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**МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ  
НАЦІОНАЛЬНИЙ УНІВЕРСИТЕТ  
ХАРЧОВИХ ТЕХНОЛОГІЙ**

**АНГЛІЙСЬКА МОВА**

**МЕТОДИЧНІ ВКАЗІВКИ**

до практичних занять та самостійної роботи  
з матеріалами періодичних видань  
для студентів III курсу  
факультетів економіки і менеджменту,  
обліку, фінансів та підприємницької діяльності  
всіх спеціальностей  
денної форми навчання

Частина 2

**СХВАЛЕНО**  
на засіданні кафедри  
іноземних мов  
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## Section 1. Money

### Target questions:

1. What is money?
2. What is barter?
3. What goods were used as money?
4. Why did precious metals gradually take over?
5. What are the functions of money?
6. What are credit cards?
7. What is a currency?
8. What is the Ukrainian currency?

**Money** is any medium of exchange that is widely accepted in payment for goods and services and in settlement of debts. Money also serves as a standard of value for measuring the relative worth of different goods and services. The number of units of money required to buy a commodity is the price of the commodity.

In modern world money is used for buying or selling goods, for measuring value and for storing wealth. Almost every society now has a money economy based on coins and paper bills of one kind or another. However, this has not always been true. In primitive societies a system of barter is used. **Barter** was a system of direct exchange of goods. Somebody could exchange a sheep, for example, for anything in the marketplace that they considered to be of equal value. Barter, however, was a very unsatisfactory system, because people's precise needs seldom coincided. People needed more practical system of exchange, and various money systems developed based on goods which the members of a society recognized as having value. Cattle, grain, teeth, shells, feathers, skulls, salt, elephant tusks and tobacco have all been used. Precious metals gradually took over because, when made into coins, they were portable, durable, recognizable and divisible into larger or smaller units of value.

The most important types of money are commodity money, fiat money, and credit money. The value of **commodity money** is about equal to the value of the material contained in it, usually gold, silver, and copper. Until the 18th

and 19th centuries, coins were given monetary worth based on the exact amount of metal contained in them, but most modern coins are based on face value – the value that governments choose to give them, irrespective of the actual metal content. Most governments now issue paper money in the form of bills, which are really "promises to pay". Such money are known as **fiat money**. Paper money is obviously easier to handle and much more convenient in the modern world. **Credit money** is paper backed by promises by the issuer, whether a government or a bank, to pay an equivalent value in the standard monetary metal. Both the fiat and credit forms of money are generally made acceptable through a government decree that all creditors must take the money in settlement of debts; the money is then referred to as legal tender.

Nowadays checks and credit cards are being used increasingly. The world's first durable plastic currency was introduced by Australia in a special issue in 1988 and in a regular issue in 1992. Plastic bills are more resistant to counterfeiting than paper. So at present, paper bills and coins are less widely used as a means of payment than checks and electronic transfers and it is possible to imagine a world where "money" in the form of coins and paper currency will no longer be used.

**Exercise 1.** Match the words with their definitions.

- |                                    |   |
|------------------------------------|---|
| 1. <b>banknote</b>                 | a. unstable currency that is not readily accepted                         |
| 2. <b>bureau de change</b>         | b. the money in general use or circulation in any country                 |
| 3. <b>cash</b>                     | c. a (usually commercial) exchange; a deal                                |
| 4. <b>coin</b>                     | d. a cash fund for small, everyday expenses                               |
| 5. <b>currency</b>                 | e. establishment where currencies of different countries may be exchanged |
| 6. <b>hard currency</b>            | f. currency that cannot legally be refused in payment of a debt           |
| 7. <b>legal tender</b>             | g. high or stable currency that is readily accepted                       |
| 8. <b>petty cash</b> <sup>UK</sup> | h. a piece of metal money   |
| 9. <b>soft currency</b>            | i. a piece of paper money; bill <sup>US</sup>                             |
| 10. <b>transaction</b>             | j. actual money paid (not credit)   |

**Exercise 2.** Complete the text with the words from the box.

customers	information	credit	shops
cards	banknotes	strip	record

### HISTORY OF CREDIT CARDS

Credit was first used in Assyria, Babylon and Egypt 3000 years ago. The bill of exchange – the forerunner of 1) \_\_\_\_\_ – was established in the 14th century. Debts were settled by one-third cash and two-thirds bill of exchange. Paper money followed only in the 17th century.

The first advertisement for 2) \_\_\_\_\_ was placed in 1730 by Christopher Thornton, who offered furniture that could be paid off weekly.

From the 18th century until the early part of the 20th, tallymen sold clothes in return for small weekly payments. They were called "tallymen" because they kept a 3) \_\_\_\_\_ or tally of what people had bought on a wooden stick. One side of the stick was marked with notches to represent the amount of debt and the other side was a record of payments. In the 1920s, a shopper's plate - a "buy now, pay later" system - was introduced in the USA. It could only be used in the 4) \_\_\_\_\_ which issued it.

In 1950, Diners Club and American Express launched their charge 5) \_\_\_\_\_ in the USA, the first "plastic money". In 1951, Diners Club issued the first credit card to 200 6) \_\_\_\_\_ who could use it at 27 restaurants in New York. But it was only until the establishment of standards for the magnetic 7) \_\_\_\_\_ in 1970 that the credit card became part of the 8) \_\_\_\_\_ age.

### Activity 1. Money and its Functions

1. Look at the main heading and say what you expect the text to be about.
2. Summarise the first function of money.
3. Summarise the second and third functions of money.
4. Summarise the fourth function of money.
5. How many different kinds of money are there?

## **MONEY AND ITS FUNCTIONS**

(1) Although the crucial feature of money is its acceptance as the means of payment or medium of exchange, money has three other functions. It serves as a **unit of account**, as a **store of value**, and as a **standard for deferred payment**.

### **The Medium of Exchange**

(2) Money, the medium of exchange, is used in one-half of almost all exchange. Workers exchange labour services for money. People buy or sell goods in exchange for money. We accept money not to consume it directly but because it can subsequently be used to buy things we do wish to consume. Money is the medium through which people exchange goods and services.

(3) To see that society benefits from a medium of exchange, imagine a barter economy.

**A barter economy** has no medium of exchange. Goods are traded directly or swapped for other goods.

(4) In a barter society, the seller and buyer each must want something the other has to offer. Each person is simultaneously a seller and a buyer. In order to see a film, you must hand over in exchange a good or service that the cinema manager wants. There has to be a double coincidence of wants. You have to find a cinema where the manager wants what you have to offer in exchange.

(5) Trading is very expensive in a barter economy. People must spend a lot of time and effort finding others with whom they can make mutually satisfactory swaps. Since time and effort are scarce resources, a barter economy is wasteful.

The use of money – any commodity generally accepted in payment for goods, services, and debts – makes the trading process simpler and more efficient.

### **Other Functions of Money**

(6) The **unit of account** is the unit in which prices are quoted in pounds sterling, in France in French francs. It is usually convenient to use the unit in which the medium of exchange is measured as the unit of account as well. However, there are exceptions. During the rapid German inflation of 1922-23 when prices in marks were changed very quickly, German shopkeepers found it more convenient to use dollars as the unit of account. Prices were quoted in dollars even though payment was made in marks, the German medium of exchange.

Money is a **store of value** because it can be used to make purchases in the future.

(7) To be accepted in exchange, money has to be a store of value. Nobody would accept money as payment for goods supplied today if the money was going to be worthless when they tried to buy goods with it tomorrow. But money is neither the only nor necessarily the best store of value. Houses, stamp collections, and interest - bearing bank accounts all serve as stores of value. Since money pays no interest and its real purchasing power is eroded by inflation, there are almost certainly better ways to store value.

(8) Finally, money serves as a **standard for deferred payment** or a **unit of account** over time. When you borrow, the amount to be paid next year is measured in pounds sterling. Although convenient, this is not an essential function of money. UK citizens can get bank loans specifying in dollars the amount that must be paid next year.

(9) Thus the key function of money is its use as a medium of exchange. And it is usually, though not invariably, convenient to make money the unit of account and standard for deferred payment as well.

### **Different Kinds of Money**

(10) In prisoner-of-war camps, cigarettes served as money. In the 19th century money was mainly gold and silver coins. These are examples of **commodity money**, ordinary goods with industrial uses (gold) and

consumption uses (cigarettes) which also serve as a medium of exchange. To use a commodity money, society must either cut back on other uses of that commodity or devote scarce resources to producing additional quantities of the commodity. But there are less expensive ways for society to produce money.

(11) A **token money** is a means of payment whose value or purchasing power as money greatly exceeds its cost of production or value in uses other than as money.

A £10 note is worth far more as money than as 3x6 inch piece of high quality paper. Similarly, the monetary value of most coins exceeds the amount you would get by melting them down and selling off the metals they contain. By collectively agreeing to use token money, society economizes on the scarce resources required to produce money as a medium of exchange. Since the manufacturing costs are tiny, why doesn't everyone make £10 notes?

(12) The essential condition for the survival of token money is the restriction of the right to supply it. Private production is illegal.

(13) Society enforces the use of token money by making it **legal tender**. The law says it must be accepted as a means of payment.

(14) In modern economies, token money is supplemented by IOU money.

**IOU money** is a medium of exchange based on the debt of  
a private firm or individual.

A bank deposit is IOU money because it is a debt of the bank. When you have a bank deposit the bank owes you money. You can write a cheque to yourself or a third party and the bank is obliged to pay whenever the cheque is presented. Bank deposits are a medium of exchange because they are generally accepted as payment.



## **Summary:**

### ***Functions of Money***

Money is something which people generally accept in exchange for a good or a service. Money performs four main functions:

- a *medium of exchange* for buying goods and services;
- a *unit of account* for placing a value on goods and services;
- a *store of value* when saving;
- a *standard for deferred payment* when calculating loans.

### ***Properties or Characteristics of Money***

Any item which is going to serve as money must be:

- *acceptable* to people as payment;
- *scarce* and in controlled supply;
- *stable* and able to keep its value;
- *divisible* without any loss of value;
- *portable* and not too heavy to carry.

## **Exercise 1. Answer these questions:**

1. Why do people accept money?
2. How are goods exchanged in a barter economy?
3. Why is trading expensive in a barter economy?
4. What is the unit of account in your country?
5. When did Germany not use its own currency?
6. What else does the writer say can be used instead of money as a store value?
7. What does the writer mean by "standard of deferred account"?
8. Explain in your own words what "token money" means.
9. When are people unwilling to accept their own currency?
10. What example of IOU money does the writer give?

## **Exercise 2. Vocabulary**

Find words with the same meaning

- par. 1.            put off till later  
                     vital

*Find words with the opposite meaning*

- par. 2,3.      to be unwilling  
                 take away  
                 reject  
                 planned event

*What words correspond to the definitions*

- par. 4            shared by two or more people  
                 the performance of work for another

*Explain in your own words*

- par. 5.           trading  
                 barter economy  
                 swap  
                 money  
par. 6.           accounts  
                 medium of exchange  
                 quoted

*Find words with the same meaning*

- par. 7.           without value  
                 merchandize  
                 to reduce value  
par. 8.           always  
                 sum of money  
                 serving to avoid difficulty  
                 giving the name or details of  
                 absolutely necessary  
par. 9.           major  
                 changeless

*Find words with the opposite meaning*

- par. 10          in a minor way  
                 unusual  
                 to increase  
                 cheap  
par. 11.          separately  
                 is less than  
                 very large

*Find words with the same meaning*

par. 12-13.    limitation  
                  against the law

*Find words with the opposite meaning*

par. 14.        be under no compulsion to  
                  public  
                  particularly

## **Activity 2.        Hryvnia: the New Ukrainian Currency**

This article was published in *Panorama* in January 1997 and was devoted to the introduction of the new currency in Ukraine – the hryvnia. Read this article and find answers to the following questions:

- 1: Why wasn't the new currency introduced immediately after the proclamation of independence?
2. What is Karbovanets (coupon)?
3. Why was the new currency introduced into circulation in early 1996, although it was printed in 1992?
4. What are characteristic features of the Ukrainian currency market?

### **HRVYNIA: THE NEW UKRAINIAN CURRENCY**

#### **Ukrainian currency: History**

In one of his speeches shortly after Ukraine gained its independence, Mr. Kravchuk, the first president of Ukraine, proclaimed that Ukraine will become fully independent only after three major objectives are achieved: it must possess its own state symbols, including the flag and national anthem, its own army and its own currency. The first two objectives were relatively easy to achieve and soon after proclaiming independence, Ukrainian soldiers paraded along the main street, Khreshchatyk, carrying blue and yellow Ukrainian flags and singing the old Cossack anthem.

The task of introducing the new currency has proved to be a challenge for the many Ukrainian governments which have changed since independence. Firstly, Ukraine inherited from the former USSR an economy which was

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Навчальне видання

## **АНГЛІЙСЬКА МОВА**

### **МЕТОДИЧНІ ВКАЗІВКИ**

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