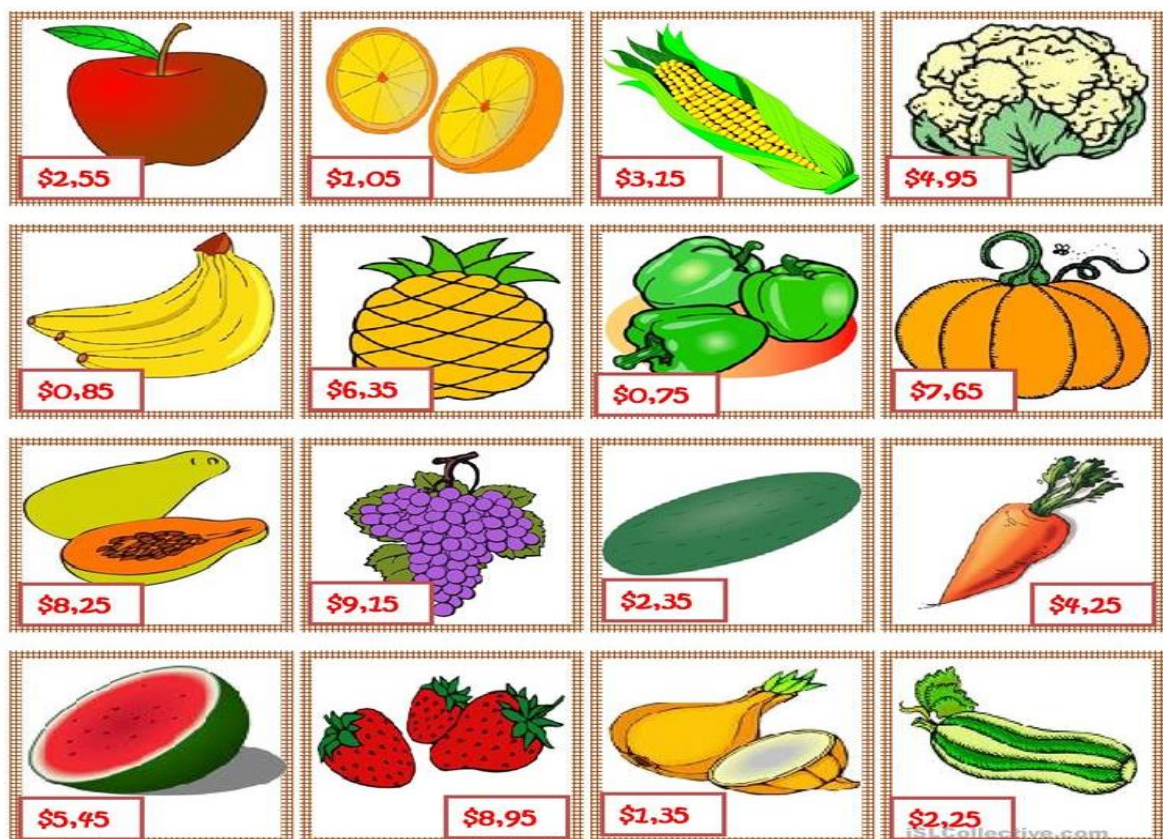
Predictive analytics. Predictive analytics is about analyzing current and historical data to forecast the probability of future events, outcomes, or values in the context of price predictions. Predictive analytics requires numerous statistical techniques, such as data mining (identification of patterns in data) and machine learning.

The goal of machine learning is to build systems capable of finding patterns in data, learning from it without human intervention and explicit reprogramming. To solve the price prediction problem, data scientists first must understand what data to use to train machine learning models, and that's exactly why descriptive analytics is needed.

Activity 3. Read, translate, learn and retell the following vocabulary:



Activity 4. Answer appropriately: how much does it cost?



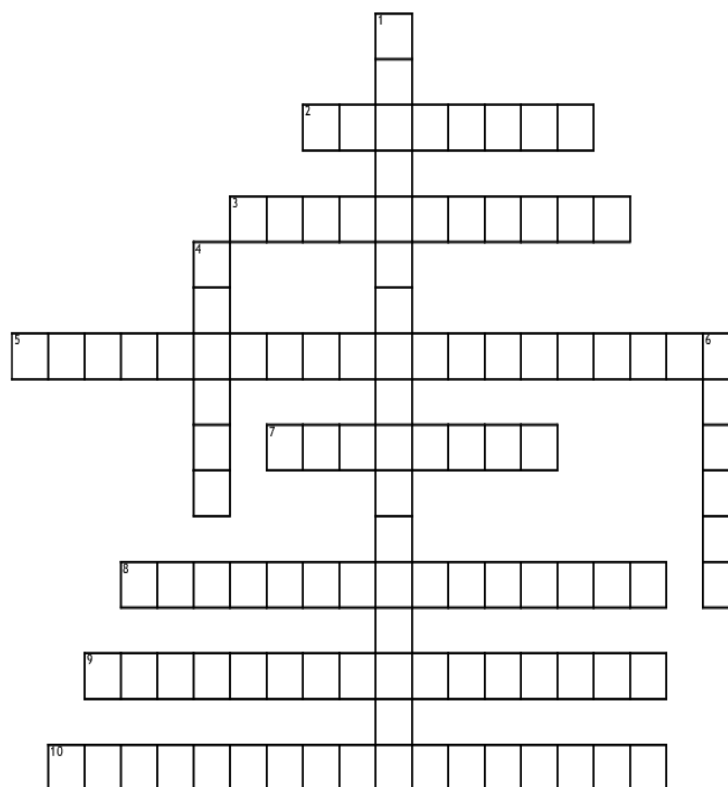
Activity 5. Supplementary reading.

Taken broadly, there is no single more crucial effect on the capitalist economic system than what Adam Smith called the "invisible hand." Capitalism relies on the private deployment of the means of production and a system of voluntary exchanges; it is entirely guided by a spontaneous, efficient allocation of resources. In his famous 1776 book, "An Inquiry into the Nature and Causes of the Wealth of Nations," Smith introduced a doctrine of economic thought that eventually laid the theoretical foundation for free-market capitalism. The term "invisible hand" comes from a small passage in his book. Per Smith, "every individual endeavors to employ his capital so that its produce may be of the greatest value. He generally neither intends to promote the public interest, nor knows how much he is promoting it...he is led in this as if by an invisible hand to promote an end that was no part of his intention. By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it." Smith, often called the father of economics, introduced this concept of unguided economic order long before it was more fully understood. He argued for the private ownership of capital and for free trade uninhibited by government policy. These arguments laid the foundation for future proponents of laissez-faire capitalism.

Activity 6. Read and translate the following phrasal verbs.

Phrasal Verbs for SHOPPING		
	Sell out <i>Sell all of the supply that you have of something</i> Basketball games often sell out well in advance.	Help out <i>To assist someone</i> If you've got the time help out with our relative's work.
	Put on <i>To see if something is worth trying</i> Alex put on his jacket.	Queue up <i>Wait in a line behind people</i> I hate having to queue up so early just to get football match tickets.
	Pay for <i>Act of paying money</i> She might pay for dinner.	Pop into <i>To visit briefly</i> I'm going to pop into the supermarket for a moment.
	Take off <i>Remove a piece of clothing</i> Remember to take your shoes off before entering the house.	Splash out <i>Spend money freely</i> He splashed out on a iPhone.

Activity 7. Solve the following crossword.



Across

2. Anything that can be used to produce something else
3. An economic situation when no individual would be better off doing something different
5. If the opportunity cost of producing the good is lower for that individual than for other people
7. When you compare the costs with the benefits of doing something
8. What you have to give up in order to get what you want
9. Decisions by an individual about what to do and what not to do
10. Decisions based on the additional benefit versus the additional

Down

1. When an individual can do an activity better than other people
4. A form of trade when people directly exchange goods or service that they have for goods or services that they want
6. When everyone gets his or her fair share

LESSON 18 DEMAND

Activity 1. What is the difference between supply and demand? Match.

Supply or Demand?

_____ is the amount of something that is available.

_____ is how much of something people want.

Businesses often spend a considerable amount of money to determine the amount of demand the public has for their products and services. How much of their goods will they actually be able to sell at any given price? Incorrect estimations either result in money left on the table if demand is underestimated or losses if demand is overestimated. Demand is what helps fuel the economy, and without it, businesses would not produce anything.

Demand is closely related to supply. While consumers try to pay the lowest prices they can for goods and services, suppliers try to maximize profits. If suppliers charge too much, the quantity demanded drops and suppliers do not sell enough product to earn sufficient profits. If suppliers charge too little, the quantity demanded increases but lower prices may not cover suppliers' costs or allow for profits. Some factors affecting demand include the appeal of a good or service, the availability of competing goods, the availability of financing, and the perceived availability of a good or service.

Activity 4. Read, translate, learn and retell the following vocabulary:

whisper	tiptoe	glance
bawl	hasten	gaze
joke	hop	peer
demand	clamber	spot
rage	dart	seek
groan	race	observe
jabber	scurry	witness
agree	sprint	gape
wail	gallop	glimpse
beg	shuffle	glare
respond	stroll	watch
shriek	strut	spy
thunder	trudge	snoop

Activity 5. Read the information attentively and do the following:

Market price is determined by the supply and demand of goods. When the supply is high, the price may be low. When the supply is lessened and the demand increases, so may the price.

One big example of supply and demand affecting price is gasoline for automobiles.

Directions: Over the next two weeks, choose a local gas station's prices to watch. Try to check the prices daily as you travel to school. Record the price changes (for only one type of gas; regular, premium, etc) and observe any increases or decreases. Keep an eye on the newspaper for news about oil and gas supply and demand.

Gas Station: _____	
Date: _____ Gas Price: _____	Date: _____ Gas Price: _____
Date: _____ Gas Price: _____	Date: _____ Gas Price: _____
Date: _____ Gas Price: _____	Date: _____ Gas Price: _____
Date: _____ Gas Price: _____	Date: _____ Gas Price: _____
Date: _____ Gas Price: _____	Date: _____ Gas Price: _____
Date: _____ Gas Price: _____	Date: _____ Gas Price: _____

Activity 6. Supplementary reading.

Milton Friedman was born in Brooklyn in 1912, one of four children born to Jewish immigrants. He studied at Rutgers University, Chicago University and Columbia, focusing on mathematics and economics. During his Ph.D., WWII broke out and Friedman took a break to work for the Treasury Department. He was part of a think tank that brought about income tax withholding as a "temporary" measure to help fund the war.

Though he never questioned the necessity of it in wartime, Friedman later regretted having forced withholding on Americans.

Friedman was appalled when the government made the emergency measure a permanent part of its peacetime taxation. Friedman continued his studies after the war and began to show his free-market colors in a time of Keynesian domination. Taking up a teaching post at the University of Chicago, Friedman wrote free-market analysis of the damage done by rent controls and monopolistic practices in the medical profession. In 1957, Friedman launched his first direct attack against Keynesian thinking with "A Theory of the Consumption Function" - an attack on one of the assumptions of Keynes' model.

Keynesians support short-term solutions to spur consumer spending and the economy. The idea is that by giving a temporary tax break like a stimulus check, the government can spur spending without giving up future tax revenues by making a meaningful tax cut – in short, the government gets to have its cake (economic recovery) and eat it too (maintain future taxes). Friedman took on this idea and analyzed actual empirical evidence. This was in contrast to Keynes and his followers who rarely did actual empirical studies.

Friedman showed that people adjusted their annual spending habits in response to real changes in their lifetime income, not temporary changes to their current income. In practice, this means that something concrete like a raise may prompt a family to spend more, but a short-lived boost from a stimulus check will not. This was the first crack in the Keynesian framework, but it was quickly followed by further attacks on the many dubious assumptions underlying the theory.

Activity 7. Make up sentences with the following phrases.

do the shopping 
weekly/monthly shopping

grocery shopping 
shopping for food items

bargain hunting 
searching for bargains

window shopping 
just looking, not buying

shop around   
compare prices before buying

spend money on sth 
use money to buy sth or pay for sth

shop online 
shop on the internet

on sale 
at a reduced price

for sale 
available to buy

a receipt 
paper proof of a purchase

a price tag 
thing that shows the price

a bargain 
a good value product

a shopaholic 
someone who loves shopping

a fitting room 
a place to try on clothes

try sth on  
try clothes before buying them

take sth back 
return an unwanted item to the shop

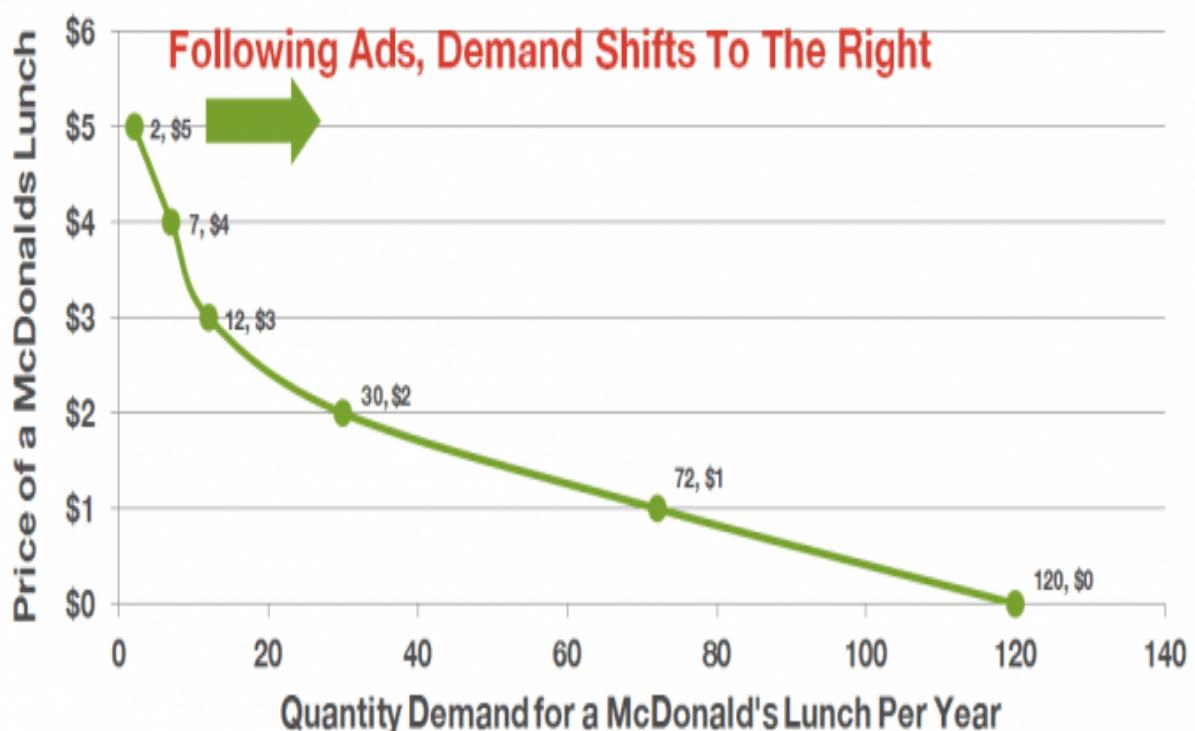
get a refund 
get money back after returning an item

in cash/by card  
use cash or a credit card to pay

LESSON 19 DEMAND AND DEMAND SCHEDULE

Activity 1. Learn the chart and explain it.

Demand Curve for McDonald's Lunch (One Customer)



Activity 2. Fullfill the exercises:

1 Find ten shopping words in the word search.

E	G	I	F	T	C	A	R	D
G	B	A	G	H	A	T	I	B
O	M	A	L	L	S	M	J	C
B	O	O	K	S	H	O	P	A
P	U	R	S	E	W	L	U	F
A	S	R	E	B	R	L	K	É
T	R	O	L	L	E	Y	O	D

2 Match the words and the pictures

- grocery
- cash
- buying
- supermarket
- cashier
- barcode
- cash register
- discount
- shop - window
- greengrocer's
- price
- shopping list
- complaining
- shopping basket
- escalator

3 Find the odd word out.

- 1 butcher's - grocery - clothes shop - greengrocer's
- 2 boutique - fishmonger's - clothes shop - shoe shop
- 3 e-shop - mall - market - delicatessen
- 4 barcode - cash - credit card - cashier
- 5 buying - complaining - selling - paying

4 Put the letters in the correct order.

1 roscmute: _____	6 tlweal: _____
2 stmcsehi: _____	7 mgtirfoitno: _____
3 reicp: _____	8 tisecegrrahs: _____
4 nelgsil: _____	9 epmsrruaakt: _____
5 nawesnsget: _____	10 cindotsu: _____

Activity 3. Read and translate the text.

What Is a Demand Schedule? In economics, a demand schedule is a table that shows the quantity demanded of a good or service at different price levels. A demand schedule can be graphed as a continuous demand curve on a chart where the Y-axis represents price and the X-axis represents quantity. The Law of Demand states that when the price of a commodity falls, its demand increases and when the price of a commodity rises, its demand decreases; other things remaining constant. Thus, there exists an inverse relationship between price and quantity demanded of a

commodity. The functional relationship between price and quantity demanded can be represented as $D_x = f(P_x)$. Now let us discuss the Demand Schedule in detail.

In economics, a market demand schedule is a tabulation of the quantity of a good that all consumers in a market will purchase at a given price. At any given price, the corresponding value on the demand schedule is the sum of all consumers' quantities demanded at that price.

Generally, there is an inverse relationship between the price and the quantity demanded. The graphical representation of a demand schedule is called a demand curve.

Activity 4. Work on the following vocabulary.

- Entrepreneur
- Venture
- Economics
- Free Enterprise System
- Profit
- Market Structure
- Monopoly
- Oligopoly
- Goods
- Services
- Needs
- Wants
- Factors of Production
- Scarcity
- Demand
- Supply
- Equilibrium
- GDP (Gross Domestic Product)
- Business Cycle

Activity 5. Supplementary reading.


Monetarism is a macroeconomic theory borne of criticism of Keynesian economics. It was named for its focus on money's role in the economy. This differs significantly from Keynesian economics, which emphasizes the role that the government plays in the economy through expenditures, rather than the role of monetary policy. To monetarists, the best thing for the economy is to keep an eye

on the money supply and let the market take care of itself. In the end, the theory goes, markets are more efficient at dealing with inflation and unemployment.

Milton Friedman, a Nobel Prize-winning economist who once backed the Keynesian approach, was one of the first to break away from commonly accepted principles of Keynesian economics. In his work "A Monetary History of the United States, 1867-1960" (1971), a collaborative effort with fellow economist Anna Schwartz, Friedman argued that the poor monetary policy of the Federal Reserve was the primary cause of the Great Depression in the United States, not problems within the savings and banking system. He argued that markets naturally move toward a stable center, and an incorrectly set money supply caused the market to behave erratically. With the Bretton Woods system's collapse in the early 1970s and the subsequent increase in both unemployment and inflation, governments turned to monetarism to explain their predicaments. It was then that this economic school of thought gained more prominence.

Activity 6. Fullfill the exercises from the chart.

5 What or who are they?



price bakery shop assistant
complaining sale shopping

1 A person who works in a shop: _____

2 Buying things from shops: _____

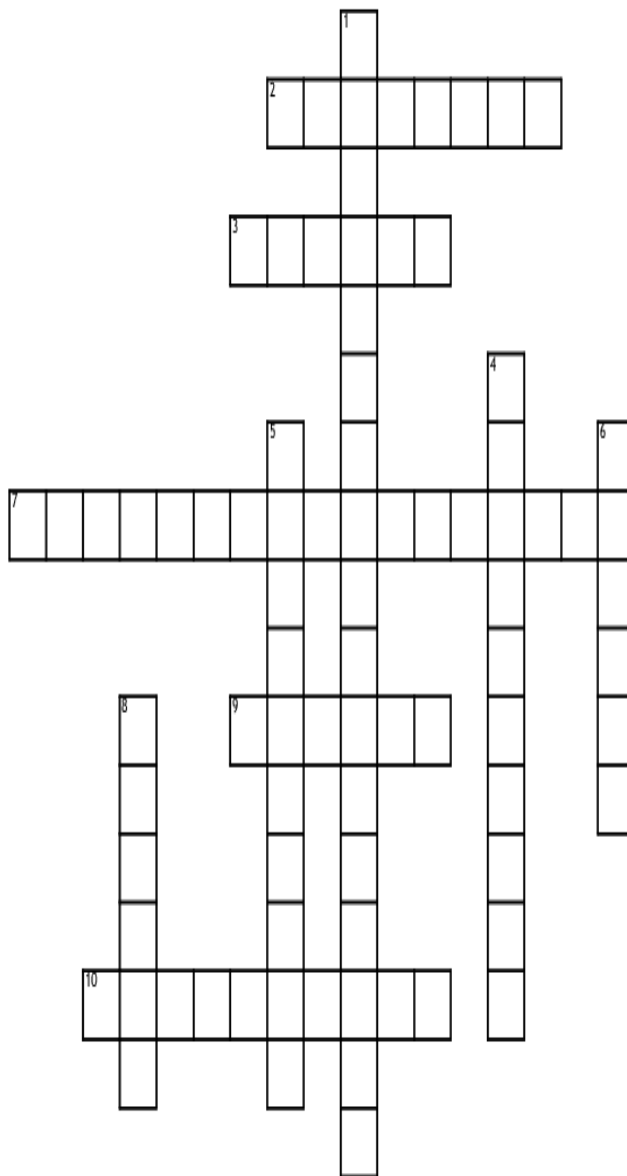
3 A shop that sells bread and cakes: _____

4 A time when a shop sells things for less money than usual:

5 How much money you pay to buy something:

6 Saying that you do not like something: _____

Activity 6. Solve the crossword.



Across

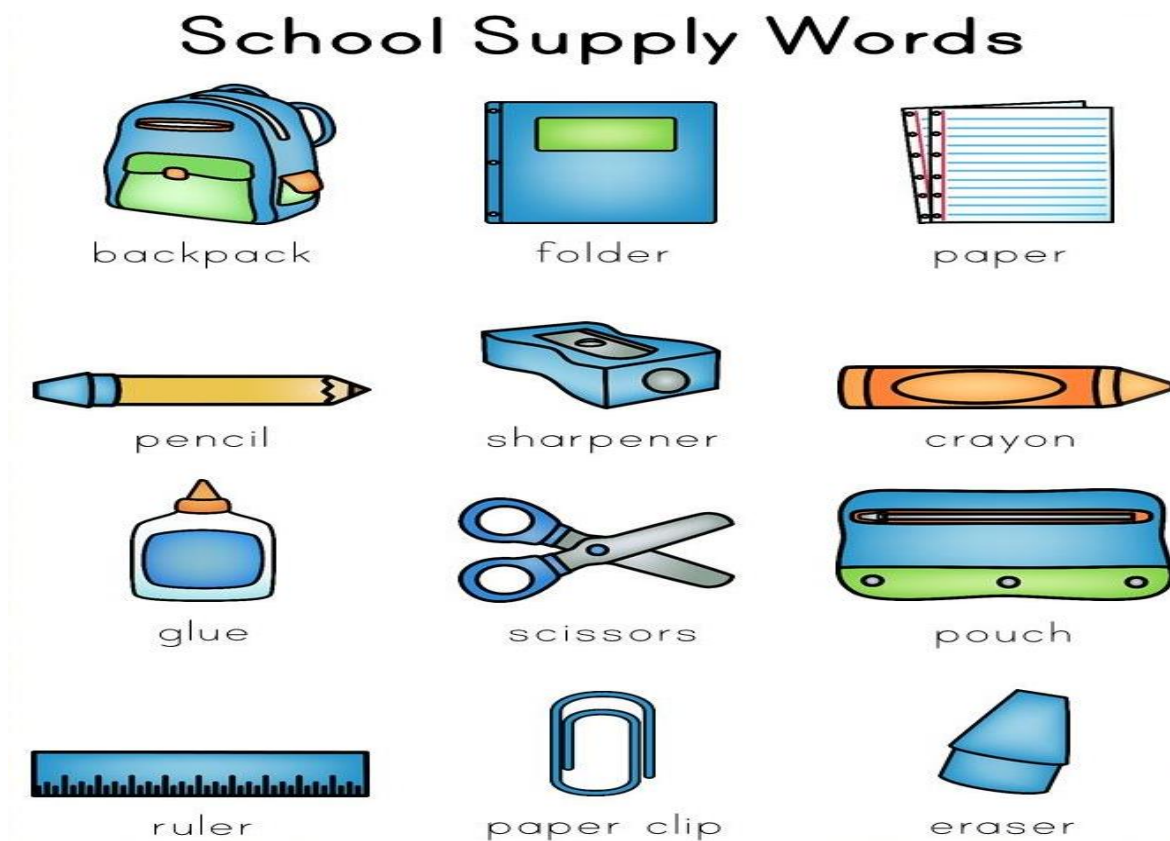
2. Situation in which the quantity demanded is greater than the quantity at the current price
3. The amount of a good or service that producers are able and willing to sell
7. A transaction in which a buyer and a seller exercise their economic freedom by working out their own terms of exchange
9. Teacher for your 0 period
10. Any use of land, labor, and capital that produces goods and services more efficiently

Down

1. A product often used with another product
4. Economic concept dealing with consumers' responsiveness to an increase or decrease in the price of a product
5. A legal minimum price below which a good or service may not be sold
6. The amount of a good or service that consumers are able and willing to buy.
8. The process of freely exchanging goods and services between buyers and sellers

LESSON 20 SUPPLY

Activity 1. Name the school supplies that you have in your backpack.



Activity 2. Read and translate the text.

Supply is a fundamental economic concept that describes the total amount of a specific good or service that is available to consumers. Supply can relate to the amount available at a specific price or the amount available across a range of prices if displayed on a graph. This relates closely to the demand for a good or service at a specific price; all else being equal, the supply provided by producers will rise if the price rises because all firms look to maximize profits.

Supply and demand trends form the basis of the modern economy. Each specific good or service will have its own supply and demand patterns based on price, utility and personal preference. If people demand a good and are willing to pay more for it, producers will add to the supply. As the supply increases, the price will fall given the same level of demand. Ideally, markets will reach a point of equilibrium where the supply equals the demand (no excess supply and no

shortages) for a given price point; at this point, consumer utility and producer profits are maximized.

The concept of supply in economics is complex with many mathematical formulas, practical applications and contributing factors. While supply can refer to anything in demand that is sold in a competitive marketplace, supply is most used to refer to goods, services, or labor. One of the most important factors that affects supply is the good's price. Generally, if a good's price increases so will the supply. The price of related goods and the price of inputs (energy, raw materials, labor) also affect supply as they contribute to increasing the overall price of the good sold.

The conditions of the production of the item in supply is also significant; for example, when a technological advancement increases the quality of a good being supplied, or if there is a disruptive innovation, such as when a technological advancement renders a good obsolete or less in demand. Government regulations can also affect supply, such as environmental laws, as well as the number of suppliers (which increases competition) and market expectations. An example of this is when environmental laws regarding the extraction of oil affect the supply of such oil.

Activity 3. Read, translate, learn and retell the following vocabulary:

- | | |
|---------------------------|--------------------------|
| 1. demand | 14. diminishing returns |
| 2. demand curve | 15. elasticity of supply |
| 3. demand schedule | 16. fixed costs |
| 4. elasticity of demand | 17. input costs |
| 5. inelastic | 18. law of supply |
| 6. income effect | 19. marginal cost |
| 7. law of demand | 20. marginal product |
| 8. market demand curve | 21. marginal revenue |
| 9. market demand schedule | 22. productivity |
| 10. normal goods | 23. supply |
| 11. substitutes | 24. supply schedule |
| 12. complements | 25. total product |
| 13. total revenue | 26. circular flow model |

Activity 4. Supplementary reading.

The approach of classical economists toward money states that the amount of money available in the economy is determined by the equation of exchange:

$$M \times V = P \times T \quad \text{where:} \quad M = \text{Amount of money currently in circulation over a time period} \\ V = \text{Velocity - how often money is spent or turned over during the time period} \\ P = \text{Average price level} \quad T = \text{Value of expenditures or number of transactions}$$

where:
 M = Amount of money currently in circulation over a time period
 V = Velocity.

How often money is spent or turned over during the time period
 P = Average price level
 T = Value of expenditures or number of transactions

Economists tested the formula and found that the velocity of money, V , often stayed relatively constant over time. Because of this, an increase in M resulted in an increase in P . Thus, as the money supply grows, so too will inflation. Inflation hurts the economy by making goods more expensive, which limits consumer and business spending. According to Friedman, "inflation is always and everywhere a monetary phenomenon." While economists following the Keynesian approach did not completely discount the role that money supply has on gross domestic product (GDP), they did feel that the market would take more time to react to adjustments. Monetarists felt that markets would readily adapt to more capital being available.

Activity 5. Unscramble the words.

- | | |
|--------------|-----------|
| 1. daehiy | 1. _____ |
| 2. sruenwfol | 2. _____ |
| 3. rrqusile | 3. _____ |
| 4. seleva | 4. _____ |
| 5. kare | 5. _____ |
| 6. derci | 6. _____ |
| 7. nmutua | 7. _____ |
| 8. pape | 8. _____ |
| 9. rseebpmte | 9. _____ |
| 10. uipnkpm | 10. _____ |
| 11. nroca | 11. _____ |
| 12. ycilhl | 12. _____ |

Activity 6. Solve the following case problem:

Brenda is a college professor who earns \$40,000 a year. She decides to open an automobile body shop. She anticipates annual revenues of \$150,000. Her expenses will be as follows:

Employee salaries	\$ 65,000
Insurance.....	4,000
Utilities.....	3,000
Lease	6,000
Supplies.....	12,000
Interest payments	10,000

Calculate Brenda's anticipated explicit costs, implicit costs, business profits, and economic profits. What is the minimum revenue that is required for Brenda to earn a normal profit (i.e., an economic profit of zero)?

Explicit Costs	Implicit Costs	Business Profit	Economic Profits

Activity 7. Are the following statements true or false? Ex:T/F

1. The monopoly theory of profits argues that restricted entry into an industry tends to keep profits low._____
2. The idea that profits are a form of reward for the successful introduction of a new product or process is the frictional theory of profit._____
3. The managerial efficiency theory of profit holds that firms that enjoy higher levels of profit do so because they are more efficient than their competitors._____
4. Economic profit is an important mechanism for the efficient reallocation of resources in a free-enterprise economy._____
5. Managerial economics is largely independent of the internationalization of economic activity._____
6. Business ethics refers to enforceable laws of business conduct.

7. Business ethics provides guidelines as to what is acceptable behavior in business transactions._____
8. Many firms have responded to the need for ethical behavior by establishing codes of ethical behavior._____
9. Firms typically provide employees with a list of all possible forms of unethical behavior._____
10. The Internet has had very little impact on the way that business is conducted._____

LESSON 21 MARKET

Activity 1. What is the difference between the markets and the food stores.
Why do most people prefer markets to the stores?



Activity 2. Read and translate the text.

Markets vary widely for a number of reasons, including the kinds of products sold, location, duration, size, and constituency of the customer base, size, legality, and many other factors. Aside from the two most common markets—physical and

virtual—there are other kinds of markets where parties can gather to execute their transactions.

Black market

A black market refers to an illegal market where transactions occur without the knowledge of the government or other regulatory agencies. Many black markets exist in order to circumvent existing tax laws. This is why many involve cash-only transactions or other forms of currency, making them harder to track.

Many black markets exist in countries with planned or command economies—wherein the government controls the production and distribution of goods and services—and in countries that are developing. When there is a shortage of certain goods and services in the economy, members of the black market step in and fill the void.

Black markets can also exist in developed economies as well. This is prevalent when prices control the sale of certain products or services, especially when demand is high. Ticket scalping is one example. When demand for concert tickets are high, scalpers will step in and sell them at inflated prices on the black market.

Auction Market

An auction market brings many people together for the sale and purchase of specific lots of goods. The buyers or bidders try to top each other for the purchase price. The items up for sale end up going to the highest bidder.

The most common auction markets involve livestock and homes, or websites like eBay where bidders may bid anonymously to win auctions.

Financial Market

The blanket term *financial market* refers to any place where securities, currencies, bonds, and other securities are traded between two parties. These markets are the basis of capitalist societies, and they provide capital formation and liquidity for businesses. They can be physical or virtual.

The financial market includes the stock market or exchanges such as the New York Stock Exchange, Nasdaq, the LSE, and the TMX Group. Other kinds of financial

markets include the bond market and the foreign exchange market, where people trade currencies.

Activity 3. Read, translate, learn and retell the following vocabulary:



Activity 4. Supplementary reading.

The paradox of value was observed and debated by classical economists. Adam Smith described what is now called the *diamond – water paradox*: diamonds command a higher price than water, yet water is essential for life and diamonds are merely ornamentation. Use value was supposed to give some measure of usefulness, later refined as marginal benefit while exchange value was the measure of how much one good was in terms of another, namely what is now called relative price. One solution offered to the paradox of value is through the theory of marginal utility proposed by Carl Menger, one of the founders of the Austrian School of economics. The term value derives from the volume of socially necessary labour time exerted in the creation of an object. This value does not relate to price in a simple manner, and the difficulty of the conversion of the mass of values into the actual prices is known as the transformation problem.

Activity 5. Match the collocation with the correct definition.

• earn	a) receive money from somebody who has died
• raise	b) take money out of a bank account
• donate	c) use money on something you don't ne
• steal	d) buy e.g. shares in a company
• win	e) give sb money that they must return
• find	f) get money from people for a purpose
• lose	g) give money to an organization
• spend	h) keep money for future use
• save	i) give money back to sb you borrowed from
• lend	j) give/pay money for something
• borrow	k) not have any longer; not gain
• invest	l) have to pay sb the money they gave you
• withdraw	m) get money by working
• waste	n) take money from sb without permission
• inherit	o) get money in the lottery, quiz show etc.
• pay back	p) get money from sb that you must return
• owe	q) discover by chance

Activity 6. Are the following staesment true or false? Ex T/F.

1. Game theory can be used to analyze nonprice competition in oligopolistic markets._____
2. Strategic behavior refers to decisions made in the long run, but not the short run._____
3. Game theory is concerned with identifying optimal strategies in conflict situations._____
4. A table that gives the profits that will result from all possible combinations of a firm's available strategies and its opponent's available responses is called a payoff matrix._____
5. Dominant strategy refers to the behavior of the price leader in an industry with a dominant firm._____
6. One of the postulates of game theory is that a firm will always have a single dominant strategy._____

7. A Nash equilibrium results when every firm in an industry chooses a strategy that is optimal given the strategies chosen by its competitors._____
8. A tit-for-tat strategy makes it possible for firms to cooperate without colluding._____
9. A tit-for-tat strategy cannot be successfully employed in repeated games._____
10. A firm that establishes a reputation for aggressive and irrational behavior may be attempting to establish a credible threat to its competitors._____

Activity 7. Solve the following case problem:

Dr. Doug is considering two business opportunities. Both require an initial investment of \$200,000. The first will return \$50,000 at the end of each of the next six years, while the second will return \$35,000 at the end of each of the next 10 years. Calculate the present value of the profit from these two businesses at each of the following discount rates: 7%, 8%, 9%, 10%, and 12%. Use the graph that follows to plot the relationship between the present value (PV) of profit from each of the two businesses and the interest rate. At approximately what interest rate would Dr. Doug be indifferent between the two businesses? Over what range of interest rates would Business 1 be preferred? Over what range would Business 2 be preferred?

Discount Rate (i)	7%	8%	9%	10%	12%
Business 1					
Business 2					

LESSON 22 MARKET RESEARCH

Activity 1. Work in groups. Imagine you are conducting a market research on some specific product. Follow the steps shown below and organise the research. Play the roles of research participants and the buyers during the survey.



Activity 2. Read and translate the text.

Market research is an organized effort to gather information about target markets or customers. It is a very important component of business strategy. The term is commonly interchanged with marketing research; however, expert practitioners may wish to draw a distinction, in that *marketing* research is concerned specifically about marketing processes, while *market* research is concerned specifically with markets.

Market research is one of the main factors used in maintaining competitiveness over competitors. Market research provides important information which helps to identify and analyze the needs of the market, the market size and the competition. Market-research techniques encompass both qualitative techniques such as focus groups, in-depth interviews, and ethnography, as well as quantitative techniques such as customer surveys, and analysis of secondary data. Market research, which includes social and opinion research, is the systematic gathering and interpretation of information about individuals or organizations using statistical and analytical

methods and techniques of the applied social sciences to gain insight or support decision making.

Market research started to be conceptualized and put into formal practice during the 1930s, as an offshoot of the advertising boom of the Golden Age of radio in the United States. Advertisers began to realize the significance of demographics revealed by sponsorship of different radio programs.

Market research is a way of getting an overview of consumers' wants, needs and beliefs. It can also involve discovering how they act. The research can be used to determine how a product could be marketed. Peter Drucker believed market research to be the quintessence of marketing. Market research is a way that producers and the marketplace study the consumer and gather information about the consumers' needs. There are two major types of market research: primary research, which is sub-divided into quantitative and qualitative research, and secondary research.

Activity 3. Read, translate, learn and retell the following vocabulary:



Activity 4. Supplementary reading.

Smith's 1776 work, "An Inquiry into the Nature and Causes of the Wealth of Nations," also shortened as "The Wealth of Nations," appeared at the dawn of industrial development in Europe. While critics note that Smith didn't invent many of the ideas that he wrote about, he was the first person to compile and publish them in a format designed to explain them to the average reader of the day. As a result, he is responsible for popularizing many of the ideas that underpin the school of thought that became known as classical economics.

In this book, Smith discussed the stages of evolution of society, from a hunter stage without property rights or fixed residences to nomadic agriculture with shifting residences. A feudal society is the next stage. In this stage, laws, and property rights are established to protect privileged classes. Laissez-faire or free markets characterize the modern society in which new institutions are established to conduct market transactions.

"The Wealth of Nations" is a massive work consisting of two volumes divided into five books. It differs from "The Theory of Moral Sentiments" in one major regard. Along with the "inner man" who was supposed to control and regulate human passion, it relies on an institutional framework to steer humans toward productive pursuits beneficial to society. The undergirding to that framework is competition, which Smith defined as a "desire that comes with us from the womb, and never leaves us, until we go into the grave." The framework consists of institutions like a justice system designed to protect and promote free

Activity 5. Solve the following case problem.

Profligate Sons, Incorporated (PSI), wants to raise funds to expand its executive recreational facilities. The senior financial officer at PSI has gathered the following information in an effort to determine the firm's cost of capital. PSI typically obtains 75% of its capital by issuing debt. The interest rate on U.S. Treasury bills is 3.7%. The marginal tax rate is 45%. Projected profit for next year is \$10,700,000. Profit

is expected to grow at an annual rate of 5%. PSI long-term bonds yield 10.2%. The firm typically pays out 60% of its annual profit in dividends. It currently has 1,250,000 shares of stock outstanding and shares are trading at a price of \$50. PSI's beta coefficient is 1.2 and the industry of which PSI is a part offers an average rate of return of 9%.

Use this information to solve Problems 1 through 3.

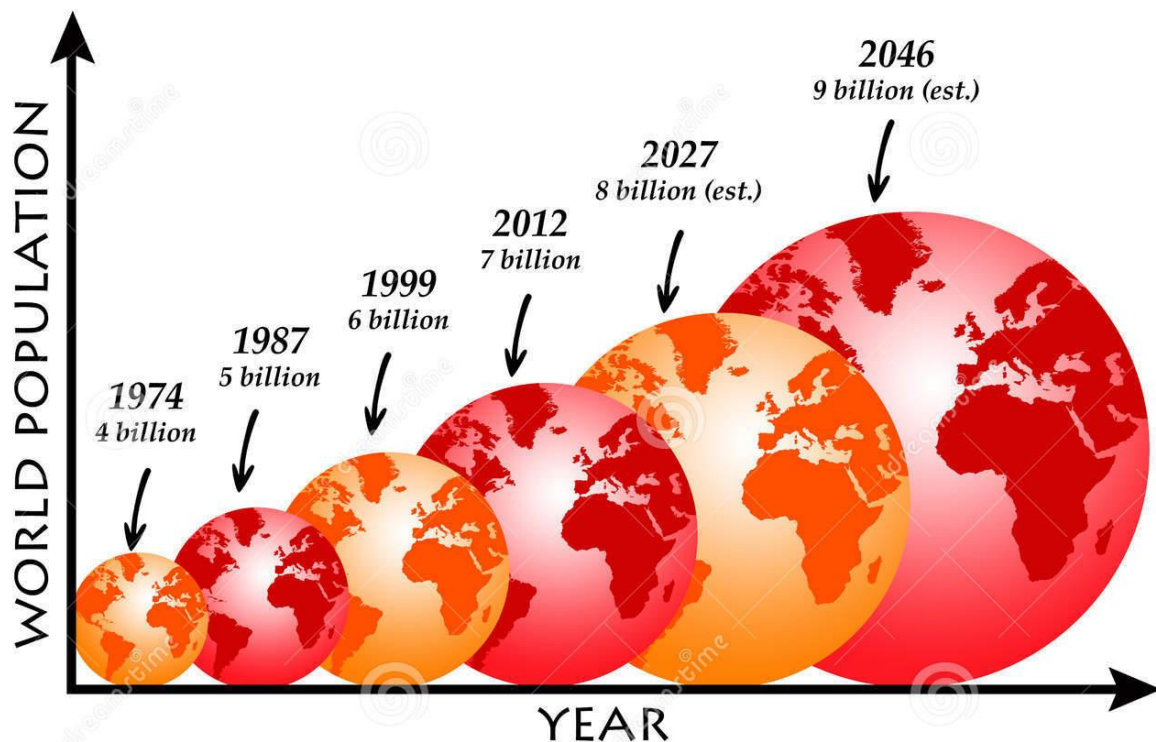
1. Calculate the firm's after-tax cost of debt.
2. Calculate the firm's cost of equity capital using the "risk-free rate plus premium" model. What is the weighted cost of capital based on this model?
3. Calculate the firm's cost of equity capital using the "dividend valuation" model. What is the weighted cost of capital based on this model?

Activity 6. Are the following statements true or false? Ex: T/F.

1. Investment decisions involve costs and revenues that extend over a number of years._____
2. One of the reasons that capital budgeting is so important is that major capital investment projects are generally irreversible._____
3. A firm should continue to increase its level of capital investment so long as the rate of return on the least profitable investment project that the firm undertakes is less than the marginal cost of capital._____
4. In calculating net cash flows, depreciation is treated as a cost._____
5. In general, a firm should undertake a project only if its net present value is positive._____
6. In general, a firm should undertake any project that has an internal rate of return that is positive._____
7. If the internal rate of return is used to discount all cash flows associated with a project, the net present value of the project will be equal to zero._____

8. Calculation of the internal rate of return incorporates the implicit assumption that net cash flows from a project can be reinvested at the internal rate of return._____
9. If the net present value method and the internal rate of return method yield contradictory results, the latter should be followed rather than the former._____
10. A house that is owned by an individual is referred to as human capital, whereas a house that is owned by a corporation is referred to as non-human capital._____

LESSON 23 WORLD POPULATION



Activity 1. Read and translate the text.

According to the United States Census Bureau the world's population was about 7.55 billion in 2019 and that the 7 billion number was surpassed on 12 March 2012. According to a separate estimate by the United Nations, Earth's population exceeded seven billion in October 2011, a milestone that offers unprecedented challenges and opportunities to all of humanity, according to UNFPA. According to papers published by the United States Census Bureau, the world population hit 6.5 billion on 24 February 2006. The United Nations Population Fund designated 12 October 1999 as the approximate day on which world population reached 6

billion. This was about 12 years after the world population reached 5 billion in 1987, and six years after the world population reached 5.5 billion in 1993. The population of countries such as Nigeria is not even known to the nearest million, so there is a considerable margin of error in such estimates.

Researcher Carl Haub calculated that a total of over 100 billion people have probably been born in the last 2000 years. The years are taken for every billion people to be added to the world's population, and the years that population was reached (with future estimates). In the future, the world's population is expected to peak, after which it will decline due to economic reasons, health concerns, land exhaustion and environmental hazards. According to one report, it is very likely that the world's population will stop growing before the end of the 21st century. Further, there is some likelihood that population will actually decline before 2100. Population has already declined in the last decade or two in Eastern Europe, the Baltics and in the Commonwealth of Independent States.

The population pattern of less-developed regions of the world in recent years has been marked by gradually increasing birth rates. These followed an earlier sharp reduction in death rates. This transition from high birth and death rates to low birth and death rates is often referred to as the demographic transition.

Activity 2. Read, translate, learn and retell the following vocabulary:

- Demography
- Population Distribution
- Population Density
- Birth Rate
- Death Rate
- Life Expectancy
- Demographic Transition Model
- Population Pyramid
- Replacement Rate
- Dependency Ratio

Activity 3. Supplementary information.

In demographics the world population is the total number of humans currently living, and was estimated to have reached 7.7 billion people as of April 2019. It took over 200,000 years of human history for the world's population to reach 1 billion, and only 200 years more to reach 7 billion.

The world population has experienced continuous growth following the Great Famine of 1315–1317 and the end of the Black Death in 1350, when it was near 370 million. The highest global population growth rates, with increases of over 1.8% per year, occurred between 1955 and 1975—peaking to 2.1% between 1965 and 1970. The growth rate declined to 1.2% between 2010 and 2015 and is projected to decline further in the course of the 21st century. However, the global population is still increasing and is projected to reach about 10 billion in 2050 and more than 11 billion in 2100.

Total annual births were highest in the late 1980s at about 139 million, and as of 2011 were expected to remain essentially constant at a level of 135 million, while deaths numbered 56 million per year and were expected to increase to 80 million per year by 2040. The median age of the world's population was estimated to be 30.4 years in 2018. In mid-2019, the United Nations estimated that the world population had reached 7,713,468,000.

Activity 4. Are the following statements true or false? Ex: T/F.

1. When there is only one possible outcome to a decision, risk or uncertainty is present._____
2. Risk refers to a situation in which the probability of each possible outcome to a decision is unknown or meaningless._____
3. A payoff matrix shows the profit that would be earned under certainty, risk, and uncertainty so the decision maker can choose which is best._____
4. Decisions made under risk require a decision maker to choose both a strategy and a state of nature._____

5. A list of all possible states of nature and their probabilities is referred to as a probability distribution._____
6. If the probability that the economy will be in recession is 0.40, then the probability that the economy will not be in a recession must be 0.60._____
7. The expected profit of a strategy is equal to the level of profit realized from the outcome with the highest level of probability._____
8. The expected value of a strategy is a measure of risk._____
9. The normal probability distribution is an example of a discrete probability distribution._____
10. The Z value for a particular outcome is equal to the difference between the outcome and the expected outcome measured in terms of standard deviations._____

LESSON 24 POVERTY AND POVERTY PROGRAMS

Activity 1. Work in groups, divide according to the names of welfare programs, and find as much information as possible about them.



Activity 2. Read and translate the text.

The word *poverty* comes from the old (Norman) French word *poverté* (Modern French: *pauvreté*), from Latin *paupertās* from *pauper* (poor).

There are several definitions of poverty depending on the context of the situation it is placed in, and the views of the person giving the definition.

Income Poverty: a family's income fails to meet a federally established threshold that differs across countries.

United Nations: Fundamentally, poverty is the inability of having choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to, not having the land on which to grow one's food or a job to earn one's living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living in marginal or fragile environments, without access to clean water or sanitation.

World Bank: Poverty is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one's life.

In the United Kingdom, the second Cameron ministry came under attack for their redefinition of poverty; poverty is no longer classified by a family's income, but as to whether a family is in work or not. Considering that two-thirds of people who found work were accepting wages that are below the living wage (according to the Joseph Rowntree Foundation) this has been criticised by anti-poverty campaigners as an unrealistic view of poverty in the United Kingdom.

Activity 3. Read, translate, learn and retell the following vocabulary:



Activity 4. Supplementary reading.

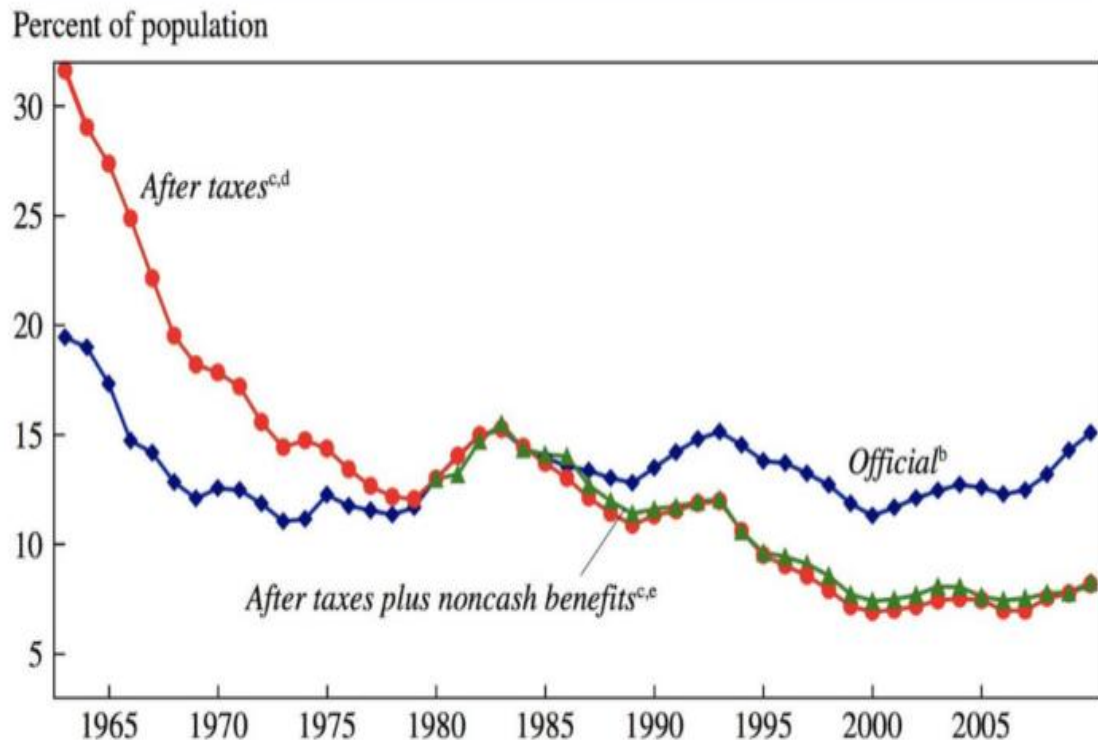
Welfare programs are government subsidies for low-income families and individuals. Recipients must prove their income falls below a target, which is some percentage of the federal poverty level. In 2019, the poverty level for a family of four was \$25,750.

There are six major U.S. welfare programs. They are the Temporary Assistance for Needy Families (TANF), Medicaid, Supplemental Nutrition Assistance Programs (SNAP or "food stamps"), Supplemental Security Income (SSI), Earned Income Tax Credit (EITC), and housing assistance. The six major welfare programs are EITC, housing assistance, Medicaid, SNAP, SSI, and TANF.

These welfare programs differ from entitlement programs like Medicare and Social Security. Many negative perceptions about the people receiving welfare benefits aren't rooted in fact. In U.S the federal government provides funding for welfare programs, but the states administer the programs. Some states also expand the programs by providing additional funds.

Activity 5. Explain the following graph.

Figure 1. Official and Alternative Income Poverty Rates, 1963–2010^a



The official poverty rate (blue line) has drastically underestimated the effect of anti-poverty programs according to alternative measurements (green and red lines). (Meyer and Sullivan, Brookings)

Activity 6. Solve the case problem:

Tammany Manufacturing Company is considering two alternative projects. Only one can be chosen. Each is expected to last for five years. The cash flows associated with each project (in \$1,000s) are listed in the table below. The initial cost is paid at the onset of the project. The remaining cash flows will be realized at the end of each of five years.

Project	Cost	Year 1	Year 2	Year 3	Year 4	Year 5
A	100	60	50	40	30	20
B	120	10	30	50	70	90

1. Calculate the net present value of each project using a discount rate of 8%. Which project is preferred?

2. Calculate the risk-adjusted net present value of each project. The risk-free discount rate is 8%. The risk premium on Project A is 2% and the risk premium on Project B is 4%. Which project is preferred?

LESSON 25. REVIEW

Activity 1. Complete the dialogue with the words in the table.

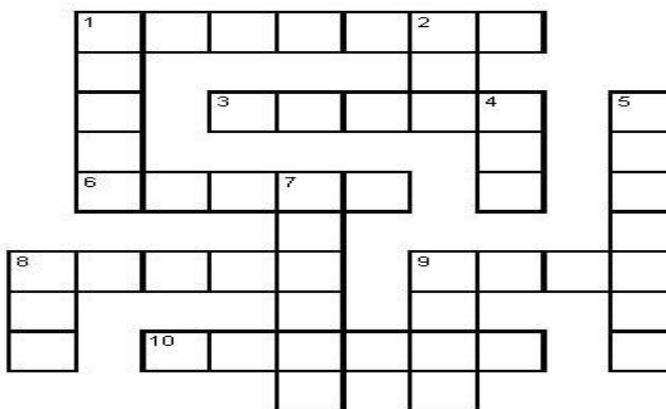
	afford	bargain	borrow	debt	discount	lend	saving up	waste
Ben	Did I tell you I was ¹ _____ for a digital camera?							
Jay	Are you? I can ² _____ you some money, if you want.							
Ben	Thanks, but I'd rather not. I hate being in ³ _____.							
Jay	I know what you mean. What do your parents think?							
Ben	They think it's a ⁴ _____ of money. They say I should use theirs instead of buying my own.							
Jay	Well maybe you can buy a ⁵ _____ in the sales.							
Ben	That's what I'm hoping. I should be able to buy a good one even if I can't ⁶ _____ the best one in the shop.							
Jay	You need to look around and see what ⁷ _____ the shops are offering.							
Ben	Good idea. Do you want to come with me?							

Activity 2. Read and translate the text.

If a nation's economy were a human body, then its heart would be the central bank. And just as the heart works to pump life-giving blood throughout the body, the central bank pumps money into the economy to keep it healthy and growing. Sometimes economies need less money, and sometimes they need more. The methods central banks use to control the quantity of money vary depending on the economic situation and power of the central bank. In the United States, the central bank is the Federal Reserve, often called the Fed. Other prominent central banks

include the European Central Bank, Swiss National Bank, Bank of England, People's Bank of China, and Bank of Japan. The quantity of money circulating in an economy affects both micro and macroeconomic trends. At the micro level, a large supply of free and easy money means more personal spending. Individuals also have an easier time getting loans such as personal loans, car loans, or home mortgages. At the macroeconomic level, the amount of money circulating in an economy affects things like gross domestic product, overall growth, interest rates, and unemployment rates. The central banks tend to control the quantity of money in circulation to achieve economic objectives and affect monetary policy. Through this article, we take a look at some of the common ways that central banks control the quantity of money in circulation. As no economy is pegged to a gold standard, central banks can increase the amount of money in circulation by simply printing it. They can print as much money as they want, though there are consequences for doing so. Merely printing more money doesn't affect the output or production levels, so the money itself becomes less valuable. Since this can cause inflation, simply printing more money isn't the first choice of central banks. One of the basic methods used by all central banks to control the quantity of money in an economy is the reserve requirement. As a rule, central banks mandate depository institutions to keep a certain amount of funds in reserve against the amount of net transaction accounts. Thus a certain amount is kept in reserve, and this does not enter circulation. Say the central bank has set the reserve requirement at 9%. If a commercial bank has total deposits of \$100 million, it must then set aside \$9 million to satisfy the reserve requirement. It can put the remaining \$91 million into circulation. When the central bank wants more money circulating into the economy, it can reduce the reserve requirement. This means the bank can lend out more money. If it wants to reduce the amount of money in the economy, it can increase the reserve requirement. This means that banks have less money to lend out and will thus be pickier about issuing loans.

Math I
bogglesworld.com
+ plus
- minus
x times
/ divided by



1. A _____ dollars is a lot of money.
3. Two _____ four is eight.
6. What's four plus three?
8. What's twelve divided by four?
9. What's seven minus three?
10. What's two times two times three?

100
hundred

1. Nine _____ one is eight.
2. What's three minus two?
4. What's three times two?
5. What's ten times ten?
7. What's three plus two plus six?
8. What's one plus one?
9. What's ten divided by two?

Activity 5. Make up sentences with the following slang words for money:

A piece of the pie



A share of something like money or profits

- If you invest in my company, you will get a big piece of the pie.

Smackers



Money, especially American dollars

- What would you do if you had 20 million smackers?

Paper



Money

- You need a lot of paper to buy a new car.

Make paper



To make a lot of money

- Look at me now! I'm making paper!

Make coin



To make money, not necessarily a lot of money

- I make some good coin at the restaurant.

The letters K and G



\$1,000

- A new car cost about 30 Gs.

Gravy Train



A situation where a person makes a lot of money without too much work

Bring home the bacon



To make money for your family to live on

Benjamins



\$100 USD bill

Activity 6. Are the following statements true or false? Ex: T/F.

1. The single most important element in managerial economics is the microeconomic theory of the firm. _____

2. A theoretical model attempts to identify every possible determinant of an event._____
3. Managerial economics involves the application of economic theory and decision science._____
4. Management decision problems are not encountered by government agencies or non-profit organizations._____
5. Management decision problems typically involve objectives and constraints._____
6. The economic theory of the firm assumes that businesses attempt to maximize their contribution to social welfare._____
7. The ultimate test of the value of an economic theory is whether it is based on reasonable assumptions._____
8. Mathematical economics involves the application of statistical tools to estimate economic models._____
9. The functional areas of business administration are largely irrelevant to the study of managerial economics._____
10. Most of the goods and services in the United States are produced by government and the rest are produced by firms and not-for-profit organizations._____

Activity 7. Solve the following case problem:

Abe is thinking of buying a piece of commercial property as an investment. The property will cost \$100,000. Abe believes that he can lease the property for \$6,000 per year, payable at the beginning of every year, just as soon as he buys it. He also believes that he can sell the property at the end of five years for \$120,000. Calculate the present value (PV) of profits for Abe's business at each of the following discount rates: 8%, 9%, 10%, and 12%. Enter each of your calculated values in the table that follows and indicate whether or not Abe should buy the property at each of the discount rates. Finally, plot the PV for each of the discount rate on the graph and connect the plotted points with straight lines. At

approximately what interest rate will Abe be indifferent between buying the property and not buying the property?

Discount Rate (i)	8%	9%	10%	12%
Present Value				
Should Abe buy?				

APPENDIX

Economic, financial and business idioms

A full plate - a lot of work to do or problems to deal with - The company accountant had **a full plate** completing the income tax forms by the deadline.

Angel investor - an investor who provides financial backing for small startups or entrepreneurs - Mr. Jones pitched his new business and an **angel investor** decided to invest.

At arm's length – a distance discouraging personal contact or familiarly - We kept the competitor of our business **at arm's length**.

Bad egg – a worthless, untrustworthy person - The new sales agent was a **bad egg** and deliberately lied to the customer.

Bang for the buck – value for money; performance for cost - Time Warner Cable, Co. gave more **bang for the buck** to the customer by bundling prices for their television, video and phone services.

Belt tightening – the introduction of rigorous reductions in spending - When demand for computers decreased, the computer company had to do some **belt tightening**.

Bitter pill to swallow – bad news; something unpleasant to accept - After working long hours and not getting paid for overtime, the secretary found it a **bitter pill to swallow**.

Blank check – complete freedom of action or control - The millionaire CEO funded the product research with a **blank check**.

Blew it all - to spoil your chance of achieving something because of what you say or do - The marketing director spent his entire budget; he **blew it all** on digital advertising.

Bounce back – to return to a good condition; to recover from a blow or defeat - The stock market will hopefully **bounce back** in the new year.

Breadwinner - one whose earnings are the primary source of support for one's dependents - Maria was the **breadwinner** in her family and chose work at the company that paid the most.

Bring home the bacon - to earn a living, especially for a family; to achieve desired results; have success - David was **bringing home the bacon** when his boss doubled his salary for being such a devoted employee.

Bullish on – optimistic about a market often used when describing investors - The stock analyst knew that the electric company's stock was a great investment. Soon all of his clients were **bullish on** this stock.

Caught red-handed – seen doing something illegal or private; caught in the act - The bank clerk was **caught red-handed** stealing from the bank.

Can't quite get my fingers on it – I can't quite figure it out or it's difficult to understand - Even though the benefit package was explained to the new employee, he **couldn't quite get his fingers on it**.

Come to think of it – I just remembered - “**Come to think of it**, I didn't sign up for the company holiday party.”

Compare apples to oranges – compare two unlike things to make an invalid comparison - You really shouldn't think that sales in a rural area would equal sales in some of the largest urban regions of the world. That's like **comparing apples to oranges**.

Compare apples to apples – compare two similar things - In exploring options for expanding the company, the Board of Directors hired different architects to **compare apples to apples** about the cost of the expansion.

Corporate ladder – stages or structure of moving up in a large company or business - Although he just graduated from college a few years ago, he already was targeted in the company to climb the **corporate ladder** quite quickly.

Corporate raider - a financier who makes a practice of making hostile takeover bids for companies, either to control their policies or to resell them for a profit - Our company was not doing as well as expected, so the **corporate raider** offered a purchase price.

Cost a pretty penny - to be expensive - The addition of the exercise room and the 24/7 café **cost a pretty penny** for the company.

Crunch some numbers – do the math and calculations - The management was told to **crunch some numbers** to see about employee raises this year.

Down and out – poor; without hope - Although the agency seemed **down and out**, it had offered so many wonderful services to the community.

Down on my luck – have had a bad experience; often because there is little money - I had gone to my fifth interview this week with no offers. It seemed like I sure was **down on my luck**.

Down to the wire – unsettled to the very end; neck and neck - She worked **down to the wire** on the grant proposal to finish in time.

Fallout – consequences; bad results of a situation - The **fallout** of the new management was not accepted very well by the former employees.

Fast track a project – make priority; speed up the time frame - The boss said that we need to **fast track the construction project** and finish before winter.

Filthy rich – very rich - The owner of that fast food franchise is **filthy rich**.

Get off to a flying start - to begin an activity very successfully - The new marketing campaign **got off to a flying start** and sales increased.

Give him a big hand – to give a round of applause - The manager said to **give him a big hand** because he initiated the company merger.

Glass ceiling - an unofficially acknowledged barrier to advancement in a profession, especially affecting women and members of minorities - It seemed difficult to break through the **glass ceiling**, until more and more of the immigrant

Got off on the wrong foot - to begin doing something in a way that is likely to fail - The telemarketing idea got **off on the wrong foot** and soon it was disband.

Have a gut feeling - to begin doing something in a way that is likely to fail - The personnel manager **had a gut feeling** that the older man would be an asset to the company.

Head something off at the pass – to stop something from happening - The President of the company anticipated a lawsuit so he **headed it off at the pass** by offering a substitute product and some monetary compensation.

Hold purse strings - to control the spending of a family's or an organization's money - The profits had gone down this past month so the boss said to **hold the purse strings** until company profits picked up.

In the doghouse – in disfavor or grace - The project was not finished in time and the manager treated the computer technician as if he were **in the doghouse**.

It's a gold mine – very valuable - That new stock turned out to be **a gold mine!**

It's a rip-off – act of exploitation; a product or service that is overpriced or of poor quality - I bought the new protection plan which turned out to be **a rip-off**.

It's a steal – a bargain - The department store featured 50% of all of its merchandise over the weekend. **It's a steal!**

Keep everyone on their toes - alert; energetic - The new supervisor liked to **keep everyone on their toes** to increase work production.

Keep our heads above water - to manage to survive, especially financially; to keep up with one's work - In this economy, the hotel chain tried to **keep their heads above water**. They added an outdoor patio in hopes to attract more customers.

Money to burn - to have a lot of money to spend on things that are not necessary - The manager had a lot of **money to burn** so he redecorated his office.

Monopoly money - money that seems to have little or no value - My brother who owns a prosperous company bought a round of drinks for everyone at the company party. He spent money as if it were **monopoly money**.

My gut tells me – have a strong feeling that my intuition tells me - **My gut tells me** that we should go ahead with the project.

No BS – no bullshit (opposite of BS); this is a casual comment but it should not be said in more formal situations as it can be seen as derogatory - There was **no BS** with the boss; he wanted to just say it as it was. He preferred “straight to the point” discussions.

On good ground – safe with; having big consequences; large in scope; great - We were **on good ground** with the adjacent company.

On top of trends – aware and responding to what's current - We hired someone to keep **on top of trends** so our company could be competitive.

Out of line with - not consistent with; not at the same level as - If your pay is **out of line with** your peers' pay, it's time to make an appointment with the boss.

Pay through the nose – to pay too much for everything - If you bought the paper you would **pay through the nose**; it's best you order it online and use that coupon.

Pay top dollar – to pay a lot of money for something - The customer paid top dollar for the new car with all of the gadgets.

Pick your brains - obtain information by questioning someone who is better informed about a subject than oneself - There was a brainstorming session to **pick everyone's brains** for a new name for the company.

Play it by ear - to do something by feel and instinct rather than with a plan, to improvise - The meeting would be held on Thursday or Friday but we would have to **play it by ear**.

Price skyrocketed - increases quickly to a very high level or amount - The real estate **prices** seem to have **skyrocketed** this past year.

Pull the wool over their eyes – to deceive - Working there is quite different. It seems like the interviewer **pulled the wool over my eyes** during the interview process. Now it seems so different.

Put money in your mouth - to support something that you believe in, especially by giving money - The company donated their services and raised funds as an example of what the community should do in time of need. They **put money in their mouth**, that's for sure.

Quick buck - quick or easy earnings; same as “fast buck” - They are stock traders out to make a quick buck.

Reality check – to think realistically about the situation - Let's have a **reality check** and see if the company needs to cut back on its employees' hours as the profits are just not there.

Red tape - obstructive official routine or procedure; time-consuming bureaucracy - In order to get permission to expand the project, there was a lot of **red tape** to go through. All of those phone calls and meetings were really exhausting.

Rule of thumb - a useful principle having wide application but not intended to be strictly accurate or reliable in every situation - The general **rule of thumb** was to wear more casual clothes on Fridays.

Scale back – reduce the number of hours or the size of the project, etc. - I wanted to **scale back** my hours on the weekend so I could spend more time at home.

Scratch someone's back – to do something for someone with the intent that he/she does something for you - I will **scratch your back, if you scratch mine**. In other words, I'll put a good word in for you this time, and when it's my turn to lead the project, you do the same. Okay?

Selling like hotcakes – to sell quickly and in large numbers - The new laptops were **selling like hotcakes**!

Short on cash – having little or a small amount of money - I was **short on cash** and asked if I could borrow some money from my friend for lunch.

Sparks fly / make sparks fly / when sparks fly – interaction that becomes heated or lively - You should have seen the **sparks fly** at the meeting with the heads of the department! Wow, no one seemed to agree.

Spent a fortune – to spend a large amount of money - It seems like they **spent a fortune** on the company picnic. There were door prizes, entertainment and great food.

Splashed out – to spend a lot of money on things that are usually not necessary to have but are luxuries - He wanted to win the advertising account so he **splashed out** money to try to persuade them.

Stinking rich – very rich - The owner passed on his company and stock to his daughter. Imagine being that **stinking rich**!

Test the waters – to try it; to experiment - I thought I would **test the waters** with this design first. Then it can always be expanded or altered, etc.

Thick-skinned – insensitive to criticism; usually unoffended - The salesman was **thick-skinned** and used to others complaining about his products.

Throw in the towel – to quit; to give up - I decide to **throw in the towel** and take a new job. It was just too demanding of my time.

Time on your hands – to have time - The student had **time on his hands** to do extra reading.

To beat someone to – to do something before somebody else has a chance - He **beat me to** winning the contract.

To be hit hard by – to suffer losses due to something - We were all **hit hard by** the recent recession.

To clamp down on – to get strict about - The company added a new policy to **clamp down on** the abuse of overtime.

To come up with – to think of - I don't know who **came up with** the idea of a company breakfast once a month, but it sure seems like fun!

To drop the ball - to make a mistake; to fail to perform one's responsibilities - The student **dropped the ball** and his final project was not that well done.

To get ahead – to advance in one's career - The workers who want **to get ahead** try to stay on task during the day without much interruption.

To get wind of - to find out about something often a secret - I got **wind of** the new supervisory position and decided to apply for it.

To go private – to remove a company from the stock exchange so it is once again owned by private investors; the reverse process of “going public” in which a company lists itself on the stock exchange - The Board of Directors voted **to go private** and sent out a letter to possible investors.

To have seen better days – to be in a period of decline or slow sales - The video store **has seen better days**; fewer people are renting store videos.

To keep under wraps - to keep secret - We're going to give Susan a 20% pay increase next month, but let's **keep that under wraps** for now.

To lay out a plan - to present a plan - We need to **lay out a plan** for the company's growth for the next decade.

To pay a premium – to pay a higher price for something because it's a better quality or has a better brand, for instance - You'll **pay a premium** for coffee at that shop, but I am sure you will enjoy it.

To pay a premium – to pay a higher price for something because it's a better quality or has a better brand, for instance - You'll **pay a premium** for coffee at that shop, but I am sure you will enjoy it.

To play catch up – to make a big effort to overcome a late start; when you are behind and you have to take actions to get to the level of your competition - Let's face it. We had **to play catch up** with all of the phones and computers that have been recently developed. This new idea of a compact computer should sell.

To plug (a product) – to promote a product; to talk positively about it - It was interesting to have the owner **plug the product** line for so many years. It really helped with sales.

To pull the plug – to stop a project that is not doing well; stop moving forwards; discontinue - Even though it was an interesting idea to give away a mug with each book purchase, the boss **pulled the plug** as it we ran out of mugs.

To put a lid on – to stop; to stop something from increasing. This is often used to discuss spending. - Expenses are getting out of control. We need **to put a lid** on spending.

To rally the troops – to motivate others; to get others excited about; to move forward - The new manager was good at **rallying the troops** to build company spirit. He planned dress-up days that were lots of fun.

To snap up – to buy quickly or in large quantities; a term that implies that the product is very desirable so that many people are buying it - We **snapped up** all of those company tee-shirts that were on sale.

To throw cold water over/on (an idea/plan) – to present reasons something does not work; to discourage - He continued to **throw cold water on** the new plan that we wanted to do and finally he agreed with it.

Under the table – secretly as in money that is paid (e.g., the deal is often illegal); opposite: above board - They made an agreement **under the table** so I don't really know what was said.

Uphill battle – a difficult fight - It was an **uphill battle** to get the extra vacation day approved.

Word of mouth - gossip; news spread by people talking to each other (note: often used as a marketing term to describe an advertising or marketing message that is spread from one person to another -- which is a positive thing for the company because it means that people are talking about the company's product or service) The restaurant special quickly spread by **word of mouth** and their business boomed.

Up in arms – very angry - The employees were **up in arms** when the health insurance costs went up.

Value added - of, relating to, or being a product whose value has been increased especially by special manufacturing, marketing, or processing - There was **value added** when we listened to what the customers wanted and changed our product accordingly.

Walking a tightrope between - to deal carefully when in a sensitive situation, choosing between two things (often opposing things); i.e. "Tightrope" is a rope that acrobats cross in a circus, very carefully. - It was difficult to do my job as it always seemed like **walking a tightrope between** one manager and another.

Warts-and-all - not trying to hide the bad things even with the problems or flaws; ignoring the unattractive features - I have some issues with my boss, but overall I like working for him, **warts-and-all**.

Weigh in on - give one's opinion about. Roger is making over \$100,000 a year. I'd like to **weigh in on** the decision of what he gets paid for next year.

Worth a fortune - worth a large amount of money - The coffee franchise was **worth a fortune**.

Wrong side of the bed - to seem grouchy and unhappy on a particular day; to begin the day in a bad mood - Margaret was almost always positive, but today it

seemed she got up on the **wrong side of the bed**. Everything she said was negative.

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