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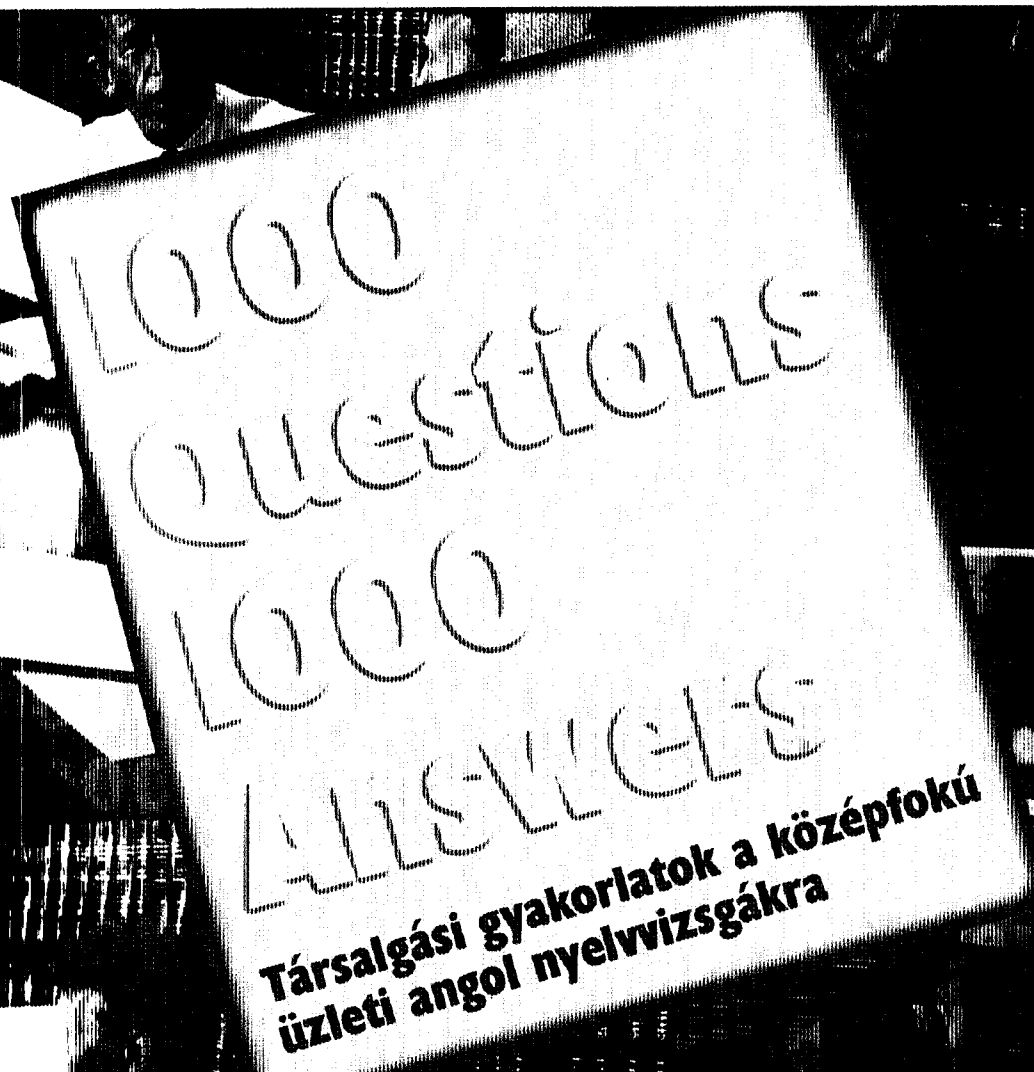
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ELŐSZÓ

Business English könyvünk a Budapesti Közgazdaságtudományi Egyetem, a Budapesti Gazdasági Főiskola és az EUROPRO középfokú üzleti angol nyelvvizsgákra kíván segítséget nyújtani minden tanuló számára.

A könyv 13 témát dolgoz fel. Minden téma kérdésekkel kezdődik, melyekre modellválaszok és társalgási vázlatok adnak magyarázatot, a szöszedet pedig minden olyan üzleti szakszót tartalmaz, mely a középfokú üzleti nyelvvizsgához szükséges.

A 13 témán kívül üzleti társalgási kifejezésekkel és szituációkkal kívántuk a nyelvvizsgára való felkészülést még hatékonyabbá tenni. Az üzleti életben használt társalgási kifejezések mind a nyelvvizsgára készülők, mind pedig a vállalatoknál dolgozók, titkárnők számára is igen hasznosak, mivel kiváló segédeszközök tárgyalások, külföldi telefonálás, előadások lebonyolításakor.

A társalgási kifejezéseken kívül szituációs anyagunk példákat tartalmaz a Budapesti Közgazdaságtudományi Egyetem, a Budapesti Gazdasági Főiskola és az EUROPRO középfokú üzleti nyelvvizsga szituációira. A szituációk valamilyen probléma megoldására szolgálják a tanulókat, melyekre monológ formájában modellválaszokkal próbáltunk ötleteket adni számukra.

A könyv az üzleti középfokú nyelvvizsga megszerzéséhez, társalgási tanfolyamokhoz, valamint vállalati szinten belüli kommunikáció elsajátításához nyújt segítséget, melyhez eredményes munkát kívánnak a

Szerzők.

GENERAL ECONOMIC STUDIES – BASIC ECONOMIC NOTIONS

QUESTIONS 1/A

Fundamental economic notions and questions

1. What does economics deal with?
2. What do the two branches of economics study?
3. What are the factors of production?
4. What are the basic issues of a country's economy?
5. What is the role of scarcity in economy?
6. What is direct and indirect production?
7. What are the three categories of production?
8. What are the advantages of specialisation and the division of labour?
9. What can be the shortcomings of specialisation?
10. What is a comparative advantage for a country?
11. What are opportunity costs?
12. How is national income measured?
13. What are the most common economic indicators?
14. What are the functions of markets?
15. What does the concept of demand describe?
16. What factors affect demand?
17. How do changes of these factors influence demand?
18. What goods are called substitutes?
19. What are complements?
20. How do price changes of related goods influence demand?
21. What is supply?
22. What are its determinants?
23. How are price changes and supply related?
24. How do technological changes affect supply?
25. What is price elasticity of supply and demand?
26. When is the market equilibrium of supply and demand achieved?
27. What is economic competition?
28. What is perfect and imperfect competition?
29. What is monopoly?
30. How are monopoly prices established?
31. What are the government's means to regulate monopolies?
32. What is oligopoly?

MODEL ANSWERS 1/A

- 1–2. Economics studies the patterns of choices people make in order to satisfy their needs in a society where resources are not unlimited. It examines the laws of production, distribution and consumption. When economists evaluate people's

choices, they assume that people act rationally and in their best interest. The two branches of economics are macro- and microeconomics. Microeconomics is the study of smaller-scale choices made by individual consumers, households and companies. Macroeconomics deals with economic issues at the level of society like economic growth, money supply, government spending, inflation, employment and unemployment.

3. Production is the creation of goods and services to meet the needs of society. Land and natural resources (minerals, animals etc), labour, capital and the risk-taking entrepreneur are the inputs used for the production process. Natural resources are the gift of nature, found in the natural, physical environment. Labour is people's contribution to production including occupations and skills. Capital resources like machines and buildings ensure the production of further goods. The entrepreneur makes decisions about the running of the business, takes financial risk and enjoys profits.
4. The first question is what to produce and how to allocate resources into economic input. How the resources available should be used for production. This question focuses on what technology should be used, how efficient it is to achieve objectives, the costs of production, whether it is labour or capital intensive. The timing of production is also an important question when it comes to agricultural and seasonal products or perishables. Finally, for whom to make these goods and how to distribute revenues? It deals with the question of what the government's role is in fair distribution of goods, incomes, taxation and subsidies.
5. Scarcity is a fundamental concept in economics. It implies the basic economic problem that people want to exceed the resources available to satisfy their infinite wants. Certain resources are scarce, or rare, therefore people need to make choices. Economics studies how people and society as a whole make choices to allocate limited resources.
6. Production is the creation of goods and services, usually in large quantities. Direct production is when people produce things they need with their own skills and efforts while indirect production means to satisfy needs by using specialisation and division of labour. It is necessary because members of society can't all be self-sufficient.
7. Primary production means exploiting natural resources. These activities are agriculture, forestry, farming, mining, oil and gas production, fishing and hunting, quarrying etc. Secondary production is manufacturing goods from raw materials and construction. Tertiary production involves services such as trade, transport, insurance, banking and financial services, communications, tourism etc.
8. Nations, regions, companies and individuals specialise in the production of a particular commodity, service or trade to work more efficiently. They need to acquire fewer skills and in an ideal case can choose the skills they are best at and that brings higher productivity. Using specialist equipment and tools means

cost- and time-efficiency. If a country specialises in the production of goods or services they have a competitive advantage in, gains will be higher.

9. On a personal level, having to do the same tasks in a job over a long time can be repetitive and boring. The lack of variety in someone's job will reduce people's motivation and finally leads to a drop in productivity. Market demand also determines what economic agents can specialise in. For example different types of jobs are in demand in an agricultural area or at a seaside holiday resort. If countries specialise in goods or activities, it means a very tight dependency on certain conditions. For example when the main income comes from agriculture, natural disasters or bad weather can cause economy to collapse.
10. If they can produce something at a lower cost and with more efficiency than their trading partners, it is worth concentrating on the production of such items. It means that the opportunity cost of that product is low.
11. When customers and manufacturers make choices of what goods and services to buy or produce that have greater utility to them, they also decide against other alternatives, give up the opportunity to buy or make the next desirable product. The opportunity cost of goods and services one chooses is the cost of those alternatives they cannot afford as a result.
- 12–13. a) The gross national product (GNP) is the value of final goods and services produced by domestically owned factors in a year, including income from abroad.
- b) The gross domestic product (GDP) is the total value of final goods and services produced by a country's economy within the country's borders in a year. Per capita income shows the GDP divided by the number of inhabitants of a country. It is a more precise indicator to compare the wealth of two countries because it makes a big difference whether the same GDP is shared among a huge or a small population. However, it doesn't say anything about inequalities, how income is distributed among members of society, whether this average shows a general well-being or only a small layer of society is well-off and the rest live in poverty. The wealth of a country can also be indicated by comparing the proportion of GDP deriving from agriculture, industry or services. More developed countries tend to generate more income from secondary and tertiary production while in third-world countries revenues from agriculture come to a much higher percentage.
- c) Quality of life takes a broader range of factors into consideration in order to rank countries according to human happiness. The average life expectancy, educational standards and for example purchasing power reflect well-being. Purchasing (also referred to as spending or buying) power demonstrates what amount of goods and services can be bought for a given sum or unit of the currency. If the price level gets higher, the purchasing power of the money drops.
- d) The balance of payment shows the difference between the amount of money that flows into and out of a country for example from export and import

payments, foreign currency transactions or loans. If the balance is positive, in surplus, the country has had more income than spending, but it is not necessarily always a good thing (e.g. it can result in higher price levels). Also, a negative balance is not necessarily bad news if it reflects confidence in the country's stable currency which is exported and held by people abroad. The visible balance involves the physical goods and the invisible represents other forms of trade, e.g. services. Balance of trade figures are affected by prices of goods produced in the country, exchange rates, trade barriers or protectionist measures. This record is divided into two components: the current account and the capital account. The first refers to income flows, the latter to assets and liabilities. The current account balance involves the visible and the invisible balance. The capital account balance shows the capital movements in and out of the country. Both sections have further subdivisions, sub-accounts. The trade balance is the balance of imports and exports of visible goods crossing borders.

14. Market means the activity of selling and buying goods and services. It is a way for sellers and buyers to meet and trade. It is also the total public demand, present and future, for a commodity.
- 15–16. It indicates the quantity of a commodity that the public will buy at a certain price. It is influenced by the price of the commodity, alternative items and related goods, buyers' income and savings, the number of buyers, expected market price changes and consumer preferences. The law of demand states that if other things are equal, consumers will buy a larger amount of goods that have lower prices.
17. Quite logically, consumer demand increases as incomes get higher except in the case of inferior goods. Inferior goods are lower quality, less expensive than normal goods. If the number of buyers grows, demand will grow, too. Personal and organisational savings include real estate, stocks and shares, bonds etc. If the prices of these assets fall, people tend to cut their spending on certain consumer goods though some other products are insensitive to wealth changes. If prices are likely to go up, people like to stock up durable goods, so demand for these goods will rise. The opposite is also true: if prices are likely to go down, people show less willingness to buy them.
18. Substitutes are alternative items that can replace a particular item because they serve the same purpose (e.g. two brands of the same good).
19. Complements are products that are often used together like video cassettes and video recorders.
20. In the case substitutes, if the price of one item goes up, the demand for its substitutes will rise. But if prices of complementary goods fall, demand will increase on their related item. For example if videotapes are cheaper, more people will buy video recorders.
- 21–22. Supply is the amount of goods that will be offered for sale in the market at a certain time and price. It is influenced by the product price, availability and price of resources, raw materials, innovation and the price of technology, the

labour force available for production, wage levels, the price of related products – mainly substitutes and complements –, the number of suppliers, inflation expectations, government regulations – taxes, subsidies etc –, and expected future prices. The law of supply states that if prices are higher, a larger quantity of goods will be supplied because suppliers can obtain greater gains.

23. If the price of resources go down, there will be an increase in supply because lower costs mean greater profit. If the seller can produce other goods with the same resources but with a better price, supply will be pushed down by these alternative goods. If the general price level rises, it means that the aggregate demand is higher so there will be an increased supply.
24. With more modern technology production costs can be kept lower and therefore potential profits can be higher, which results in bigger supply.
25. It is a measure of how responsive customers are to price changes, expressed in coefficients. It shows the proportional change in the quantity of goods with respect to price changes.
26. Market equilibrium is achieved when economic forces are balanced, that is, the total demand is satisfied by the total supply. It means that all suppliers are able to sell their goods at the equilibrium price. If demand exceeds supply, there is shortage. Conversely, if there is greater supply, there is surplus. A competitive market tends towards market equilibrium.
27. It is a key notion in market economy and refers to the situation in which businesses try to outdo their rivals by offering lower prices and or better service, better value for their money to make more profit. Free competition exists when price movements are only influenced by the forces of supply and demand and there is no government interference.
28. Perfect or pure competition is a model market form where there is a high number of producers, each with a small market share. None of them can influence prices on their own and there are no considerable barriers to entry into the market for new companies. Sellers have the freedom of moving factors of production, there are no transport costs, goods are homogeneous and substitutable, sellers and buyers have all information about market conditions. Probably the agricultural market is the closest example of perfect competition. Imperfect competition is when there is neither perfect competition nor pure monopoly.
- 29–30. Pure monopoly is a market situation where there is only one provider of a product or service without competition of near substitutes and therefore can control market prices to maximise their profits. Monopolies can be national, regional or local. There are severe barriers for new businesses to enter the market. Monopoly is also used for companies that have competition but have the largest market share. A monopoly price is usually higher than it would be under competitive conditions. Monopolists can set the price and even the quantity of goods they sell. Usually governments have legislation against monopolies to protect consumers' interests. Some analysts argue that monopoly

discourages development because they don't have to increase their competitive edge to reap big profits. However, others state the opposite: investing in development can reduce production costs and allow bigger gains. At the same time, on a competitive market competitors may quickly apply their partners' innovation and take away their advantage.

31. Governments can tax extremely high profits, though it can discourage innovation, or set price ceilings, maximum prices. Privatising typically state-owned, monopolistic companies like telecommunications or transport can increase efficiency and quality of service.
32. It is a market situation where a few providers dominate the sale of a commodity or similar brands. These companies are interdependent, which means they are likely to respond to their competitors' strategic moves when it comes to advertising, pricing or investment. The leading companies have a large market share. There are barriers to entry into the market. Participants can collude and form a cartel, though in most countries such agreements are strictly regulated. For example when a group of providers in a sector of industry fix prices. If there is one company with a larger market share than the others, they may become the price leader. Telecommunications companies or supermarkets are examples of this.

SKETCH ANSWERS 1/A

1. Describing upward trends:

- to / a rise
- to go up
- to grow / show growth
- to / an increase
- to advance
- to progress / to make progress
- a / to boom
- to prosper/to be prosperous
- to soar
- to peak / reach a peak at...
- an upward swing
- an upsurge
- to be in an uptrend
- to balloon
- an uptick in

2. Describing downward trends:

- to / a fall
- to / a decline
- to / a decrease
- to reduce / reduction
- to / a retreat

- to plummet
- to / a drop
- to / a plunge
- to dive
- to tumble
- to go bust
- to subdue
- to sag
- to go through a slack period
- backtrack
- to pull back / a pullback in...
- a downtick in

3. Other:

- to fluctuate / remain stable / to stall / to stand at... / to halt / to level out

4. Type of charts and graphs:

- graphs, curves, bar charts, pie charts

5. Describing curves:

- supply /demand curve
- to draw up a curve
- to plot a graph
- horizontal / vertical axis
- the axis intersects...
- downward /upward slope
- inward / outward shift in the curve
- to attain the equilibrium point
- to rank
- the scale runs from... to...
- the curve is enclosed
- the point corresponds to...
- the curve indicates /shows/ depicts/ represents / illustrates / reflects / accounts for...

VOCABULARY LIST 1/A

1–2.

economics	– közgazdaságtan
resources	– erőforrások
unlimited	– korlátlan
distribution	– elosztás
consumption	– fogyasztás
to evaluate	– értékel
smaller-scale	– kisebb horderejű
household	– háztartás
economic growth	– gazdasági növekedés
money supply	– pénz kínálat

- 3.**
factors of production – termelési tényezők
goods – áruk
minerals – ásványi anyagok
labour – munka
capital – tőke
entrepreneur – vállalkozó
input – ráfordítás
capital resources – anyagi erőforrás
- 4.**
to allocate(-ed) – kihelyez
capital-intensive – tőkeigényes
perishable – romlandó áru
revenue – jövedelem
subsidy – támogatás
- 5.**
scarcity – szűkösség, ritkaság
to exceed(-ed) – túllép
infinite – végtelen
scarce – szűkös, ritka
- 6.**
direct production – közvetlen termelés
indirect production – közvetett termelés
division of labour – munkamegosztás
self-sufficient – önellátó
- 7.**
primary production – elsődleges / alapanyag termelés
to exploit(-ed) – kitermel
forestry – erdőgazdálkodás
quarrying – kőkitermelés
secondary production – másodlagos / késztermék termelés
to manufacture – gyárt, előállít
tertiary production – harmadlagos termelés
- 8.**
commodity – árucikk
productivity – termelékenység
cost- and time-efficiency – költség- és időhatékonyság
gains – nyereség, haszon
- 9.**
repetitive – monoton
lack of variety – változatosság hiánya
tight dependency – szoros függőség

- 10.**
opportunity cost – használdozati költség
- 11.**
manufacturer – gyártó
utility – hasznosság
desirable – vki által óhajtott
- 12–13.**
economic indicator – gazdasági mutató
gross national product – bruttó nemzeti termék
gross domestic product – bruttó hazai termék
final goods – végtermékek
per capita – egy főre jutó
inequality – egyenlőtlenség
wealth – gazdagság, vagyon
to derive(-d) from – származik
quality of life – életminőség
to rank(-ed) – besorol
life expectancy – várható életkor
purchasing power – vásárlóerő
balance of payment – fizetési mérleg
surplus – többlet
trade barriers – kereskedelmi korlátok
current account – folyó fizetési mérleg
capital account – tőkemérleg
asset – aktívum, érték
liabilities – kötelezettségek, tartozás
subdivisions – felosztás
- 17.**
inferior goods – alsóbbrendű termékek
real estate – ingatlan
stocks, shares – részvények
bonds – kötvények
to stock(-ed) up – felhalmoz
- 18.**
substitute – helyettes termék
- 19.**
complement – egymást kiegészítő áruk
- 20.**
complementary – kiegészítő
- 21–22.**
supply – kínálat
determinant – meghatározó tényező

availability	– elérhetőség
labour force	– munkaerő
supplier	– beszállító, ellátó
23.	
aggregate	– összesített, együttes
26.	
equilibrium price	– egyensúlyi ár
shortage	– hiány
27.	
to outdo(-did, -done) rivals	– túltesz versenytársakon
interference	– beavatkozás
28.	
perfect / pure competition	– tökéletes verseny
market share	– piaci részesedés
substitutable	– helyettesíthető
imperfect competition	– tökéletlen verseny
29–30.	
pure monopoly	– tiszta monopólium
legislation	– törvények
analyst	– elemző
competitive edge	– versenyelőny
to reap(-ed)	– (le)arat
31.	
price ceiling	– árplafon
state-owned	– állami tulajdonú
32.	
interdependent	– egymástól kölcsönösen függő
pricing	– árszabás
participant	– résztvevő
to collude(-ed)	– összejátszik
price leader	– árirányító
4.	
chart	– ábra, grafikon
bar chart	– oszlopdiagram
pie chart	– kördiagram
5.	
to plot(-ted) a chart	– felrajzol diagramot
to intersect(-ed)	– metsz
to attain(-ed)	– elér
to correspond(-ed)	– megfelel vminek

QUESTIONS 1/B

Global and national economies, the role of governments in economy

1. How can globalisation be defined?
2. What is the aim of anti-globalisation protesters?
3. What forms do anti-globalisation protests take?
4. What could be done to counter the shortcomings of globalisation?
5. What solutions are proposed by the opponents of globalisation?
6. What is localisation?
7. How is it related to the globalisation process?
8. What are the features of localisation?
9. Whose interest does it protect?
10. What is the government's role in the economy?
11. What is black economy?
12. When do black markets prosper?
13. How do governmental decisions influence black markets?
14. What is interventionism?
15. What are the most common protectionist measures?
16. Who benefit from such policies?
17. When are protectionist policies justifiable?
18. What are the advantages of free trade over protectionism?
19. What do we call a welfare state?
20. What is the impact of government assistance on incentives and well-being?
21. What are the stages of a business cycle economies go through?
22. What is privatisation?
23. Why is privatisation good for the economy?
24. How was the privatisation process conducted in Hungary?
25. What are the characteristics of market economy?
26. Compare market and centrally planned economies.
27. What is the state's role in mixed economy?

MODEL ANSWERS 1/B

1. It is difficult to come up with one single definition for such a complex phenomenon as globalisation since there are so many aspects it can be approached from. Definitions are different from an economic, political, cultural or scientific point of view. Globalisation is a worldwide process that involves the increased mobility of goods, services, capital, labour, information, technology at a global scale. It is associated with a number of trends and movements such as internationalisation, standardisation, promotion of free trade, the elimination of trade barriers, technical development of information and telecommunication networks, growing international travel tourism and so on.
- 2–3. It is not a homogenous, centrally organised movement but a diverse, sometimes contradictory range of ideologies and people who criticise the consequences of global trends and policies. They speak up for the protection of ecological systems, biodiversity and local cultures. The movement typically includes

greens, environmentalists, anarchists, feminists, civil rights fighters, trade unionists and campaigners of many other interest groups. They organise street protests and mass demonstrations, blockades of events worldwide especially at summits of important economic leaders. Protests take various forms from picketing to civil disobedience. Street fights sometimes end in violent clashes with the police who try to disperse these marches with water canons, tear gas, rubber bullets or batons. Regardless of their actual achievements, they definitely raise awareness of global issues and draw media attention to their activity. Funnily enough, in order to organise demonstrations, protesters use all modern achievements like mobile phones or Internet, means of transport that make globalisation possible.

- 4–5. It is difficult to come up with a feasible alternative for globalisation, to reform the rules and institutions that govern global markets. Many pro- and anti-globalisation arguments imply that the outcomes are inevitable, therefore beyond the control of governments. It is true that some aspects are irreversible like new technologies but in the future globalisation should be harnessed to a greater extent in order to reduce poverty, eliminate disparities in life chances and wealth. Markets should be more regulated to cause less damage to public good and more institutional intervention is necessary to reduce exploitation, inequality and environmental degradation in the long run. So managed capitalism on international scale, the development of effective global institutions, a less centralised and more transparent system of money supply could bring solutions.
- 6–9. Localisation is a process which takes place simultaneously with globalisation. Bigger regional cohesion is partly a natural phenomenon, partly promoted by people who are thinking of a feasible alternative to globalisation. They would like to see nations taking more control of their economies and decision-making rather than being dominated by multinationals and other supranational organisations. It means coming up with solutions that suit local needs and by local, we mean towns, regions or even countries. Proponents claim that it doesn't necessarily mean ruling out import or foreign capital but regions should be more self-sufficient, producing at least all basic commodities they can from local resources and become less dependent on the rest of the world. These ideas often coincide with those promoting family farming or organic farming.
10. Governments have the role of redistribution of wealth generated in production and trade, redirecting the flow of resources using laws, regulations and other government institutions to influence creation and accumulation of wealth. So governments have both a protective and a re-distributive role. To accumulate capital governments protect property rights. Governments use budgetary and monetary policies to fine-tune macroeconomic activity. On the one hand they provide incentives to promote production but on the other they attempt to control economic forces. Redistribution of wealth is done through taxation and public spending such as transfer payments in form of social security benefits.
- 11–13. Black economy means economic activities that are illegal like smuggling or drug trafficking existing in all economies. The goods traded are usually scarce because they are forbidden or rationed, or their quantity is officially controlled

by the government. If there are government restrictions on certain goods, black market supply will rise. Black market prices can be either under the price level of legal markets, because suppliers have lower production costs, or higher if the goods or services are difficult to obtain officially. If these goods were legalised, their prices would drop. Black economy also involves tax evasion, people working 'off the book', paying no income tax to tax authorities after the profits earned from legal activities.

- 14–16. There is a view which says that the government should interfere in economic matters and reduce the level of import by various measures such as price control to protect the interests of certain groups. Interventionists support that it is the government's duty to restrain the exploitation of wage earners. When governments restrict competition, they grant privileges to certain producers by protecting them against more efficient, often foreign competition. Protectionist measures mean that a country's government tries to protect home producers from foreign competition by putting quotas, tariffs – price and quantitative restrictions – on imported goods. Non-tariff barriers also exist when setting special national standards, in the form of certificates that are difficult to obtain and delayed by slow administration, the lack of trademark protection or laws that hinder foreign investment. It helps domestic suppliers, manufacturers to be more profitable and domestic labour to avoid massive unemployment but as a result, many consumer goods cost more than they otherwise would if there was foreign competition. In some instances monopoly prices can emerge. On the whole, it helps certain groups of society, a group of companies in certain industries, but it can harm the poor. Lastly, we mustn't forget that a country's protectionist policies can make other countries apply similar policies and retaliate restrictions.
17. If a foreign country exports heavily subsidised goods that are dumping domestic markets with considerably lower prices than those of home producers (or even lower than production costs), in the long run it can put many enterprises out of business and these foreign companies can take some control of domestic markets. Another case is when the government protects infant industries against well-established foreign companies until they become economically powerful and competitive enough to have a good market share. Industries that produce strategically important goods can also enjoy state support to make sure that the country is not completely dependent on foreign import. It can be really important in times of an international crisis to avoid heavy shortages of basic commodities.
18. Free international trade allows a country to specialise in goods that they have comparative advantage of, either because of resources or expert knowledge, therefore to increase sales on foreign markets. It means higher revenues and in the long run higher living standard for the citizens. On the other hand, when a country has imports, the variety of goods available is greater.
19. A state whose government provides services and allocates benefits, allowances, income supplements, transfer payments to people and households in need like

the poor, the unemployed, the aged, the disabled, large families with dependent children.

20. Cash and in-kind assistance (mainly in the form of medical aids, food stamps, housing assistance) from the government and other sources raise the standard of living of the poor who receive the aid. However, welfare payments can reduce the incentives to work.
21. Economic activity is not usually stable over a long period of time but repeatedly shifts from prosperity to recession. A peak in consumption, profits is reached before a decline or crisis sets in (stock-market crashes, bankruptcies, unemployment). Some theorists see it as a self-generating, natural phenomenon that takes place regularly. There are many factors that can influence economic output, growth or decline and explanations vary according to which factor they consider crucial: changes in supply and demand, consumer spending and savings, investments, optimistic and pessimistic expectations toward future trends, technological advances, political changes, governmental austerity programmes and monetary expansions or contractions. Governments try to alleviate extremes of inflation and depression by stimulating economy in slack times and restraining during expansion.
- 22–24. Privatisation is the sale or transfer of assets, companies or services from the public to the private sector. It brings higher revenues to the country, livens up money market transactions and the introduction of new technologies, strengthens competition and the quality of services. The political changes after the communist era in Hungary were followed by the transition to market economy and the re-establishment of private ownership. Private property, confiscated after the second world war, was returned to churches and to people in the form of compensation vouchers that entitled them to acquire assets. State-owned companies were transformed to meet market economy requirements as a result of which many had to face winding-up or liquidation procedures. The privatisation process was managed and supervised by the Hungarian Privatisation and State Holding Company that controlled the sale of state assets. Its activities were monitored by the State Audit Office and an independent audit company. In the first phase, well-operating companies, then large strategic companies were traded such as public utility providers or banks. In accordance with the Privatisation Act assets that have strategic importance remained in long-term majority state ownership. To attract foreign investors, a country has to have legal and institutional stability, stable currency and economic growth. Cheap labour and lower production costs can be attractive at the beginning but later creative, qualified labour and good infrastructure offer higher returns to investors. When evaluating privatisation tender bids, employment, developmental or environmental obligations and are often set.
- 25–26. Free market economy is an economy where the allocation of resources is only determined by the forces of supply and demand. Market economy is based on private ownership where people are free to possess factors of production and decide what to produce, sell or buy. Economic choices of individuals and businesses are influenced by the market forces of supply and demand and the

respective price mechanism. Profits are the major motivating forces for entrepreneurs. The state has only a limited share in economy. Its role is creating a framework of laws that govern economic activity. Market economy is the opposite of centrally planned economy where the government co-ordinates production and distribution of different economic sectors and assigns goals. Because it is the government that determines economic output not market forces, there can be a mismatch between supply and actual demand: shortage or surplus production of certain commodities.

27. Pure market or planned economies are rare. Today most countries have mixed economy, which means that state ownership and intervention exist. The government participates in economic decision-making and provides welfare services.

SKETCH ANSWERS 1/B

1. Pro-globalisation arguments:

- globalisation has created unprecedented economic opportunities
- expansion and integration of global markets
- the world is becoming a 'global village'
- enormous economic potentials
- growing number of transnational companies
- reduction of trade, legal and informational barriers
- it can help to reduce geographical inequalities
- foreign competition forces local businesses to be more competitive
- free trade and capital movement, liberalised markets, global brands raise incomes
- significant growth in incomes and living standard in some regions, social groups
- better access to information, global information technologies and increased international contact enriches human life and culture, brings people together,
- increased role of the mass media – brings the world closer
- 'global citizenship' broadens horizons

2. Anti-globalisation arguments:

- widening social inequalities between the richest and poorest groups of society
- unfair share of wealth
- profit-orientation aggravates poverty, leads to the exploitation of the third world
- international financial markets generate economic instability across borders
- transnational capitalism is difficult to regulate
- World bank, WTO and IMF dominance, lack of accountability and transparency

- Multinationals exploit favourable economic conditions then relocate plants leaving behind massive unemployment in the area
- Local business alternatives are often ignored
- the reduction of poverty doesn't keep pace with population growth
- environmental degradation at local and global scale: pollution, deforestation, habitat loss, soil degradation, depletion of fish and game stocks, climate change, extinction of species, huge waste production
- spreading of uniform Western culture and the English language
- 'Americanisation' threatens cultural diversity, damages local cultures, breaks down values
- loss of national sovereignty
- promotes consumerism, uniform taste, customs, fashion
- agricultural surpluses generated from heavily subsidised products
- 'digital divide': those left out of information networks may be marginalized

VOCABULARY LIST 1/B

- 1.**
phenomenon – jelenség
to approach(-ed) – megközelít
to associate(-d) with – társít vmivel, kapcsolatba hoz
promotion – támogatás, előmozdítás
elimination – eltávolítás
- 2–3.**
diverse – különféle
contradictory – ellentmondásos
to speak up for – szót emel vmi érdekében
ecological system – ökológiai rendszer
biodiversity – biológiai sokszínűség
environmentalists – környezetvédők
trade unionist – szakszervezeti mozgalom híve
cause – ügy
mass demonstration – tömegdemonstráció
summit – csúcsalálkozó
picketing – tüntetés, tiltakozás, felvonulás
civil disobedience – polgári engedetlenség
clash – összeütközés
to disperse(-ed) – feloszlát
march – felvonulás
water canon – vízágyú
tear gas – könnygáz
baton – gumibot

- 4–5.**
to counter(-ed) – ellensúlyoz
opponent – ellenzője vminek
feasible – kivitelezhető, megvalósítható
outcome – következmény, végeredmény
inevitable – elkerülhetetlen
irreversible – visszafordíthatatlan
to harness(-ed) – kihasznál, hasznosít
disparity – egyenlőtlenség, különbözőség
public good – közjó
degradation – pusztulás, pusztítás
transparent – átlátható
- 6–9.**
proponent – támogató
to rule(-ed) out – elvet
organic farming – biogazdálkodás
- 10.**
accumulation – felhalmozás
redistributive – újraelosztó
incentive – ösztönzés
- 11–13.**
black economy – feketegazdaság
rationed – mennyisége hatóságilag megszabott
tax evasion – adócsalás
off the book – számla nélkül
tax authority – adóhatóság
- 14–16.**
to restrict(-ed) – korlátoz
to grant(-ed) privileges – előjogokat biztosít
to hinder(-ed) – gátol, akadályoz
to retaliate(-ed) – megbosszul
- 17.**
justifiable – igazolható
infant industry – kialakulóban levő iparág
well-established – jól működő, jó hírnévű
- 18.**
comparative advantage – komparatív előny
expert knowledge – szakértői tudás

- 19.**
welfare state – jóléti állam
allowance – kedvezmény, térítés, juttatás
supplement – pótlék

- 20.**
in-kind assistance – természetbeni juttatás

- 21.**
business cycle – konjunktúra ciklus
prosperity – konjunktúra
recession – gazdasági pangás
peak – csúc
output – termelés
crucial – döntő
austerity programmes – megszorító intézkedések
expansion – terjeszkedés
contraction – csökkentés
slack times – pangó időszakok

- 22–24.**
to liven(-ed) up – felélénkít
era – időszak, korszak
transition – áttérés
market economy – piacgazdaság
re-establishment – visszaállítás
private property – magántulajdon
to confiscate(-ed) – elkoboz
compensation vouchers – kárpótlási jegyek
to entitle(-ed) – feljogosít
winding-up, liquidation – felszámolás
Hungarian Privatisation and State Holding Company – ÁPV Rt
State Audit Office – Állami Számvevőszék
bid – árajánlat
obligation – kötelezettség

- 25–26.**
allocation of resources – forráselosztás
planned economy – tervgazdaság
to assign(-ed) goals – célt kitűz, kijelöl
mismatch – összenemillés

- 27.**
mixed economy – vegyes gazdaság

- 1.**
unprecedented – példa nélkül álló
potential – lehetőség
inequality – egyenlőtlenség
significant – jelentős
access to – hozzáférés
global citizenship – világpolgárság
to broaden(-ed) horizons – szélesíti a látókört
- 2.**
to aggravate(-ed) – súlyosbít,
accountability – elszámolási kötelezettség
transparency – átláthatóság
population growth – népesség növekedés
deforestation – erdőirtás
habitat – természetes élőhely
soil degradation – talajpusztulás
depletion – kimerítés
game – vad
extinction – kihalás
sovereignty – szuverenitás
consumerism – fogyasztói szemléletmód

GENERAL ECONOMIC STUDIES – MARKETS

QUESTIONS 2/A

Money market

1. What is a barter?
2. How did money evolve as a form of payment?
3. What are the functions of money?
4. What are the main characteristics of money?
5. What is a country's money supply?
6. How is it measured?
7. What is fiat money?
8. What is the gold standard?
9. What is monetary policy?
10. What are the aims of monetary policy?
11. What do governments do to stabilise their currency?
12. What is inflation?
13. What are the two main types of inflation?
14. What causes inflation?
15. How is inflation measured?
16. What are the consequences of inflation?
17. What is deflation?
18. What is currency exchange?
19. What is the foreign exchange market?
20. Describe how the Forex market works.
21. Who buy and sell foreign currencies and for what purpose?
22. What is the attraction of the currency market compared to equity trading?
23. Why do exchange rates move?
24. What are the factors that influence exchange rates?
25. What is a floating exchange rate?
26. What determines the supply and demand of a currency?
27. Why do governments peg exchange rates?
28. What are the advantages and disadvantages of a fixed exchange rate?
29. What forms can exchange controls take?
30. How do changing exchange rates affect import and export?
31. What is purchasing power parity?
32. What is the par value of currencies?

MODEL ANSWERS 2/A

1. Barter is a form of trade when goods are exchanged for other goods of about the same value. It was widespread when no money or other valuable items were used as a medium of exchange.

2. In the past, many commodities were used as money: livestock, wheat or maize. Later gold and silver coins had a guaranteed metal content but other metals, such as copper and nickel were also introduced. Coins today are mere tokens, have no intrinsic value. Today there is a dominance of bank money so most money movements take place through the use of bank deposits and transfers.
3. The most important function of money is to be a medium of exchange in transactions. We exchange our labour for money and money for goods and services. It makes barter unnecessary and facilitates trade. Money is used to measure value, prices make the value of any product or service, human labour comparable. It is a store of value, that is, people can keep their savings in the form of money. Money is a standard for deferred payments: futures contracts, agreements, loan repayments are all drawn up in monetary terms. Modern economy would be unimaginable without money.
4. Acceptability means that a currency in circulation is accepted as means of payment by members of society. It exists as long as the public has confidence in the currency. Money is a legal tender but it has no intrinsic value as gold or silver used to have. It has to have stability of value. Without it, production and distribution would be difficult. It has to be portable for the convenience of shopping, durable – not deteriorating –, uniform in quality and divisible into smaller denominations to be able to make different value payments.
- 5–6. A country's money supply is the total amount of money in an economy at a particular time. Money supply is divided into three monetary aggregates: M1: currency in circulation, checking accounts, travellers' cheques, very liquid money, (narrow money supply), M2: M1 plus savings accounts and time deposits, less liquid money (broad money supply) and thirdly M3 encompassing M2 plus for example savings bonds, Treasury Bills, repurchase agreements.
7. Money whose usefulness does not derive from its intrinsic value or convertibility to gold but from the government's order (fiat).
8. The gold standard was an international monetary system requiring that currencies be convertible into gold at a fixed price. The gold standard limited the range of variation in exchange rates because it was cheaper to pay in gold than in foreign currency when the exchange rate rose above certain limits. Under the gold standard, nations tied their money supply to gold inflow and outflow. As a result, price levels eventually went up and down as nations gained and lost gold. The Bretton woods system tied the value of foreign currencies to the US dollar, which was convertible into gold at a certain rate. The system collapsed in 1973 when a system of flexible or floating exchange rates was agreed upon. The current system is managed float in which central banks frequently intervene in the market to affect supply and demand. This system also has a paper substitute for gold called special drawing rights (SDRs). It was created by the International Monetary Fund and distributed to member nations as international reserves that nations can use to make international payments.

- 9–11. Monetary policy means the government's control of a country's currency and its system for lending and borrowing money. Basically, it means to prevent currency erosion – keeping inflation low –, to promote price stability and employment growth. A stable currency protects the purchasing power of the money, therefore defends the interests of enterprises and promotes the creation of wealth and leads to a higher standard of living. Stabilisation policies are when the government changes its tax policy and monetary policy to prevent sudden movements in price levels or unemployment and when a country buys and sells their currency on Forex markets in order to control its value.
- 12–14. Inflation is a steady rise in the average price level, when aggregate demand is higher than aggregate supply and there is an increased supply of bank notes and bank credit. If prices rise, the value of money deteriorates, the purchasing power of the currency falls so people can buy fewer things for their money. Demand pull inflation is when the aggregate demand rises well over aggregate supply and there is an inflationary gap. Cost push inflation is when the prices of raw materials and wages go up and it increases the price of goods and services. We talk about moderate inflation when it is between 3 and 6 per cent. Slowly but steadily rising inflation is creeping inflation while extremely high inflation is called hyperinflation (or galloping inflation).
15. Variations in the general price level are shown by price indices. The Consumer Price Index (CPI) or the Retail Price Index (RPI) measures the average price changes in a fixed number of representative basket of goods and services.
16. High inflation changes the value of money, causes political and economic uncertainty therefore people are more reluctant to enter long-term contracts. Especially high, unanticipated inflation redistributes income, some groups gain, others lose money (lenders, borrowers, importers and exporters, workers, employees etc). It also affects interest and exchange rates.
17. Deflation is the opposite of inflation, the situation when in an economy the general price level decreases.
18. Currency exchange – often referred to as Forex or FX – is the trading of one currency against another at a set exchange rate.
19. It is either a particular financial centre where currencies are bought and sold or the term refers to the global market as a whole.
20. The Forex market, the network of major banks and dealers, is the most liquid market worldwide. It is an Over-The-Counter (OTC) market with no fixed location where any two parties trade via telephone or electronic network. It takes place in trading centres round the clock, five days a week all around the globe. The daily turnover is so high that it is virtually impossible for individuals, companies even central banks or governments to affect the exchange rate of the strongest currencies. Exchange rates are primarily quoted against the US dollar (as base or first rate) in a pair. The dollar is used to calculate cross rates- the exchange rate between two other currencies which can be traded directly.

21. Governments and national central banks, investment banks, hedge funds, big multinational companies, and as entry barriers have lowered over the years, more and more small-scale businesses, individuals and speculators entered the market. Governments and central banks control a country's money supply and implement monetary policy trying to maintain financial stability. Banks trade currencies to other banks and to customers. Hedge Funds are involved in Forex speculation apart from dealings in the equity markets. Furthermore, export and import payments in international trade are usually made in foreign currencies, which have to be converted. Most individuals need foreign currencies for travel and even if they pay by credit card, the Forex transaction is indicated on their bank statement. Investors and speculators try to benefit from the rising and falling rates and market movements. When a currency is expected to appreciate, speculators take a long position by buying and in the opposite case, when a currency rate is likely to depreciate, they take a short position by selling.
22. The Forex market is a continuous, 24-hour market, trading is not restricted to the operating hours as it is in the case of stock exchanges even though electronic communication networks make trading possible outside opening hours. Greater accessibility results in higher efficiency, meaning that there are a lot more transactions conducted daily. This higher volume and liquidity make rates more volatile, which day-traders and speculators can take better advantage from. The equity market is less liquid and has smaller turnover, spreads are broader but charge more commission for transactions. Considering leverage, we can say that currency markets rely more on margin trading – using credit not only cash.
- 23–25. The flexible or floating exchange rate is allowed to fluctuate according to changes in demand and supply in the foreign exchange market. It is affected by capital flow between countries. The merchandise trade balance shows the net difference between the value of exported and imported goods and services. An increase in the demand for the goods of a foreign country means greater demand for their currency to pay for merchandise. Apart from goods and services, securities influence the flow of funds, too. If yield levels are higher, the currency inflow into the country is higher, which raises the ratio of the home currency to the foreign currency. Another factor is the inflation rate. The currency of a low-inflation country tends to rise in value due to its higher purchasing value.
26. Foreign demand for exports and imports of that particular country, real interest rates relative to those abroad, profitability of direct investment in businesses and real estate, expectations of the currency's future price and general price levels.
27. Foreign exchange rate fluctuations involve risks for merchants in international trade, so governments and central banks intervene and control exchange rates by creating price floors and ceilings – they allow rates to vary only within a certain range. In 1944, the Bretton Woods agreement pegged, fixed currencies to the US dollar – it was the nominal anchor –, the world leading currency at the time. The dollar was pegged to gold serving as the reserve asset of the US. There are two ways to keep exchange rates fixed. One way is to have a fixed and

unconvertible rate for the domestic currency. It means that the government overprices the currency, therefore causing a shortage of foreign money. Private Forex transactions are not allowed, only the government has the monopoly of dealing in foreign money, which spurs black marketing. Another way is when the rate is fixed but convertible. The government is not the only source of foreign money but intervenes when necessary to absorb surpluses and fill shortages. An appreciating currency requires the central bank to sell currency while a depreciating currency requires the bank to buy.

28. It allows countries to stabilise the domestic currency prices of their imports and exports and reduce inflation. The drawbacks are that rates are set by law and it is costly to make changes, it is difficult to defend currency, it makes the country susceptible to currency speculation. It encourages corruption and black markets.
29. The government may restrict the amount of foreign exchange allocating certain goods or vary rates for different type of goods. Dual or two-tier exchange rates exist when a country has fixed rates for imports and exports and floating rates for capital transactions.
30. Exporters suffer a disadvantage if the value of their currency has fallen by the time they get paid by importers and thus receive less money for their goods. To prevent this, they use foreign currency or take out an insurance against exchange rate risk. Importers can make early payments – leads – if they expect the value of the paying currency to rise or delay payments – lags – if they expect rates to drop.
31. Purchasing power parity is the exchange rate at which the goods in one country cost the same as goods in another country. It is used for comparing two countries price levels and welfare.
32. The official exchange rate between two countries' currencies.

VOCABULARY LIST AND SKETCH ANSWERS 2/A

1.
medium of exchange – csereeszköz
2.
to evolve(-d) – kialakul
livestock – haszonállat
intrinsic value – belső érték
3.
to facilitate(-d) – megkönnyít
comparable – összehasonlítható
store of value – értékmegőrző
deferred payments – késleltetett, utólagos fizetés
futures contract – határidős ügyletek
to draw up (drew, drawn) – felvázol, kiállít

4.
acceptability – elfogadhatóság
legal tender – törvényes fizetőeszköz
portable – hordozható
durable – tartós
to deteriorate(-d) – romlik
divisible – osztható
denomination – címlet
- 5–6.
monetary aggregate – teljes pénzösszeg
checking account – folyószámla
narrow money supply – szűk pénzkészlet
time deposit – lekötött betét
broad money supply – széles pénzkészlet
to encompass(-ed) – tartalmaz, felölel
savings bond – takarékjegy
Treasury Bill – kincstárjegy
repurchase agreement – visszavásárlási egyezmény

7.
fiat – rendelet
fiat money – beválthatatlan pénz

8.
gold standard – aranyalapú pénzügyi rendszer
floating exchange rate – rugalmas/lebegő/változó átváltási árfolyam
managed float – irányított árfolyam-lebegtetés
special drawing rights – különleges lehívási jogok

- 12–14.
demand pull inflation – keresletinfláció
inflationary gap – inflációs rés
cost push inflation – költségoldalról induló infláció
moderate inflation – közepes infláció
creeping inflation – kúszó infláció
galloping inflation – hiperinfláció

15.
consumer price index – fogyasztói árindex
retail price index – kiskereskedelmi árindex

16.
reluctant – vonakodó
unanticipated – nem előre jelzett

- 17.**
deflation – defláció, pénzforgalom szűkülése
- 18.**
currency exchange
exchange rate – valutakereskedelem
– valutaárfolyam
- 20.**
over-the-counter market – tőzsdén kívüli értékpapírpiac
to quote a rate – jegyez árfolyamot
turnover – forgalom
cross rate – keresztárfolyam
- 21.**
Hedge Fund – fedezeti befektetési alap
equity market – törzsrészcégek piaca
long position – eladási pozíció, hosszspekuláció
short position – besszpozíció
- 22.**
volatile – gyorsan változó, kockázatos
day-traders – kicsi haszonra játszó spekuláns
leverage – tőkeszerkezet
margin trading – hitelből finanszírozott vásárlás
- 23–25.**
merchandise trade balance – áruforgalmi kereskedelmi mérleg
- 27.**
pegged exchange rate – rögzített átváltási árfolyam
to spur(-red) – elősegít
to absorb(-ed) – felszív, leköt
- 28.**
susceptible – érzékeny
- 29.**
two-tier / dual – kétszintű
- 30.**
leads – külkereskedelmi ügyletek siettetése
lags – külkereskedelmi ügyletek késleltetése
- 31.**
purchasing power parity – vásárlóerő-paritás
- 32.**
par value – nominálérték, névérték

QUESTIONS 2/B***The labour market***

1. What influences the labour supply?
2. How is the unemployment rate calculated?
3. What is the government's role in job creation?
4. What are some of the possible reasons of unemployment?
5. How does unemployment affect economy?
6. What types of unemployment are there?
7. What government policies can reduce unemployment?
8. What is full employment?
9. Why are workers organised in labour unions?
10. What major issues do they negotiate with employers?
11. What are the basic rights of employees?
12. What working conditions can help women who support a family?
13. What can employers benefit from family-friendly policies?
14. Do women suffer any negative discrimination in the labour market and at workplaces?
15. What could be done to promote equal rights and better social protection to women?
16. How can you get informed about job vacancies?
17. What happens at a job fair / job expo?
18. Why is it beneficial to job-seekers?
19. Why is it a popular forum of recruiting among companies?
20. What is a well written covering letter like?
21. What do you include in a CV?
22. What are the main sections of a CV?
23. What are assessment centres and how do they test candidates?
24. What are the advantages of this form of recruitment from the employer's and the candidate's perspective?
25. What tips would you give to job-seekers who are going to be interviewed?
26. How can you prepare for a job interview?
27. What questions can interviewees expect?

MODEL ANSWERS 2/B

1. The supply of labour depends on the monetary compensation employers give for work. Higher wages make more people enter the labour market but money is not the only remuneration workers expect. Non-monetary aspects such as safe working conditions and other benefits are just as important. An internal labour market exists within companies. Companies often consider promoting their best workers for upper-level jobs rather than hire new employees. It motivates workers to perform well and at the same time reduces the costs of recruiting. Human capital means labour as one of the factors of production. It represents the skills and qualifications of workers that come from education and training. The labour market is also governed by the rules of supply and demand. If there are less people on the job market, employers attract and retain well-qualified or skilled labour by offering higher wages.

2. It is the proportion of unemployed people to the total available labour force. But it only includes the officially registered jobless population and doesn't count with hidden or disguised unemployment, jobless people not shown in government statistics.
3. Governments are expected to maximise employment and preserve jobs because competitive markets will not provide enough employment opportunities for people who are able and willing to work. But we mustn't forget that in market economy job creation does not exist without the destruction of less efficient and less prosperous jobs. Policies that protect existing jobs can sometimes inhibit the creation of wealth-enhancing new jobs.
- 4–6. There can be many factors that cause unemployment, some of which stem from economic recession, others from the changing patterns of the labour market. If economic performance is poor, companies lay off staff to reduce expenditures. There are always people who don't want to work and don't look for a job because they are happy with the unemployment benefit they draw from the state – this is called voluntary unemployment. High unemployment benefits, minimum wage laws, taxes and welfare services can discourage job search. People who would only have the chance to take on a low-paying job often prefer to remain unemployed to losing regular state benefits – this is called poverty trap. Frictional or search unemployment refers to people who are in the period of changing jobs for better pay or better career opportunities. Lately there seems to be a greater labour mobility and job turnover, the desire to diversify employment patterns especially among young professionals. Unemployment can be high in a region due to labour immobility. Older generations are geographically less mobile than younger people, they are usually bound by family ties, to their place of living and are reluctant to move. However, it further reduces their chances to find employment. The result is an even more ageing layer of jobless people. Structural unemployment exists when a large number of people are made redundant in a declining or disappearing industry and their skills don't match the skills required in other sectors. It occurs when a country is going through a structural change of economy, for example when coalmines close down. Seasonal unemployment is typical of regions or where in certain occupations jobs are only available during a particular time of the year like in agriculture or at summer and winter holiday resorts. Unemployment is a waste of resources for an economy and has economic and social costs. The government has lower revenues because they can collect less taxes and unemployed people spend less, which means less indirect taxes but has to spend on unemployment benefits, retraining.
7. The government can relieve unemployment by adopting active labour market policies. It means taking direct action to provide more retraining schemes or better supply of information about job vacancies. Improving geographical mobility of labour by providing housing or granting other benefits can alleviate structural unemployment. The government can accept policies to attract investors, support enterprises that settle and create jobs especially in unemployment stricken regions. These companies may get tax allowance,

- temporary tax exemption or subsidies. Also, lower unemployment benefits motivate people to spend less time with job search, which means reduced frictional and voluntary unemployment.
8. It is an ideal situation when there is an equilibrium level between the supply of labour and unfilled jobs. It doesn't necessarily mean that there is no unemployment at all, but almost everyone who is able and willing to work can find work at the wage level they want.
- 9–11. A labour or trade union is an organisation formed to represent the common interests of workers, to provide a communication channel between workers and the management, to exert collective influence on employers over better working conditions and restrain the management's power. In some countries unions are organised according to trade or skill, in others regarding political position. Their objectives include ensuring fair wages, reasonable working hours, fringe benefits, safer working environment, consultation with workers about decisions that affect them etc. All workers have the right to a safe work environment, fair treatment regardless of sex, race, colour, religion, political opinion, national or social origin, age, sexual orientation or other characteristics. Unions promote equal opportunities and treatment and reinforce the country's legislation concerning workers. But the issues that they present for negotiation depend on all sorts of factors such as national economy, the current state of the labour market, the economic situation of the company etc. In fact, the labour law is very diverse in different countries and so are the activities of labour unions. Unfortunately atypical workers – part-time, temporary, home workers-have less protection of their interests or are excluded from such representation.
12. Family friendly policies can help women combine work and home duties like in more developed countries where job sharing exists, which means that two part-time employees share a full-time job. They divide the salary and the work-time. Maternity protection including maternity leave, job security, health protection measures, nursing breaks, childcare facilities etc. Paternity leave is when the man takes time off work to look after his family surrounding childbirth. Parental leave help parents share childcare responsibilities. Of course it requires a change of attitudes towards traditional male and female social roles. Unfortunately domestic roles are still seen as predominantly feminine. Working on a part-time basis or flexitime employment can also help to harmonise paid work and domestic chores provided part-time jobs are not restricted to low-graded jobs.
13. With more humane working conditions employees will have a greater commitment, better working morale and do their job more efficiently. It can result in better retention lower turnover of staff, which means a better return on training investments and less unplanned absences. And last but not least, these policies lend the company a better image, which can be a competitive advantage in recruiting.
14. Recently there has been growing concern about gender issues in employment because women are more likely to be the victims of labour market failures and

distortions. Trade unionists raise their voices against cases when women have to face unequal opportunities at work, during the recruitment process, promotion, job assignments, transfers, lay-offs / dismissals simply because of their sex, marital status or family responsibilities. For example as a screening device employers can impose such not inherent job requirements that exclude women. Discrimination can have more overt and subtler forms. Women face disadvantages mainly because of childcare, maternity leave that breaks their career, time off for pre- and post natal care, sick child care etc. Women continue to do a lot of unpaid, “invisible” work. Globally, half of the world’s labour is in sex-stereotyped occupations and women dominate those that are lowest-paid and least protected. Still a great number of women worldwide have less access to investment in skill, knowledge and lifelong learning. Or employers give them less opportunity to upgrade their skills because they are more likely to leave employment and interrupt their careers for family responsibilities. They are also the most vulnerable to exploitation and abuse. Sexual harassment and violence at the workplace are not so recently raised issues. Women can also be disadvantaged concerning their pension schemes because of discontinuous work history or because they enter workforce later after having had their families. Maternity leave is not calculated in pension calculations. Both man and women suffer exclusion from admission on grounds of age.

15. Trade unionists would like to see more women in their organisations to achieve better representation, especially in leadership positions. More awareness and publicity can be raised through the media and forge alliances with non-governmental, civil organisations and research institutions that publish reports of surveys and case studies.
16. To start with, you could ask around among your acquaintances because not all job postings are officially advertised. Besides read the job offer sections of the classified ad column of newspapers, periodicals or journals in your profession. Even if there are no vacancies advertised, it is worth sending your CV and cover letter to a number of companies you select. Or you can “call cold” the Human Resource department and ask if they accept applications. You can register at employment agencies, or search firms – many are available or exist on-line, specifying your job target, salary expectations and which town or region you prefer. In certain professions perhaps the best way is to attend job fairs.
- 17–19. At job fairs companies that are hiring new employees come together at one place on a particular day. Participant companies may come from a range of sectors whereas at specialist fairs from the same industry. They set up booths, stalls or counters where their representatives distribute information materials and talk to job seekers about job opportunities. Recent graduates or professionals already with experience go round and distribute their CVs or occasionally fill in an application form. Job-seekers can get a general picture about what jobs and skills are in demand on the market and contact many companies during a single day. Talking to company representatives face-to-face can be a lot more efficient than sending your application by post. For

companies collecting CVs and applications is cost- and time-saving and can serve as a first screening.

20. It has the layout of a formal letter addressing the Personnel or HR manager. Provided your qualifications and skills outlined in your CV meet the employer’s expectations, the cover letter has to highlight relevant experience and attributes. It should be convincing and draw attention among the usually large number of applications. The closing paragraph expresses willingness to attend a personal interview and say what the best way is to contact you.
- 21–22. The main headings are personal details, education/qualifications – what schools and training programmes you attended and the subjects studied –, work experience listing your previous work places and job titles – starting with the most recent one –, skills including what foreign languages you speak and at what level, computer literacy, the category of your driving licence and finally you can name some of your hobbies. As a first paragraph you can also add a few lines about your career aims describing your ambitions and expectations toward a new or first job. There are various CV formats but all should be clearly-presented, not more than one or two pages, with a scanned photo if requested.
- 23–24. Assessment centres aim to gather an all-round picture of candidates by seeing how they perform in a variety of situations. Recruitment techniques range from personal interviews, simulation games, decision-making tasks, group exercises to presentations. Psychometric tests help to draw up a personality profile of the candidate, to assess skills, abilities and future potentials that can be more important than only technical knowledge. It can take many forms, from simple questionnaires to more comprehensive testing. Employers get a more objective picture of the candidate’s skills and personality traits that are relevant to the post, for example if he is a good team-worker, is able to work under pressure, has initiative or good communication and leadership skills. For companies this investment can be cost-effective especially in managerial positions because it pays off to employ the most suitable candidate. Not hiring the right person for a job can cause great losses in the long run. Companies use this method for internal promotion and managerial trainings. It’s useful for candidates because they have a better chance to show their strengths than during a formal interview as well as find out more about what their job would involve.
- 25–27. First of all, you should arrive on time, be well-presented and possibly have a copy of our CV with you. It’s very important to make a good impression at the beginning because some say that many people in fact make their decision in the first few minutes. Non-verbal communication can be very telling, so gestures, posture, eye contact, facial expressions etc should express interest, self-confidence, still should be authentic. It is necessary to plan some answers beforehand and be ready to respond questions about our motivations and career objectives, strengths and weaknesses and so on. You are supposed to collect some information about the company, which you can easily do by visiting the company website. At the end you may have the chance to clarify doubt so prepare with questions about what duties the job involves, what career and training opportunities you will have etc.

VOCABULARY LIST AND SKETCH ANSWERS 2/B

- 1.**
remuneration – díjazás, bérezés
other benefits – egyéb juttatások
recruiting – toborzás, munkaerő-felvétel
- 2.**
hidden / disguised unemployment – rejtett munkanélküliség
- 3.**
to preserve(-d) – megőriz
willing – hajlandó
to inhibit(-ed) – gátol, akadályoz
wealth-enhancing – vagyontermelő
- 4–6.**
to stem(-med) from – ered, származik
to lay (laid, laid) off – elbocsát
expenditure – ráfordítás, kiadás
voluntary unemployment – szándékos munkanélküliség
minimum wage – minimálbér
poverty trap – szegénység csapdája
frictional / search unemployment – átmeneti munkanélküliség
structural unemployment – gazdasági szerkezetátalakításból fakadó, strukturális munkanélküliség
retraining – átképzés
- 7.**
to relieve(-d) – enyhít
job vacancy – üres állás
to alleviate(-d) – enyhít
unemployment-stricken – munkanélküliség sújtotta
tax allowance – adókedvezmény
tax exemption – adómentesség
- 8.**
full employment – teljes foglalkoztatottság
- 9–11.**
labour union – szakszervezet
to exert(-ed) influence on – befolyást gyakorol
to restrain(-ed) – korlátoz
to exclude(-d) – kizár
- 12.**
job sharing – főállású munkaidő felosztása két vagy több mellékállásra
maternity leave – szülési szabadság

- nursing break – szoptatási szünet
childcare facilities – gyermekfelügyeleti lehetőségek
paternity leave – gyermek születésekor járó szabadság apáknak
predominantly – túlnyomóan
restricted to – szorítkozik vmire
low-graded job – alacsony társadalmi presztízsű munka
- 13.**
humane – humánus
commitment – elkötelezettség
working morale – munkafegyelem
retention – megtartás
absence – hiányzás, távolmaradás
- 14.**
gender – nem
distorsion – torzulás
assignment – kinevezés, megbízás
transfer – áthelyezés
dismissal – elbocsátás
screening – kiválasztás, szűrés
to impose(-d) requirements – követelményeket szab, állít fel
inherent – velejáró
overt – nyílt
subtle – finom, kevésbé nyilvánvaló
pre- and post natal care – gyermekszületés előtti és utáni gondozás
to upgrade(-d) one's skills – képzzi magát
vulnerable – sebezhető
exploitation – kihasználás
abuse – jogtalanság, visszaélés
sexual harassment – szexuális zaklatás
discontinuous – megszakított, nem folyamatos
admission – felvétel
- 15.**
to forge(-d) – kovácsol
alliance – szövetség
- 16.**
job posting – állás pályázat kiírás
classified ad column – apróhirdetés rovat
Human Resource – emberi erőforrás
target – cél
- 17–19.**
job fair – állásbörze
booth, stall – stand

20.

layout	– formátum, elrendezés
to highlight(-ed)	– kiemel
attribute	– tulajdonság

21–22.

heading	– alcím
qualifications	– képesítés, végzettség
computer literacy	– alapvető számítógépes ismeretek
clearly-presented	– világos, áttekinthető

23–24.

assessment centre	– értékelőközpont
candidate	– jelölt
potential (n)	– ígéretes
comprehensive	– átfogó
initiative	– kezdeményezőkézség
to hire(-d)	– felvesz, alkalmaz
promotion	– előléptetés, kinevezés
managerial training	– vezetői képzés

25–27.

interviewee	– interjúalany
well-presented	– jó megjelenésű
to make a good impression	– jó benyomást tesz
posture	– testtartás
facial expression	– arckifejezés
self-confidence	– magabiztosság
to clarify(-ied)	– tisztáz

QUESTIONS 2/C***Tenders and auctions***

1. What is a tender?
2. Who post tender notices?
3. What details are included in the tender notice?
4. What is a usual tender procedure?
5. What types of tenders are there?
6. How is an average auction conducted?
7. Who are the people present at an auction?
8. What are their jobs?
9. What is a proxy bid or absentee bid?
10. What is the memorandum?
11. What speculative strategies exist?

1. A tender is an invitation to offer to do a job or provide goods or services for a particular price usually as part of a competition between several companies for the same work.
2. Companies or individuals post tender notices so that they can select the best supplier to provide quality goods or services at a competitive price. In the public sector, for public procurement high-value purchases for equipments and services have to be publicly advertised in newspapers, departmental publications, notice boards or on the internet.
3. A description of the item or work required, an outline of the rules concerning the presentation of tender proposals, name and address of the tender authority, the tender enquiry reference number, the cost and the last date for collection of the bid document, the date and venue of the opening of the sealed tenders in presence of tenderers' representatives, qualifications considered before issuing tender documents to a tenderer.
4. Companies announce solicitation invitations. Bidders or proponents submit their application including all required documents, complying with all submission terms. The bidder who is deemed the most suitable or offers the lowest price other things being equal (quality, delivery service, performance) wins the contract. Fair competition, transparency and equal treatment of all tenderers are to be the general guidelines for any tender procedure. The tender board evaluates tenders confidentially, can decide to accept late submissions. The successful proponent is notified.
5. Limited tendering means that only a few selected tenderers compete. Open tendering is when the tender notice is issued to the public and any supplier can take part and give a quotation. Single tendering means sending the tender to one particular supplier or proprietor. It is usually done when there is only one supplier available or the purchaser has developed confidence in one supplier and would like to verify the current price, shipping etc. Verbal tendering is an oral commitment done in person or by the phone because there is no time to quote.
- 6–8. The seller authorises the auctioneer to conduct the auction in the auction listing agreement which sets out the terms of agreement, the rights and responsibilities of both parties. It is customary to prepare a package of information and instructions to the item to be sold for prospective bidders when selling for example real estate property. A catalogue or brochure may be published to advertise the items available for sale containing a description of the item. The conditions of sale are usually stated in the advertisement or the publication or announced by the auctioneer before the auction starts. They include method of payment, buyer's premium, reserves or any limiting factors. Participants or buyers' authorised representatives who register at an auction get a bidder number. The event is directed by the auctioneer who opens the event, announces the assets for sale, the starting price. He calls or cries the auction, acknowledges and pronounces the highest bid customarily with three hits of the hammer or it is done by a separate bid caller, their assistants spot and provide

bidders with information. Assistants are also known as ringmen, bid consultants, bid spotters or groundsmen. When the auctioneer drops the hammer or gravel after the last bid or so-called hammer bid is acknowledged. Announces the buyer. If there are no limiting conditions, the item is sold to the highest qualified bidder, it is called an absolute auction or an auction without reserve. The reserve is when the seller sets a minimum acceptable price under which he is not willing to sell the item and can decline all bids.

9. This is when the bidder doesn't attend the auction but participates in the bidding process. Normally, the bidder submits an offer to the auctioneer or his representative beforehand. Procedures of absentee bids vary from one auction company to another.
10. After the auction the memorandum or bidder acknowledgement is signed either on the auction floor or in the contract room.
11. Collusion or bid rigging is an unlawful practice at auctions when a group of people agree not to bid against one another so as to deflate value. Or the auctioneer accepts a fictitious bid from the seller so as to manipulate or inflate the price.

VOCABULARY AND SKETCH ANSWERS 2/C

1.
tender – versenytárgyalás
2.
to post(-ed) a tender notice – tendert ír ki
public procurement – közbeszerzés
3.
proposal – ajánlattétel
bid – árajánlat
venue – helyszín
sealed tender – zárt versenytárgyalás
tenderer – tender benyújtója, ajánlattevő
4.
solicitation – kérelem, kérés
bidder / proponent – ajánlattevő
to submit(-ted) – benyújt
to deem(-ed) – megítél
5.
limited tendering – korlátozott tender
open tendering – nyílt tender
to give a quotation – árajánlatot tesz
verbal tender – szóbeli tender

6-8.

- | | |
|------------|---------------------------|
| auctioneer | – árverésvezető, kikiáltó |
| premium | – nyereség |
| reserve | – kikiáltási ár |

9.

- | | |
|-------------------------|-----------------------------------|
| proxy bid, absentee bid | – meghatalmazott általi licitálás |
|-------------------------|-----------------------------------|

10.

- | | |
|------------------------------------|-----------|
| memorandum, bidder acknowledgement | – jegyzék |
|------------------------------------|-----------|

11.

- | | |
|----------------------|--|
| collusion | – összejátszás |
| bid rigging | – manipulált licitálás, látszatajánlat |
| to deflate(-d) | – lejjebb visz |
| fictitious | – látszólagos, fiktív |
| to inflate(-d) price | – felvisz árát |

QUESTIONS 2/D

The stock market

1. What is the stock exchange?
2. What are the primary functions of the stock exchange?
3. Is investing on the stock exchange a kind of gambling?
4. What investments are called securities?
5. What are bonds?
6. What is the difference between bonds and stocks?
7. What kinds of bonds are there?
8. What are shares?
9. What is the difference between common and preferred shares?
10. What are the shareholder's rights?
11. Who are stock warrants offered to?
12. What is a capital gain and how is it realised?
13. What is short selling?
14. What is the spread?
15. What are the risk factors that determine share prices?
16. What extent of risk is involved in stock exchange dealings and investment?
17. Can stock price movements be effectively forecasted?
18. Why do stock prices vary?
19. How and why do companies go public?
20. What is the underwriter's role?
21. What is the underwriting agreement?
22. How does the registration process go?
23. What is the full disclosure statement?
24. What is a prospectus and what information does it contain?
25. What do we call a tight issue?
26. What is a bonus issue?

27. How is the stock market divided?
28. Where does over-the-counter trading take place?
29. How are orders placed?
30. What service do brokerage firms provide?
31. In what way are discount firms different from brokerages?
32. What is a stockbroker's job?
33. What is the difference between market and limit orders?
34. What is a time-option?
35. What is a spot-deferred contract?
36. How can you reduce investment risk?
37. What is a call option?
38. What is a put option?
39. What is arbitraging?
40. What is the role of portfolio in investment?
41. What are stock market indexes?
42. What happens on the exchange floor?
43. Who are stock exchange specialists?
44. How do they influence market movements?
45. What securities are called derivatives?
46. What is a futures contract?
47. How does the NYSE operate?
48. How does the Budapest Stock Exchange work?
49. What kind of index is the BUX?
50. What is Nasdaq?
51. What shares are called blue chips?

MODEL ANSWERS 2/D

- 1–2. Stock exchange is a market where securities are bought and sold under fixed rules. It is an organized forum for concentrated supply and demand. It helps the capital flow between corporate and individual investors and corporations that have listed securities. They introduce new securities to the market and fix prices. The performance of the stock exchange is considered one of the indicators of a country's economy.
3. It is a common myth that investing in the stock market is a form of gambling. Despite the fear of stock prices 'what goes up must come down', stocks are likely to increase in value over the years and trend upwards. Moreover, they create wealth without taking your gains away from someone else. In gambling one's winnings are always transferred from others' losses. Stocks produce something by supplying capital for companies to buy equipment and produce goods. Unlike other forms of investments like real estate, art treasures, paintings etc that only bring gain when sold, stocks ensure continuous income and relatively steady return.
4. Securities are generally stocks, shares and bonds which are bought as investments.

- 5–7. Bonds are fixed-income securities which do not represent ownership but a loan by the bondholder of the issuing company. The bondholder receives interest payments, not dividends, does not have the right to vote and is promised that the loan value will be repaid. Most bonds are mainly traded over the counter and are priced differently from stocks. A holder of common stock takes more risk than a bondholder but for this additional risk demands a higher expected return. Stock prices have their ups and downs but investors confide in an upward trend in the long run. It makes it a more worthwhile investment than the less risky and more predictable bonds or treasury bills. Government bonds have a state guarantee on them. The most common bonds are treasury bills (short-term government security with maturity of a year or less), government bonds (issued by the government-therefore considered safe investments), corporate bonds (issued by companies), convertible bonds (that can be converted into shares on request of the holder at maturity) and callable bonds (that can be repaid when the borrower requests it).
- 8–9. The holders of common stock are owners of the firm. The owners are entitled to a fraction of the revenues that are left over after expenditures on raw materials, wages, energy, supplies etc and all other stakeholders have been paid. The amount paid to stockholders depends on how well the business is managed. It can be large or even negative. Sometimes common shareholders have preemptive rights, which means that are given the opportunity first to buy new common shares issued by the company at a lower price the current market price. Common shares are not callable: cannot be retired by the issuing corporation. Common stock dividends are unfixed, therefore can have large capital gains if the company is really prosperous. Unlike common stocks, preferred stocks are cumulative. They are cumulative because if the company cannot or won't pay dividends to preferred shareholders, it becomes an arrearage and is passed over the next quarter. But some preferred shares can be convertible, exchanged for other securities at a given conversion price. Preferred stocks provide a relatively safe yield and have price stability.
10. They may vary from company to company but in general they have the right to vote at the annual general meeting of shareholders, receive dividends regularly and have residual rights. Sometimes companies issue voting stocks that entitle the owner to vote in the general meeting of the company. Shareholders elect the directors who supervise the company's operation and also vote on special occasions like mergers, acquisitions and stock splits. Voting can be on a statutory basis – according to your shares and equally distributed- or accumulative, which means you can save or regroup your votes. This last one enables minority shareholders to gain best representation. When a company is dissolved and goes into liquidation, first general creditors, bondholders and preferred shareholders receive their share of the company's residual value before common shareholders are satisfied.
11. Stock warrants are long-term rights. Shareholders are offered the right to purchase common shares at a fixed price (subscription price) for longer periods – up to ten years or more.

12. Capital gain is the profit earned on dividends or the sale of an asset or short-term trading of buying stocks at a low price and sell them later at a higher. This latter is a speculative activity but most investors expect their stocks to grow in value long-term. To incur capital gain it is not enough to pick the right stocks, the trading strategy determines one's winnings. If the company is in financial difficulty, they only pay dividend on common or ordinary shares after those made on other types of share, like preference shares (also referred to as preferred or preferential share).
13. When investors think that a security is overpriced and expect the market to be bullish, prices declining, it is still possible to sell these stocks and buy them later at a lower price. But it can be a risky undertaking.
14. The bid is the highest price brokers are willing to pay for shares and the offer is the lowest price at which they will sell. The difference between the bid and the offer is the spread.
15. Share prices respond to changing conditions in the domestic and foreign economic environment. Legal rules and regulations, taxes, central bank policies as well as the rate of inflation, prevailing interest and foreign exchange rates make share prices go up and down.
- 16–18. Stock prices go up and down but the market is relatively safe for those who can wait out a bear market when prices decline. Investors are constantly trying to assess the outlook for the future. Share prices fluctuate because business conditions are ever changing. Risk can be reduced by having a mixed, well-diversified portfolio of stocks and bonds of different potentials. Though stocks are generally risky, they can be far more profitable than other investment instruments. Stock price fluctuations are generally difficult to prognosticate in the long run, even for market gurus. Short term market forecasting is more failure prone. The best policy is to invest the amount of money that one can be patient with. It usually pays off to invest long term rather than jump in and out of the market when the market seems bullish or bearish.
19. When a company decides that they want to issue stock, they must become a distinct legal corporate entity and incorporate. Selling securities is referred to as issuance or underwriting of securities. An incorporation is a legal person separate from the owners. Anyone owning a share in the corporation enjoys limited liabilities and owners' personal assets are not subject to any claim towards the company. The certificate of incorporation (US) or Memorandum of Association (UK) is drawn up, the document that gives details of the company's name, business activity, its directors, the capital and assets they have, registered office and premises. The capital statement clause states the number of shares authorised for sale in order to raise capital. The Bylaws (US) or Article of Association (UK) are also sent to the registrar of companies. Most starting corporation issue common shares because it gives owners an equity through their voting rights but the company is not obliged to pay regular fixed cash dividends until they have sufficient surplus.

20. The underwriter is a bank or financial institution that arranges to sell shares to investors and agrees to buy any shares that are not bought. The underwriter gets a commission on what they sell and for acting as an intermediary.
- 21–23. The company has the duty of informing investors and shareholders about facts of the issuer's performance. The document tells about the business aims, the number of shares issued, their tax status, fallback plans, the company's legal standing – any ongoing lawsuits, revenues, expenses and risk assessment. Investment bankers form a syndicate, a group whose purpose is to sell the underwriting offering. Newly issued stocks have still no market value so the value is usually determined on the basis of how solid the company is, how attractive the investment is expected to be and how strong or weak the market is at the time. The underwriting firm has to set a price that is not too low for the issuer and not too high for investors. When the registration statement has been accepted, the offer can be announced to the public. This day is called the effective date. The final prospectus or offering circular is a publication in which they advertise their shares to investors. If the new issue has a weak reception, the brokerage firm can act as an underwriter to fix the market price, to prevent it from falling. They place a standing bid to buy the new stock below the offering price and stabilise the market. In the opposite case, when the new issue is in demand –called a hot issue –, managers can decide to oversell it or buy the stock back on the market. When the offering is distributed, the syndicate is disbanded.
24. A stock offering is accompanied by a prospectus that provides financial information about the company issuing the stock and the use to which the new funds will be put, what projects, expansions are planned.
25. Tight issue is when a company issues new shares and first offer them to existing shareholders.
26. A bonus issue is when the company decides to capitalize part of the profit and instead of paying dividends, they issue new shares to shareholders.
27. Primary market is the name of new issue market, where new shares are announced. Afterwards they are traded on the secondary market, a stock exchange or trading network where the goal is to match investors who wish to sell with those who wish to buy stocks. The third market (in the US) is a market for all listed securities to be sold and bought privately without using the stock exchange.
- 28–29. The OTC market has no trading centres, no geographical boundaries. It consists of hundreds of brokerage firms located throughout the country doing business by phone. These are often the same brokerage firms that underwrite the issues in the primary offering as the selling syndicate, now acting as market makers for the stock of the secondary market. That is, they publish their bids-offer quotations and buy or sell the stock for their own account. The basic difference between the exchange and the OTC trading is that the first is an auction market, in which bids and offers are made in open outcry, while OTC trades are negotiated over the phone, one-on-one. OTC orders enter the firm through the

- customer's broker or account executive, who forwards them to the order room. Then the order is passed on to the OTC trading desk.
30. Basically, they buy and sell stocks and shares. After each transaction they process the orders and do all the follow-up paperwork. Their research department has financial analysts who make reports on market trends and influences, provide stockbrokers information on investment opportunities. A full-service brokerage firm supplies customers with investment advice based on all this information. Customers can also deposit their money in the firm until they reinvest it and in the meanwhile earn interest on it.
 31. They charge lower commissions than firms with full-service but only execute and clear orders. They don't serve with investment advice or do research. It has the advantage of offering cheaper service for customers who don't need help with their investment choice and can save money on it. Their salespeople are more likely to work for a fixed salary rather than for commission.
 32. The registered representative/ account executive or commonly the stockbroker is the salesperson who takes the client's order to buy or sell shares or bonds and gives investment advice, notifies his clients of favourable opportunities that suit your investment goals. On each sale or purchase they earn commission. Of course the majority of the profit comes from institutional investors rather than retail securities. The broker's earning depends on the size of the purchase and the number of times a client places an order so brokers are interested in retaining customers and make them profitable recommendations.
 33. Orders can be market orders or limit orders. Market orders must be executed as soon as possible and at the best possible price. A limit order specifies the price at which the security must be bought or sold. Limit orders may be entered for the day or be marked good-till-cancelled (GTC).
 34. Time option is a forward contract which matures between two stated dates, rather than on a single date.
 35. Spot-deferred contract is an agreement to buy a security or a commodity at a fixed price at any time in the future, the buyer paying a regular sum of money as time passes for the right to take delivery when he decides to do so. It is a form of open-ended futures contract.
 36. Hedging is an operation adopted by merchants and others in the commodity markets who deal in futures to protect themselves against risk of loss, caused by future changes in price. Similarly in the stock exchange when an investor, in times of inflation, buys equities (ordinary shares) at a lower return than he can get from fixed-interest securities, he is hedging against inflation because he expects the market value of equities to rise faster than the fall in the value of money. To hedge means to protect yourself against a financial risk.
 37. Call option is an option that gives you the right to buy shares at a particular price in the future. Investors who buy call options think the market will rise above that price.

38. Put option allows you to sell shares etc at a specific price in the future, that you buy because you think prices will fall below that price. The two together are called double option.
39. Arbitraging is the business of buying some commodity, currency or bill of exchange in one market centre and selling it in another almost at the same time, thus taking advantage of any difference in price.
40. Portfolio is the entire collection of investments belonging to an investor or held by a financial organization. When banks and investment specialists give investment advice to their customers they propose portfolios according to the risk level the customer is willing to take. The so-called conservative portfolios consist of mainly bonds, which represent a relatively safe, low risk-level investment; mixed portfolios have government and corporate bonds and shares while aggressive, high-risk level portfolios compile of shares.
41. Stock exchanges and the performance of companies are shown by stock market indexes. Indexes can be distinguished on the basis of the market covered, the type and number of stocks included, and how the index is calculated. The index shows the overall performance of the market. The most well-known indices are the American Dow Jones Industrial Average, S&P 500 Index, Nasdaq 100, NYSE Composite index, the British FTSE 100, the Japanese Nikkei 225.
42. On the exchange floor there are a number of specialist's posts with a roughly figure-eight shape. Commission brokers receive orders at the telephone booths and execute orders, then return to confirm them before getting new orders. Buy and sell orders can be for immediate execution at the best price available, limited orders (within a particular price range), stop orders (when shares reach an agreed level) or short sale orders (selling borrowed shares believing that their price will fall and can be bought back later at a lower price.)
- 43–44. The market is volatile when the situation changes suddenly and prices rise and fall without much warning. When the sell orders outnumber the buy orders, stock prices tend to go down. In the opposite case, prices tend to rise. When there is excessive one-sided buying or selling volume, prices fluctuate. If stock prices fall, more people decide to sell – so selling trends cause even more selling. At the same time, rising prices make people decide to buy. On the one hand the increased volume livens up trading but on the other, these trends can easily lead to selling panics and crashes. The role of the specialist is to eliminate the temporary disparities between supply and demand. They act as dealers or market makers who sell and buy stocks for their own account and with their own money. When sell orders outweigh buy orders, specialists will buy stock to absorb the sales. They will take the sell side if the buy orders are too many. In doing so, they put a brake on the cycle and ensure an orderly market. Their role is to balance and prevent unreasonable market fluctuations; stabilise the market trend. They also act as agents or brokers and execute orders for a commission.
- 45–46. Derivatives are options and futures. Options give someone the right to buy shares, bonds, currencies or commodities at a particular price within a particular

period of time. A futures contract is an agreement between seller and buyer to deliver the commodities, currencies or financial assets traded at a future date, at a specified price. This contract can be traded as a security.

47. The New York Stock Exchange has got 1,366 exchange members who have got their own 'seats'. They own the exchange, but it is managed by a professional staff. Seats are traded, can be sold and bought or even leased. Both prospective buyers and leaseholders must go through close scrutiny. Seat holders have the right to buy and sell securities on the exchange floor without paying commissions. Among members we find commission brokers, who execute buy and sell orders. Specialists, or dealers, trade shares assigned to them in a list of companies for investors. To apply for listing, companies have to meet minimum requirements concerning the number of shareholders, trading activity, the value of shares held in public hands, annual earnings etc. They pay an initial and an annual listing fee after their listed shares.
- 48–49. The Budapest stock Exchange was reopened in 1990 as a result of the political changes that took place in Hungary and now operates as a joint stock company. It largely contributed to the privatisation process. BUX, Budapest Stock Index is its official stock index, a capital-weighted basket of securities. Its organization has changed over the years, besides open outcry floor trading, MultiMarket Trading System was introduced. At present trading is done in three sectors: equities, derivatives and debt securities. The managing bodies are the general meeting, the board and the supervisory board.
50. Nasdaq stands for National Association of Securities Dealers Automated Quotations. It is a computer network that lists company shares traded over-the-counter. Through the electronic communications networks investors can trade directly with one another. Nasdaq dealers, similarly to NYSE specialists, use their inventory as a buffer to absorb buy and sell order imbalances.
51. Blue chips are the shares of well-established commercial and industrial companies that produce quality goods or service and are considered the best, most reliable investments on the market. They have good reputation for efficient management, high yields and paying good dividends.

VOCABULARY LIST AND SKETCH ANSWERS 2/D

1–2.

listed securities – tőzsdén jegyzett értékpapírok

3.

gambling – szerencsejáték
art treasure – műkincs
return – megtérülés, nyereség

4.

securities – értékpapírok
bonds – kötvények, értékpapírok

5–7.

issuing company	– részvénykibocsátó cég
bondholder	– kötvénytulajdonos
dividend	– osztalék
state guarantee	– állami garancia
maturity	– lejáratí idő
government bonds	– államkötvény
corporate bonds	– vállalati kötvény
convertible bonds	– átváltható kötvény
callable bonds	– beváltható kötvény

8–9.

entitled	– jogosult
fraction	– hányad, részlet
preemptive rights	– elővételi jog
to retire(-d)	– bevált
capital gain	– tőkenyereség
preferred stocks	– elsőbbségi részvények
cumulative	– kumulatív
arrearage	– hátralékos osztalék
conversion price	– átváltási ár
yield	– hozam

10.

annual general meeting	– részvényesek éves közgyűlése
residual rights	– maradéki jogok
voting stocks	– szavazati jogot biztosító részvény
stock split	– részvényfelosztás
on a statutory basis	– alapszabálynak megfelelően
to dissolve(-d)	– feloszlát

11.

stock warrant	– részvényvásárlási meghatalmazás
common share	– törzsrészvények
subscription	– részvény-előrejegyzés

13.

bullish / bull market	– emelkedő árfolyamú
risky undertaking	– kockázatos vállalkozás

14.

spread	– árkülönbség
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15.

prevailing	– uralkodó, általános
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16–18.

bear market, bearish	– csökkenő irányzatú
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investment instruments	– befektetési eszköz
to prognosticate(-d)	– előre jelez
prone	– hajlamos
19.	
to go public	– részvénytársasággá alakul
legal entity	– jogi személy
to incorporate(-d)	– cégjegyzékbe bejegyeztet
limited liabilities	– korlátozott felelősség
registrar of companies	– cégfőosztály
equity	– részesedés
20.	
underwriter	– részvényjegyíró
commission	– jutalék
intermediary	– közvetítő
21–23.	
lawsuit	– peres eljárás
syndicate	– szindikátus, konzorcium
underwriting offering	– értékpapír kibocsátási ajánlat
effective date	– hatálybalépés időpontja
prospectus	– kibocsátási prospektus, tájékoztató
offering circular	– kibocsátási körlevél
to disband(-ed)	– feloszlát
25.	
tight issue	– szűk körű kibocsátás
26.	
bonus issue	– ingyenrészvények kibocsátása
to capitalize(-d)	– tőkésít
27.	
primary market	– új részvénykibocsátások piaca
stock exchange	– értékpapírpia
third market	– tőzsdén kívüli értékpapírpia
28–29.	
quotation	– árfolyamjegyzés
31.	
discount firm	– lezármítoló, diszkontház
32.	
favourable	– kedvező
33.	
market order	– piaci árú szóló megbízás

limit order	– határárhoz kötött megrendelés
good-till-cancelled	– visszavonásig érvényes megbízás
34.	
time option	– határidős ügylet
forward contract	– határidős szerződés
to mature(-d)	– lejár, esedékessé válik
35.	
spot-deferred contract	– halasztott promptügylet
futures contract	– határidős ügylet
36.	
hedging	– fedezeti ügylet
37.	
call option	– opciós vételi ügylet
38.	
put option	– eladási opció
double option	– kettős prémiumügylet
39.	
arbitraging	– arbitrázsügylet
42.	
specialist	– szakosodott bróker
stop order	– kötött áras megbízás
43–44.	
volatile	– könnyen változó
45–46.	
derivatives	– származékos értékpapírok
47.	
leaseholder	– haszonbérlet
scrutiny	– szigorú vizsgálat
commission brokers	– jutalékos ügynökök
48–49.	
open outcry	– hangos kínálás
50.	
buffer	– puffer
51.	
blue chips	– elsőrangú részvények

GENERAL ECONOMIC STUDIES – BUSINESSES AND THE ENVIRONMENT

QUESTIONS 3

Environmental protection, sustainable development, environmental pollution, greenhouse effect, ozone depletion, acid rain

1. Why is environmental protection of far more importance today than ever before?
2. What do we mean by sustainable development?
3. Whose responsibility is it to preserve the environment?
4. What can businesses do to protect the environment?
5. How can you classify energy resources?
6. What are fossil fuels?
7. What kind of alternative energy resources are there?
8. What are the merits and possible drawbacks of the different kinds of alternative energy?
9. Why are environmental issues a major public policy challenge?
10. How serious is global warming?
11. Describe the greenhouse effect and its causes.
12. How do human activities encourage the build-up of greenhouse gases?
13. If the warming trend continues, what will happen?
14. What has been done so far to address global warming?
15. What is the importance of the ozone gas?
16. What causes the depletion of the ozone layer?
17. What is air pollution caused by?
18. What diseases can be associated with air pollution?
19. What progress has been made in air quality in the past few decades?
20. What is acid rain and how is it created?
21. Why are many environmentalists concerned about chemicals in the air and food chain?
22. What is the concern about food and drug contamination and genetically engineered food?
23. What improvements have been made in waste management?
24. Define the term recycling.
25. What materials can be recycled?
26. What can be done about radioactive nuclear waste?
27. What is the main function of forests?
28. Why are temperate forests in danger?
29. What consequences does the destruction of tropical forests have?
30. What are the major causes of the destruction of forests?
31. What possible solutions are there to preserve forests?
32. What progress has been made to stop the destruction of rain forests?
33. What are the major causes of plants and animals being in danger of extinction?
34. What global efforts have been taken to save endangered plant and wildlife?

MODEL ANSWERS 3

1. The past few centuries saw a great deal of technological, economic and social progress which together caused irreversible damage to the environment such as the depletion of the ozone layer, the greenhouse effect, and deforestation in different parts of the world. Something must be done before we totally destroy the planet on which we live.
2. Sustainable development, a notion referring to the interrelationship between businesses and the environment, has been a major challenge for the past few decades. It describes a kind of 'environmentally-friendly' or 'green' economic development that can be continued indefinitely, because it means the exploitation of renewable natural resources instead of using (and depleting) non-renewable energy resources.
3. Not only governments or international organisations are responsible for sustainable development. It is the responsibility of everyone to preserve the earth through pollution prevention (producing less waste), conservation of natural resources (using less energy, reusing and recycling) and using birth control. Electric vehicles or at least unleaded petrol should be used, although the best solution would be using public transport or riding bicycles. Household waste should be collected separately for recycling purposes. Businesses and individuals should be forced through legislation to take care of their environment better.
4. Businesses should be committed to environmental restoration and set green-marketing strategies. They ought to choose environmentally preferable methods of resource extraction, use alternative energy and water, engage in social activism and environmental education to help raise community awareness of environmentalism. Fortunately, more and more companies claim to be producing environmentally-friendly products. The motor industry has made successful attempts to manufacture less polluting petrol-powered cars and electric vehicles. Although over-packaging is still a problem, more and more companies pay attention to using recycled or biodegradable wrapping for their products, provide refills for their bottles (e.g. The Body Shop), or offer deposit on returning their containers.
- 5–6. Energy resources can be grouped as renewable and non-renewable. Non-renewable energy resources are those whose supplies are limited, for example fossil fuels. Fossil fuels are oil, coal and natural gas. They were once living plants and animals. The problem with fossil fuels is that they produce carbon dioxide, the most important greenhouse gas, when they burn.
- 7–8. Alternative energy resources involve solar energy, wind power, hydro power and geothermal energy. A common characteristic of these energy resources is that all of them are renewable. The only problem with solar energy is that it is spread so widely that it is hard to collect and concentrate in large amounts. Wind power has been used for centuries in the form of windmill. Today, aerogenerators are widely applied to convert wind energy into electrical energy. Although the earth's reserves of geothermal energy are 40 million times as

much as fossil reserves, they are not easy to utilise. Unfortunately, they are widely dispersed. Examples of such energy are molten magma existing only a few miles below the surface, hot springs, running streams of nearly boiling water, and fissures that exude clouds of steam. Hydro power provides more than a fifth of all the world's electricity. Thanks to hydro power plants, over two billion metric tons of carbon dioxide, which is the major greenhouse gas, have been spared. The greatest reserves lie in the developing countries.

9. Although there has been a global awakening regarding environmental issues in the past three decades, they cannot be removed from the agenda yet. Part of the difficulty that politicians and the public must face is the technical complexity of the subject. Regarding the risks that we face, there is a serious disagreement even between scientists.

The resolution of environmental problems also involves a careful balancing of competing interests and values. Some environmental activists oppose many aspects of further human economic development because of threats to the remainder of the ecosystem. Others are chiefly concerned about current and future threats to the health of the human population.

Environmental issues present special difficulties for developing countries as they simply cannot afford to match environmental controls being adopted by developed countries.

In August 2002, a global environmental summit sponsored by the United Nations convened in Johannesburg, South Africa. Despite some agreements, the meeting was an overall disappointment for many environmental activists. Much of the criticism was directed at the United States. President Bush was one of the few major heads of state who chose not to attend.

10. Global warming is the term for the steady rise in global temperatures. The ten warmest years on record have all occurred since 1983. 1998 was the warmest year on record. Seven of the hottest years have occurred since 1990. Environmentalists argue that the temperature rise is caused by the greenhouse effect.
11. The concentration of the so-called greenhouse gases carbon dioxide and methane is growing in the Earth's atmosphere. These gases act like the glass on a greenhouse – they let the sun's heat in but they stop it getting out.
12. The main human causes of the build-up of greenhouse gases are the burning of coal and fuel by power stations in rich countries and the burning of forests in poor countries. Overall the richer countries in Europe and North America are emitting greenhouse gases at a rate disproportionate to their populations. The United States and Canada are by far the largest consumers of oil per capita. Carbon dioxide is a main source of concern because of the massive quantities emitted. Energy use is the main source of carbon dioxide emissions. Methane gas is another big contributor to global warming. It does not stay in the atmosphere as long as carbon dioxide but it has a much greater warming effect. The main source of methane is agriculture. Decaying organic matter and the digestive systems of farm animals, particularly cattle, are a major source.

Methane is also generated by crops and landfills. Nitrogen oxides from coal burning plants and vehicles are also a significant contributor.

13. This is an important question, especially because of the economic costs associated with a meaningful reduction in greenhouse emissions. Many scientists agree that one consequence will be a gradual increase in sea level, which by the turn of the next century may threaten parts of some island nations. The climatic change will certainly affect the levels of precipitation of various geographic regions. Some desert areas may expand while some arid areas may become productive. Other consequences are not nearly as certain. Some suggest that there will be increasingly violent weather patterns and that the larger tropical areas will breed more diseases. There is concern that the melting tundra will release massive amounts of new greenhouse gases that will further accelerate the greenhouse effect. But there are a few experts who even believe that the net effect will be beneficial primarily because of increased agricultural production. The majority of environmentalists believe that even the possibility of an ecological disaster requires that prudent measures be taken to address greenhouse gas emissions and that the technology exists to accomplish this goal.
14. At the Kyoto Climate Conference in 1997, 125 countries reached a commitment to reduce their overall emissions of six greenhouse gases to at least 5 per cent below their 1990 levels between 2008 and 2012. Developing nations were exempted from most parts of this agreement. (Many poor countries, who are only now beginning to industrialise and provide a higher standard of living to their citizens, would be disadvantaged by a requirement to reduce emissions, especially when it is considered that they are presently only responsible for a small percentage of the emissions.) This is very short of the target set by the Intergovernmental Panel for Climate Change of a 20 per cent reduction by 2005. The IPCC scientists said this was the bare minimum to prevent some of the worst impacts of global warming. To accomplish a meaningful reduction in greenhouse emissions, countries and their industries face some difficult decisions. Improvements in automobile fuels and engines are feasible. But substituting for fossil fuels in the generation of electricity would be very expensive and would almost certainly require a greater reliance on nuclear power, which raises other environmental concerns. The progress toward meeting the goals set by the Kyoto Protocol has not been good. Led by increased fossil fuel emissions by power plants, US greenhouse emissions have increased. The overall performance of other major countries, with some exceptions, has not been significantly better. The Johannesburg summit produced a commitment for development of renewable energy sources but the agreement did not include specific goals or a timetable.
15. Ozone, a form of oxygen with three atoms instead of the normal two, is highly toxic. Near ground level, it is a pollutant, which helps form photochemical smog and acid rain. But far overhead in the stratosphere, 15-20 kilometres up in the sky, it forms the life-saving ozone layer. It is life-saving because it screens

out the lethal ultraviolet rays of the sun which can cause skin cancer and the major cause of cataracts.

16. The greatest danger to the ozone layer comes from chloro-fluoro-carbons (CFCs). CFCs are used in refrigerators, aerosol cans and in the manufacture of some plastic products. Some companies now make aerosols that do not contain CFCs and these are often marked ozone-friendly.
- 17–18. The dangers of air pollution were not fully realised until it was diagnosed as the cause of many respiratory diseases and even, in some cases, deadly smog that sickened or killed hundreds and sometimes thousands of people in contaminated regions. Particularly affected were the very young and the aged, with no age group spared from lung damage and such illnesses as asthma, bronchitis, emphysema, and lung cancer. The villains in this category were the carbon monoxide, sulphur, and nitrous oxides, and various particles, such as soot in the air, caused by emissions from fossil fuels, vehicle exhausts, manufacturing plant processing, and the incineration of refuse.
19. Due primarily to increasingly stringent emission standards and cleaner fuels mandated by a variety of national and international laws on clean air, air quality has improved worldwide. While motor vehicles continue to be a major source of air pollution, the number of unhealthy days in some major smog-prone cities has been reduced dramatically. Despite this progress, air pollution remains a health problem and many environmentalists insist that more needs to be done. Basically due to increases in population, far more countries are experiencing air pollution problems.
20. Acid rain refers to a type of air pollution that contains chemicals high in acidity. The most common type of acid rain is caused by pollutants from big coal-burning power plants. These chemicals rise high into the air and are carried by winds. When winds blow the acid chemicals into areas where there is wet weather, the acids become part of the rain, snow or fog. In areas where the weather is dry, the acid chemicals may fall to earth in the form of gases or dusts.
The environmental damage caused by acid rain is significant. Lakes and rivers have been affected by acid rain. Some types of trees have been severely damaged. Acid rain is associated with breathing problems, particularly asthma, and it causes property damage as well.
21. Environmentalists are worried about contaminants, particularly fertilisers, pesticides, and other chemicals that infiltrate plant and animal foods with chemicals that are harmful to users, or in a secondary way to non-users who may come into contact with them. Such contaminants are most prevalent in agriculture, in certain nutrients, or in the preparation of soil for crops, or the treatment of crops to kill blight-causing pests. Some contaminants, unfortunately, have such long-term effects that their dangers are not suspected until months, or even years, when humans and animals suffer mysterious illnesses.

22. Food and drug contamination may originate not only with improperly preserved or stored products, but from components deliberately formulated in the manufacturing process, such as colouring, flavouring, or chemicals used to enhance the appearance. Certain additives were also found to increase the threat of cancer in consumers who regularly consumed certain foods or medicine, or used cosmetics that contained carcinogens.
Advances in biochemical science have resulted in the introduction of food varieties that are 'genetically engineered'. By modifying DNA characteristics, scientists have successfully incorporated into plants both input traits designed for the convenience of growers, processors and marketers and output traits aimed at providing direct nutritional and food quality benefits to consumers. Some US environmentalists argue that the dangers posed by GM foods involve the possibility that the food will produce a protein that is toxic or allergenic to some or all human beings. The concern has been far greater in Europe where labelling requirements require identification of all GM food products and where very little acreage is devoted to these foods.
23. The environmental awareness of the past three decades has prompted far better management of solid and liquid wastes. In many countries it is prescribed by law to protect human health and the environment from the potential hazards of waste disposal, to conserve energy and natural resources, to reduce the amount of waste generated, and to ensure that wastes are managed in an environmentally sound manner. Handlers of hazardous waste must meet certain regulatory requirements. Treatment, storage and disposal facilities must meet even more stringent requirements, and must have a permit to operate. Landfills that collect household garbage are predominantly regulated by local governments.
Another major development in waste management has been the emergence of recycling, which has received wide public participation. As a result of recycling, the net solid waste disposals have declined despite the growth in the economy and population.
24. The term recycling refers to the process of minimising waste generation by recovering and reprocessing usable products that might otherwise become waste.
25. Most paper can be recycled and made into new paper products, which helps save forests – recycling one ton of newspapers conserves the equivalent of 19 pine trees. Recycled paper production reduces related air pollution by 95 per cent and uses 30–55 per cent less energy.
The two most commonly recycled plastics are PETE or PET (polyethylene terephthalate) and HDPE (high density polyethylene). Many plastic products like bottles and containers are marked with the recycling code these days to facilitate sorting by their particular resin type. Five recycled 2-litre PET bottles make enough fibrefill to stuff a ski jacket, and 35 two-litre PET bottles make enough for a sleeping bag.
Metals are made from minerals that are non-renewable. A ton of steel cans recycled saves 1.36 tons of iron ore. Recycling saves 74 per cent of the energy

needed to make new steel from iron ore and 95 per cent of the energy needed to produce new aluminium from bauxite ore.

Glass is one of the easiest and best materials to recycle. It can be recycled completely, meaning one kilogram of old glass can be turned into one kilogram of new glass, and it can be recycled repeatedly without loss of quality to the new product. A ton of glass recycled saves the equivalent of 34 litres of fuel oil. In addition, recycled glass requires 30 per cent less energy than glass manufactured from silica.

26. Radioactive decay may cause cancer, leukaemia and other kinds of genetic damage. Unfortunately, there has been little progress in identifying acceptable solutions for the storage of this waste. The main concern involves the storage of high level nuclear waste from weapons manufacturing and spent fuel from commercial reactors operated by utilities. There has been tremendous difficulty in identifying a site for permanent storage for this waste. The problem is confounded by concerns associated with transportation of these materials.
27. Forests have invaluable functions. They control water-flow and climate, produce oxygen, and store valuable genetic resources.
28. Temperate forests are not as frequent as tropical forests, and yet they are being cut down faster. Although several attempts have been made to replant them, these forests are relatively sterile, and do not have the rich ecological diversity that old-growth forests used to have. Temperate forests in Europe and North America are also in danger of acid rain, air pollution, several diseases and climatic stress, which causes serious damage and rapid decline.
29. Tropical forests are also being destroyed at unprecedented rates. Half of the tropical forests have been cut down so far. As a result, soil erodes rapidly and becomes incapable of supporting any kind of vegetation. Moreover, wild species, half of which are used by medicine, disappear with forests.
- 30–32. The rate of destruction is occurring more rapidly in the poorest countries, where people fell down trees to gain timber for export, create land for farming, rubber plantations and animal breeding, or simply because they need firewood and charcoal. The population should be encouraged to grow trees for timber on special plantations, to make better use of the forest instead of exporting wood by tapping rubber, harvesting fruit and medical plants, to utilise the resources of the forest without destroying it. Obviously, if the resources of these countries were greater, there would be less destruction as people would recognise the long-term economic benefits of maintaining these forests. Through a massive global educational effort, some progress has been made to stop rain forest destruction, particularly in Brazil. But concern has not diminished and the rate of destruction of these forests does continue.
33. The major reason is the increasing population – especially in the developing world. The natural habitat of plants and animals is taken over by man. Moreover, a lot of animals are hunted for their skin, food or horn as well. A lot of different chemicals are used day by day to which animals and plants can be

sensitive. Changes in the climate can effect the living things on the planet – and of course, part of these changes are caused by man as well.

34. Regarding the preservation of plant and animal species, two international treaties concern this issue. The 1992 Convention on Biological Diversity (CBD) requires member governments to develop and implement strategies for the conservation, sustainable use and protection of bio-diversity, and provides a forum for continued dialogue through annual meetings of the parties. 143 countries are parties to the Convention on International Trade in Endangered Species of Wild Fauna and Flora, which regulates the trade of endangered plant and animal species. Other projects to preserve endangered species are financed by organisations such as FAO (Food and Agricultural Organisation of the United Nations), WWF (World Wildlife Fund) and of course, governments. The best-known organisation is Greenpeace whose campaigns try to save the whales, seals, dolphins, sea turtles, stop atmospheric nuclear testing and the disposal of toxic wastes into the sea and ocean.

SKETCH ANSWERS 3

1. The major environmental issues:

- global warming,
- air quality,
- water quality,
- chemicals in air and food,
- food and drug contamination/genetically modified foods,
- endangered species,
- treatment of waste,
- nuclear waste.

2. Some examples for endangered species:

- The great Indian rhinoceros' horn is sold for its reputed healing power.
- The polar bear is overhunted.
- Chinese alligators are caught in the wild and kept in farms for their skin.
- Panda bears and bears of Tibet are kept in farms for the assumed healing power of their bile.
- The Florida panther is threatened by habitat loss, hunting and inbreeding.
- The green sea turtle is harvested for human food.
- Many fish stocks are in drastic decline, with three-quarters of marine fisheries fully fished, overexploited, depleted, or slowly recovering from collapse. Oversubsidised national fishing fleets are harvesting fish at unsustainable rates, placing both fishery resources and the future of fishing communities at risk.

VOCABULARY LIST 3

- 1.**
 irreversible – visszafordíthatatlan
 damage – károsodás
 depletion of the ozone layer – ózonréteg elvékonyodása
 greenhouse effect – üvegházhatás
 deforestation – erdőirtás
- 2.**
 to preserve(-d) – megvéd, megőriz
 to damage(-d) – károsít
 sustainable development – fenntartható fejlődés
- 3.**
 pollution prevention – környezetszennyezés megelőzése
 waste – hulladék
 conservation of natural resources – természeti kincsek/erőforrások megőrzése
 reusing – újrafelhasználás, újrahasznosítás
 recycling – újrafeldolgozás
 birth control – születésszabályozás
 unleaded petrol – ólommentes üzemanyag
 household waste – háztartási hulladék
 legislation – törvényhozás
- 4.**
 to be committed to sg – elkötelezi magát vmi iránt
 environmental restoration – környezetvédelem, környezet eredeti állapotának visszaállítása
 resource extraction – természeti kincsek kitermelése
 environmentalism – környezetvédelem
 to raise(-d) one's awareness of sg – felhívja a figyelmet vmire
 environmentally-friendly – környezetbarát
 motor industry – járműipar
 to manufacture(-d) – gyárt
 polluting – szennyező
 petrol-powered – hagyományos üzemanyaggal hajtott
 over-packaging – többszörös csomagolás
 recycled – újrafeldolgozott
 biodegradable – biológiailag lebontható
 wrapping – csomagolás
 refill – utántöltő
 deposit – itt: betétdíj

5–6.

- energy resource – energiaforrás
 renewable resources/renewables – alternatív/megújuló energiaforrások
 non-renewables – nem megújuló, hagyományos energiaforrások
 fossil fuels – fosszilis tüzelőanyagok
 carbon-dioxide – széndioxid

7–8.

- solar energy – napenergia
 wind power – szélenergia
 windmill – szélmalom
 aero-generator – léggenerátor, a szél energiáját hasznosító áramfejlesztő
 to convert sg into sg – átalakít vmivé
 electrical energy – villamos energia
 geothermal energy – geotermikus energia, földhőenergia
 dispersed – szétszór, nagy a szóródása
 to utilise(-d) – hasznosít, használ, kiaknáz
 fossil – fosszilis, megkövesedett
 molten magma – olvadt magma
 hot spring – hőforrás
 fissure – repedés, rés
 to exude(-d) – áraszt
 hydro power – vízenergia

9.

- awakening – felébredés, ráeszmélés
 environmental studies – környezeti problémák
 agenda – napirend
 resolution – megoldás
 ecosystem – ökoszisztéma, ökorendszer
 summit – csúcstalálkozó
 the United Nations – Egyesült Nemzetek Szervezete

12.

- global warming – globális felmelegedés
 to emit(-ted) – kibocsát
 disproportionate – aránytalan
 per capita – fejenként, egy főre jutó
 emission – kibocsátás
 decaying – bomló
 organic matter – szerves anyag
 digestive system – emésztőrendszer
 to generate(-d) – fejleszt, termel
 landfill – talajfeltöltés
 nitrogen-oxides – nitrogén-oxidok

13.

precipitation	– csapadék
arid	– terméketlen, sivatagos
productive	– termékeny
to breed (bred, bred)	– kitenyészt
to accelerate(-d)	– serkent, gyorsít
ecological disaster	– ökológiai (természeti) katasztrófa
prudent	– körültekintő, előrelátó

14.

commitment	– állásfoglalás, elkötelezettség
to exempt(-ed) from	– mentesít vmi alól
to industrialise(-d)	– iparosít
standard of living	– életszínvonal
to be short of	– messze van tőle, nem éri el
to accomplish(-ed)	– végrehajt, teljesít, elér (célt)
feasible	– megvalósítható, kivitelezhető

15.

pollutant	– szennyezőanyag
photochemical smog	– fotokémiai szmog
to screen(-ed) out	– kiszűr
lethal	– halálos
ultraviolet rays	– ultraibolya sugarak
cataract	– szürke hályog

16.

CFCs	– klór- és fluortartalmú szénhidrogének
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17–18.

respiratory diseases	– légzőszervi betegségek
contaminated	– szennyezett
lung damage	– tüdőkárosodás
emphysema	– tüdőtágulás
carbon-monoxide	– szénmonoxid
nitrous oxides	– nitrogéntartalmú oxidok
soot	– korom
exhaust	– kipufogógáz
processing	– feldolgozás
incineration of refuse	– hulladékégetés

19.

stringent	– szigorú
standards	– itt: előírások
to mandate(-d)	– elrendel, utasít
smog-prone	– szmog-szennyezésre hajlamos, szmog-sújtotta

20.

acid rain	– savas eső
acidity	– savasság, savtartalom
coal-burning	– széntüzelésű
property damage	– anyagi kár

21.

contaminant	– szennyező anyag
fertiliser	– (mű)trágya
pesticide	– növényvédő szer
to infiltrate(-d)	– beszívárog, behatol
prevalent	– elterjedt, gyakori
nutrient	– tápanyag, talajjavító szer
blight	– gabonaüszög (növénybetegség)
pest	– kártevő

22.

to enhance(-d)	– fokoz, növel, javít
additive	– adalékanyag
carcinogen	– rákkeltó anyag
genetically engineered	– génmanipulált
DNA	– DNS
to incorporate(d) into	– egyesít, vegyít
trait	– jellegzetesség, jellemvonás
grower	– növénytermesztő
processor	– feldolgozó
marketer	– termékértékesítő, piaci szakember
nutritional	– táplálkozással kapcsolatos
toxic	– mérgező
allergenic	– allergén, allergiát kiváltó
acreage	– kb. földterület

23.

solid	– szilárd
liquid	– folyékony
waste disposal	– hulladékkezelés
hazardous waste	– veszélyes hulladék
disposal (facility)	– hulladék-lerakóhely
household garbage	– háztartási hulladék
waste management	– hulladékkezelés

24.

to recover(-ed)	– itt: újrahasznosít
to reprocess(-ed)	– újra feldolgoz

25.

high density	– nagy sűrűségű, tömör
fibrefill	– műanyagalapú textiltöltet

iron ore	– vasérc
silica	– kovakavics, szilícium-dioxid
26.	
radioactive decay	– radioaktív anyag bomlása
utilities	– közművek, közüzemi létesítmények
to confound(-ed)	– bonyolít, összezavar
28.	
temperate forest	– mérsékeltövi erdő
tropical forest	– trópusi őserdő
to replant(-ed)	– újratelepít
sterile	– terméketlen
diversity	– változatosság
old-growth	– régi telepítésű
29.	
unprecedented	– példátlan
to erode(-d)	– elmorzsolódik, mállik
vegetation	– növény(i életforma)
30–32.	
charcoal	– faszén
to tap(-ped)	– itt: megcsapol
33.	
natural habitat	– természetes élőhely
34.	
treaty	– egyezmény
to implement(-ed)	– végrehajt
endangered	– veszélyeztetett
species	– faj
2.	
bear of Tibet	– őrvös medve
hile	– cse
inbreeding	– beitenyésztés
fishery	– halászerület
to deplete(-d)	– felél, kimerít
to oversubsidise(-d)	– túltámogat, túlszubszencionál
fleet	– flotta

BANKING AND FINANCE – TYPES OF BANKS AND FINANCIAL INSTITUTIONS

QUESTIONS 4

1. What is banking?
2. What are banks' prime activities?
3. How do banks make profit?
4. What is role of banks in economy?
5. How do interest rates influence economic activity?
6. How do we classify banks?
7. What are the functions of central banks?
8. What is the relationship between central and commercial banks?
9. How are central banks related to the government?
10. What are the main services of modern commercial banks?
11. What are the two main forms of commercial banks according to clientele?
12. What other financial institutions are there?
13. What other organisations provide financial services?
14. What are their special features?
15. What can cause bank failure?

MODEL ANSWERS 4

- 1–2. Banking is the business of dealing in money and instruments of credit. Banks were traditionally differentiated from other financial institutions by their principal functions of making loans and collecting deposits but their services and activities have diversified over the years. The banking environment has become really competitive and most banks offer a wide range of financial services, not just basic banking. Now they invest in stock markets and provide counselling, deal with insurance and pension schemes etc. In a concentrated market environment only those survive who offer all-round, high-quality services.
3. In a variety of ways: they charge interest on loans, which has a higher rate than the interest they pay on deposits. The difference between these two rates is called interest spread. Besides, banks make investments, trade with securities and foreign currencies. They also charge fees and commissions for transactions and other customer services.
- 4–5. Banks act as financial intermediaries to the public and transmit the government's monetary policies. If lendable funds are more available because for example interest rates are lower, the demand for money increases, there are more investments and the total amount of savings grows. And conversely, if the money and credit supply is restricted, spending slows down. Fluctuations in the price of credit affect economy as a whole, the total amount of bank deposits held by individuals and enterprises, unemployment and inflation.

- 6–9. A central bank is the official bank of a country Federal Reserve (the Fed) in the USA; The Bank of England in the United Kingdom) Some of their functions are the same as those of commercial banks, on others they have an absolute legal monopoly. Their main function is to monitor and regulate interest rates, control the money supply in circulation, issue and withdraw coins and bank notes, keep a country's supply of foreign currency. They are responsible for the stability and value of the national currency, and implement the country's monetary policy. They take deposits from other banks and from foreign governments sometimes for safekeeping their deposits and gold reserves. In most countries, interbank payments pass through the central bank or through a clearing organ that reports to the central bank. They supervise the operation of other banks to ensure fair market behaviour, impose rules, license their owners, lend other banks funds as last resort in case of insolvency. Other banks borrow money from the central bank at a special interest rate called the discount rate. They can anticipate banking crises by detecting the signs. Central banks are usually autonomous or semi-autonomous entities. The autonomous bank is politically and financially independent, self-sustaining, operates as a corporation. Its budget is not provided by the legislature or the executive arm. Semi-autonomous central banks depend on mainly the Ministry of Finance because the ministry or the parliament allocates their budget. Such banks function as an economic advisor to the government.
- 10–11. Retail banking provides services for the general public and small-scale businesses. They collect deposits, handle deposit and current accounts, make mortgages, give term loans, offer overdraft facilities, operate cash dispensers and night safe facilities, transfer money and exchange foreign currency. They also issue cash substitutes: credit cards, cheque books and travellers' cheques. The other form of banks is merchant or wholesale banks specialise in services for the corporate sector like large-scale enterprises and governments. These banks deal with factoring, leasing finance projects that have a promising recovery rate, assess the risk involved, provide venture and development capital, underwrite securities and provide corporate advisory services.
- 12–14. a) Savings Banks offer a safe place for people to deposit small amount of money and earn interest on it. They don't normally have other banking services. Similarly, mutual savings banks (US) are savings banks owned by the depositors.
- b) Savings and Loan Associations / Thrifts (US) (similar to building societies in Britain) are financial organisations formed to lend money mainly in the form of mortgages for house or flat purchase and building. Now they have interest-bearing accounts, too.
- c) Credit Unions (US) / Credit Societies (UK) similarly to Mutual Savings Banks, are owned and operated by their members and usually organised by a union or people living or working at the same place. They are non-profit, member service, depository institutions who make low interest loans. Their competitive advantage was that costs were low since they borrowed office space and

- managerial help, but later they grew into full service banks but with less regulations. Some of them offer life insurance and chequebooks.
- d) Investment banks are strongly profit-oriented commercial banks, who lend money and make investments, sell stocks and shares to members of the public. Also offer advice on mergers and takeovers and have similar services to those of merchant banks.
- e) Brokerage houses can buy and sell securities, currency, insurance, property and serve with investment advice.
- f) Unit Trusts (UK) and Mutual Funds (US) are companies that collect money from small-investors, called unit-holders, and invest in stocks and shares of many different companies. Investors receive interests and dividends.
15. Banks can go bust for a variety of reasons. Macroeconomic problems can make many banks collapse, if there is a sudden change in market conditions like currency devaluation, natural disasters or a stock market crisis. Poor supervision, inefficient bank management can result in the wrong market strategy and liquidity problems, which means they are unable to meet short-term obligations etc. If the bank is insured, depositors are more likely to be paid off.

SKETCH ANSWERS 4

1. Banking services:

- credit facilities: consumer / personal loans, secured and unsecured loans, overdrafts, mortgages,
- financing house purchase and improvement
- payment services: issue credit cards, chequebooks, traveller's cheques, set up standing orders, direct debits, remittance services, make individual / single / case-to-case transfers
- current accounts, deposit accounts, savings accounts,
- regular account balance statements
- insurance and endowment policy
- cash withdrawal through point of sale terminals (POS) and cash machines / ATMs / cash dispensers
- enquiry on account balance
- collect deposits in domestic and foreign currency
- manage existing portfolios
- investment advice / business advisory services
- telephone customer service / call centres
- mobilebank services
- private banking
- home banking
- issue guarantees for cash payments, bids, tenders
- hire purchase
- leasing

- lease purchase
- factoring
- forfeiting
- trade and market information
- documentary credit
- project financing
- risk analysis
- foreign currency transfers and exchange / conversion
- cash deposit security boxes
- night safe / bag service
- pension fund
- securities trading

VOCABULARY LIST 4

1–2.

instruments of credit	– hitelokmány
loan	– kölcsön
deposit	– letét, betét
counselling	– tanácsadás

3.

to charge(-d) interest	– kamatot számít fel
commission	– kezelési költség

4–5.

intermediary	– közvetítő
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6–9.

central bank	– központi (jegy)bank
commercial bank	– kereskedelmi bank
in circulation	– forgalomban levő
to issue(-d)	– kibocsát, forgalomba hoz
to withdraw	– forgalomból kivon
banknote	– bankjegy
to implement(-ed)	– kivitelez
gold reserve	– aranytartálék
to supervise(-d)	– felügyel
to impose(-d) rules	– szabályokat szab
lender as last resort	– végső kölcsönadó
insolvency	– fizetéseképtelenség
discount rate	– minimális kölcsönkamatláb
entity	– jogi személy
executive arm	– végrehajtó szerv

10–11.

clientele	– vevőkör
retail banking	– lakossági bankügyletek
general public	– lakosság
mortgage	– jelzáloghitel
cash dispenser	– készpénz-automata
cash substitute	– készpénz-helyettesítő
merchant / wholesale bank	– nagykereskedelmi bank
corporate sector	– intézményes ügyfelekkel foglalkozó ágazat
factoring	– faktorálás
venture capital	– kockázati tőke
to underwrite (-wrote, -written) securities	– értékpapírokat jegyez

12–14.

Savings Banks	– takarékbank
depositor	– betétes
Savings and Loan Associations / Thrifts	– takaré és kölcsönszövettség
Building Society	– lakossági befektetési társaság
Credit Unions	– hitelszövetkezet
Mutual Savings Bank	– befektetési takarékpénztár
depository	– letéteményes
merger	– vállalategyesítés
takeover	– felvásárlás
Unit Trust / Mutual Funds	– nyílt befektetési alap
dividend	– osztalék

15.

to go bust	– tönkremegy, csődbe megy
to collapse	– összeomlik

1.

personal loan	– személyi kölcsön
secured loan	– fedezettel biztosított kölcsön
overdraft	– folyószámlahitel
traveller's cheque	– utazási csekk
standing order	– fizetési meghagyás
direct debit	– közvetlen terhelés
remittance	– pénzáttutalás
current account	– folyószámla
deposit account	– betéti számla
savings account	– takarékbetét-számla
balance	– egyenleg
statement	– számlakivonat
endowment policy	– javadalmazásos kötvény
private banking	– magánbanki szolgáltatások
home banking	– telebank
pension fund	– nyugdíjpénztár

BANKING AND FINANCE – BANKING SERVICES**QUESTIONS 5/A****Cash substitutes**

1. What non-cash payment instruments are used?
2. What are the advantages of cash substitutes?
3. How are cheque payments made?
4. What is the difference between a crossed and an open cheque?
5. What details are indicated on a cheque?
6. How are cheques cleared?
7. When can't banks honour a cheque?
8. Why are traveller's cheques a safe method of payment?
9. Where can they be bought and used?
10. How do you pay with them?
11. What is plastic money?
12. How can you obtain a bank card?
13. How do you pay with credit cards?
14. What is a credit limit?
15. How much can you spend?
16. What costs do cardholders bear?
17. What are the advantages for retailer?
18. In what way are debit cards different from credit cards?
19. What are charge cards?
20. What are cheque guarantee cards?
21. What are chip cards used for?
22. What are stored value cards?
23. What does ATM stand for?
24. How can you withdraw money from an ATM?
25. What can you do if you have lost your card?
26. How is a card transaction executed?
27. How can you shop over the phone?
28. What is an overdraft facility?
29. What is credit card fraud?
30. Who bear the cost of card fraud?
31. How can you avoid credit card fraud?
32. Where can you report card loss of theft?
33. Is it safe to make online payments?
34. How can online sellers increase security of payment?

MODEL ANSWERS 5/A

- 1–4. A cheque is a written order to the bank to pay money from your account. The drawer writes a cheque and gives it to the payee. If a cheque has got two lines across it, it is called a crossed cheque and can only be paid into a bank account.

- The words 'account payee' shows that it can only be paid into the account of the person, whose name is on the cheque. Whereas an open cheque is not crossed and can be cashed if the drawer writes 'pay cash' or 'pay bearer'.
5. The name of the drawer's bank, date, cheque's number, the sort code that identifies the bank or the branch, drawer's name, signature and account number, the payee's name and the amount payable in numbers and letters. When the cheque is torn out, the slip that remains in the book is called the counterfoil or heel.
 6. Cheques are cleared through the clearing system. Member banks exchange cheques, also other means of payment, and settle balances without having to circulate cash. When the payee presents the cheque at the bank, the amount is credited to his account and the cheque is transferred to the drawee through the clearing system. The clearing house reconciles the amounts banks owe each other. The process takes a few days.
 7. The cheque is not accepted and referred back to the payee's bank if the drawer hasn't got enough money in his account to cover payment. Or the cheque has been incorrectly made out: there are missing data, illegible handwriting, the signature seems very different from the previously given ones or unacceptable corrections are made on the cheque.
 - 8–10. Traveller's cheques are easy to use, protect you from the hassle and inconvenience of losing cash. If your traveller's cheques are stolen, the theft should be reported, the cheques are stopped and can be replaced usually within 24 hours. They are accepted worldwide at numerous shops, banks, restaurants, hotels etc. Most of them do not expire, therefore the unused cheques can be saved for a next journey. Traveller's cheques can be bought at banks – debiting the amount from your bank account –, travel agents, foreign exchange offices. They are available in numerous currencies and denominations. To cash traveller's cheques, your signature and passport are required for security.
 11. This is the name used for all types of plastic cards, which allow people to obtain cash and make payments without cash or cheques. Their main advantage is that you don't have to change your cash into local currency when you travel abroad. Plastic card technology has raced ahead over the last decades due to customer demand. They are safe, easy and quick to use and more convenient than cash. There are several forms of plastic money-like credit cards, debit cards, charge cards and smart cards.
 12. You can get a bank card at any branch office. You only need a completed application form and a recent passport size photo. When your card has been prepared, you are notified by post about where you can collect your card. Most banks charge fees for the custody of cards that have not been collected after a certain time.
 13. Credit cards are used to make payments when buying things and to withdraw cash. The amount you can spend with it is limited by the bank or card issuer. This is called the credit limit. Though it gives access to instant credit, it also

holds the temptation of overspending. When you buy something with your card, the sale or transaction is recorded and at the end of the month you receive a statement listing your purchases. You must always pay a minimum amount of the bill each month. The money you still have to pay back is called the amount outstanding. You can decide whether you pay off more than the minimum amount. If you don't repay the full amount by a certain date, interest is charged on the transactions. Gold and Platinum cards allow usually a higher credit limit. Most credit cards are linked to one of the three international card payment schemes – American Express, MasterCard or Visa – who maintain the payment system technology. They work jointly with card issuers. The logos of these firms are displayed on shop doors and cash tills. When paying the customer signs three copies of the seller's voucher: one for the cardholder, one for the retailer and one for the bank.

- 14–15. The credit limit is the maximum you can owe at a time. The initial limit is set by the issuer based on the information you supply when applying for a credit card. Limits can vary as your financial circumstances change. Many issuers use computerised scoring systems to manage credit card accounts. These monitor how much people spend or repay, allowing their credit limits to be adjusted up or down in response to changing circumstances. Some issuers will only increase credit limits if you ask them. If the bank offers to increase your credit limit, it means they see you as a trustworthy customer. You don't have to accept it and if you accept it, you don't have to use it. But it can be useful to know that you have it in reserve. In emergency it can help you out. Sometimes two or more credit cards can be issued on one credit account. Additional cardholders share a credit limit with the main holder who is responsible for the repayment. With debit cards, the amount of money you can spend is limited by the balance you have in your current account or by the overdraft which has been agreed with the issuer. Debit cards cannot be used to obtain credit without prior agreement, though they can be used with an existing overdraft.
16. Banks may charge an annual fee for the card, some commission for ATM transactions, purchases with card are mostly free. Upon request banks can issue a supplementary card, which means that two cardholders share the same account.
17. By making credit easily available, credit cards mean increased sales to retailers. It's also safer because there is less money on the premises. But the retailer has to pay a certain percentage of the value of the transaction for the service of the credit card company. This cost is added to the prices of goods. There is also an administration cost which comes from handling the sales vouchers.
18. Debit cards are like plastic cheques. When your card is swiped through a terminal the money is taken directly from bank account within one or two days of the purchase. A record of what you have bought appears on your monthly bank statement. The technology behind debit cards is operated by card payment companies. Some cards will only work with electronic terminals which check each transaction. This is done online, that is, the computer in the till has direct link to a computer in the bank which authorises the sale. It has the advantage of

avoiding spending more than you have in your account. With debit cards in some countries, most supermarkets offer a cashback facility. It means that when you buy something at the supermarket you can ask the checkout assistant to add a certain amount to your bill. This extra sum is then handed over to you in cash and you don't need to go to a cash machine to take out money.

19. Charge cards are very similar to credit cards, except that you must repay the bill in full each month. Usually they have higher annual fees but they do not have a pre-set credit limit for your spending. Some cards also include free travel insurance. They are useful for people who don't know how much they will spend each month. Many companies use charge cards for business trips.
20. Cheque Guarantee Cards are used in shops to check your identity when you write a cheque. The signature on the card is compared to that on the cheque and the card number is written on the back of the cheque. Most of these cards can also be used as a debit card and to make cash withdrawals.
21. Integrated Circuit Cards, or Chip cards operate with a micro-processor chip, which can store more information than the magnetic stripe on the back. Chips vary from simple to complex ones. Most likely, cards of the future will have both, a magnetic stripe and a chip on them. Though it will take time to convert cash machines to read chips.
22. Stored value cards have been the most recent form of plastic money. They are also called electronic purses and are designed to make smaller payments almost like using cash. Disposable cards are emptied and thrown away (like phone cards), while you can put funds on re-loadable cards like when you put money into your purse. Information is stored on a microprocessor chip embedded on the card. When stored value cards are properly established, you will be able to reload them with money from specially adapted telephones, mobile phones, home computers and terminals in shops and other public places. Their simplicity is in that no PIN, no paper voucher or signature are necessary to make payments. But in case of loss, they cannot be replaced.
- 23–24. ATM stands for automated teller machine, also known as cash machines. They provide 24-hour access to one's bank account at almost every branch, even on holidays and at weekends. They are convenient because one doesn't have to stand queues or keep to the bank's opening hours. At some places you can deposit cash and the amount dropped is credited either the same day or the following banking day, depending on the hours. If you want to withdraw money, you type in your Personal Identification number (PIN), usually a four-digit number. After three incorrect PIN enters, the ATM will retain your card. For ATM transactions banks usually charge commission but at some others they are free of charge.
25. If you lose your card, the credit card company should be contacted at once. They will cancel it and stop any transactions made with your card before somebody goes on a spending spree at your expense. Later your card is replaced.

26. When you pay by credit card, the merchant sends details of the transaction to its merchant acquirer. Acquirers handle all transactions regardless of which bank issued the card. The acquirer credits the merchant's account with the value of the transaction, charging a small fee for its service. Details of the transaction are passed to the card issuer, sometimes via the card scheme networks. The issuer reimburses the acquirer and marks the details of the sale on your monthly bill. Similarly, when you pay by debit card, the merchant sends details of the transaction to its merchant acquirer. The acquirer passes these on to the issuer, sometimes via the card scheme networks, and credits the merchant's account with the value of the transaction. A small fee is charged for the service. The issuer then repays the acquirer and debits your account. Usually this happens within two or three days of the interaction.
27. Many shops and businesses allow you to make purchases by telephone using a credit or debit card. When you call up, the details of your card are taken down. These are your card number, expiry date and cardholder's name. Some other information, such as address, is asked to confirm your identity.
28. An overdraft is in fact a short-term loan. Customers are allowed to overdraw on their account either automatically or after they sign an overdraft facility contract. Banks charge interest on overdrafts. The outstanding credit debt is repaid later. An overdraft may be more favourable than taking a commodity or consumer loan.
29. It is when somebody uses your card number without your knowledge. A fraudster can use your account number illegally if they find a discarded receipt in the garbage. Or a clerk can make an extra imprint from your card and use it to make personal charges.
30. Generally card issuers bear the initial costs of fraud. There is usually a maximum liability for fraudulent transactions made before the issuer is informed of the card's loss. Some issuers can choose to waive this liability. You will be liable if you are at fault – for being negligent or if you have actually been involved in the fraud.
31. Finding out the identity of the person is key to secure transactions. The most common way is to check the signature on the back of the card and the photo if there is one on the card. A more advanced measure is to use PINs at the point of sale and in the future biometric techniques such as finger scanning, voice recognition and using computers to compare signatures could be widespread. Retail outlets have a floor limit, which means that transactions with a greater value than this have to be authorised by the card issuer. Even if the value is within the floor limit, retailers can check card details against hot-card files of known lost or stolen cards. Before, shop assistants used to call up the issuer but now computer terminals authorise transactions electronically. Highly developed computers with neural networks can recognise patterns in the cardholder's behaviour and can easily monitor spending habits to spot possible misuse. Unusually high value purchases can alert issuers and they can detect fraudulent use before even noticing that the card is missing. Card issuers try to raise

- awareness of the dangers and give practical advice to cardholders and retailers about how to avoid fraud and take precaution but common sense is the best prevention. First of all, you should never disclose your PIN and leave your card where the details can be copied. Destroy transaction slips/carbons which show your card number when you throw them away. Don't lose sight of your card in shops and restaurants. Save receipts and check them against bank statements to make sure you recognise all transactions listed. Ask the waiter to confirm the full price you are charged on the card. Don't give your card number and details to companies who approach you with unlikely special offers unless they are reputable and reliable. Report any questionable charges immediately in writing to the card issuer. Keep a record of the card company's phone number and address in a safe place.
32. If you have realised that your credit card has lost or has been stolen, call the card issuer. Usually they have a 24-hour toll-free number for emergencies. Once you report the loss or theft, you have no further responsibility for unauthorised charges. If you suspect fraud, you may have to sign a statement under oath that you did not make the purchases in question.
33. Online selling and buying involves more risk in terms of data security and privacy without signature and a card imprint. No wonder many buyers still distrust online credit card payments. But funnily enough, it is actually safer to enter your credit card number on a secure on-line order than to give your credit card to a waiter in a restaurant.
34. Online vendors had better insist on a mailing address and a phone number of the buyer and then check them out to make sure they are real. Or ask for a faxed customer signature and a photocopy of the credit card, or any other additional information- it is worth taking extra steps to validate each order. If the buyer cannot be reached, they should not process the order. Address Verification services can be useful if available. It's advisable not to ship orders to postal box numbers but to ask for a physical shipping address. Extra attention should be paid to international orders because in case of fraud it is very difficult to recover losses.

VOCABULARY LIST AND SKETCH ANSWERS 5/A

1-4.

crossed cheque	– keresztezett csekk
open cheque	– nyílt csekk
drawer	– utalványozó
payee	– utalványos
to cash(-ed) a cheque	– csekket bevált
bearer	– bemutató, okmány birtokosa

5.	
sort code	– bankjelzőszám
branch	– bankfiók
account number	– számlaszám
slip	– szelvény
counterfoil, heel	– ellenőrző szelvény
6.	
clearing system	– klíring, elszámolási rendszer
to credit(-ed)	– jóváír
drawee	– utalványozott
to reconcile(-d)	– egyeztet
7.	
to honour(-ed) a cheque	– csekket kifizet
to make out a cheque	– csekket kiállít
illegible handwriting	– olvashatatlan kézírás
8–10.	
hassle	– kavarodás, zűrzavar
to stop a cheque	– letilt csekket
to debit(-ed)	– terhel
11.	
credit card	– hitelkártya
debit card	– betéti típusú bankkártya, lehívási kártya
12.	
to notify(-ied)	– értesít
custody	– megőrzés
13.	
card issuer	– kártyakibocsátó
credit limit	– hitelkeret
outstanding	– kifizetetlen
seller's voucher	– bizonylat
cardholder	– kártyatulajdonos
14–15.	
scoring system	– pontozási rendszer
trustworthy	– megbízható
in reserve	– tartalékban
16.	
supplementary card	– társkártya
18.	
cashback facility	– készpénzfelvételi lehetőség
credit limit	– hitelkeret

20.	
cheque guarantee card	– csekk-kártya
cash withdrawal	– készpénzfelvétel
21.	
magnetic stripe	– mágnesesík
22.	
electronic purse	– elektronikus pénztárca
re-loadable	– újratölthető
embedded	– beágyazott
23–24.	
to retain the card	– bevonja a kártyát
free of charge	– költségmentes
25.	
to cancel(-led)	– letilt
spending spree	– költséges körút
26.	
to reimburse(-d)	– megtérít, visszafizet
28.	
commodity / consumer loan	– lakossági, áruvásárlási kölcsön
29.	
fraud	– csalás
fraudster	– csaló
discarded	– eldobott
imprint	– kártyaleolvasás
30.	
to waive this liability	– eláll kötelezettségtől
31.	
point of sale	– eladási hely
32.	
toll-fee	– ingyenes
under oath	– eskü alatt
33.	
verification	– igazolás

QUESTIONS 5/B***Other banking services; methods of payment in foreign trade***

1. What is a standing order?
2. What kind of payment is a standing order used for?
3. What service is a direct debit?
4. Why is it convenient for customers and businesses?
5. What is the purpose of BACS?
6. Who is this service for?
7. How does BACS handle payments?
8. How can you open a current account?
9. What documents and deeds need to be presented when opening a current account?
10. What is a bank statement?
11. What is a deposit account?
12. What is a savings account?
13. What services are available through telebank?
14. What is online banking?
15. What are the advantages?
16. What are mobilebank services?
17. How does the bank giro credit facilitate money transfer?
18. What are the benefits of this method of payment?
19. What kind of loan is a mortgage?
20. How is the mortgage redeemed?
21. What are the general terms and conditions of a mortgage agreement?
22. What documents are commonly requested to support a mortgage application?
23. What are the steps of a mortgage application?
24. What costs does it incur?
25. Who is a guarantor or co-signer?
26. What is a guarantor's role in a loan application?
27. What collateral securities do banks accept for a loan?
28. What is factoring?
29. What are its benefits for suppliers and the factor?
30. What methods of payment are used in international trade?
31. What is the bank's role in the payment procedure?
32. What are the advantages of the following payment methods: open accounts, bank draft, letter of credit, documentary collection, forfeiting, bill of exchange?

MODEL ANSWERS 5/B

- 1–2. Setting up a standing order is useful for fixed amount payments that are known to be due on certain dates, for example flat rent, car insurance or subscription fees. The client authorises the bank in writing to make regular payments until it is withdrawn. Banks charge some money after each transaction.
3. A direct debit is an authority you give to the bank to make regular payments from a current account to the account of an organisation called the originator, for example to public utility companies or suppliers. Originators have an

- agreement with a major bank before they access the direct debit scheme. Direct debits are processed by BACS (Bankers Automated Clearing Payment) within a three-day clearing cycle. On the first day the originator sends BACS a computerised listing of the bank account, amount and other details of the customers who are to be debited and the information is processed over the next few hours. The next day BACS member banks get the list of all their customers' accounts which have to be debited. On the third day the payer's accounts are debited and the originator's accounts are credited simultaneously. In fact most direct debit instruments are variable because the exact amount of the bill cannot always be seen in advance. A direct debit instrument can be cancelled simply by informing the bank in writing and they very often inform the supplier themselves.
4. It allows the customer to pay bills conveniently, to save time and the trouble of paying in cash or sending a cheque. You can spread a large payment in instalments over a period of time as well. It makes it easier for businesses to follow cash flowing in and out of their accounts. If any money has been taken in error, the customer's bank must make a refund on request. This is the direct debit guarantee. It protects the customer if the originator hasn't given the sufficient advance notice on the amount or date changed.
 - 5–7. BACS is an electrical money transfer service established for corporate customers who pay and receive large amount of funds in form of standing orders, direct debits and salaries. It is a rapid and economical way to transfer money. All information is sent to the BACS Processing Computer Centre.
 - 8–9. You can open a personal or a business current account at any bank branch. You don't normally need an initial deposit though banks normally charge an account keeping fee monthly. To open a business current account, banks may require the following documents depending on the type of enterprise: article of association, deed of foundation / partnership, certificate of the Court of Registration, statutes, company register number, tax registration sheet, certificate of incorporation, entrepreneur's card, signature specimen authenticated by a notary public etc.
 10. Bank statement is a regular, usually monthly report sent by the bank which lists all the cash movements into and out of one's account. It helps people keep track of their spending.
 11. It is a bank account in which the money deposited is tied up for a certain period and it bears interest. If you take out your money before the expiry date, you lose the interest. The deposit may be tied up for only a single period or can be renewed. If in the renewed period interest is paid after the original sum plus the interest debited, it is called a compound interest.
 12. It is an account for holding personal savings in. It usually pays more interest than a deposit account.
 13. Telebank is a free 24-hour automatic and or live voice service which makes banking easy from any touch tone phone and make a wide range of services

available. It allows customers to check savings account balances, make money transfers, make loan payments, change their security code etc.

- 14–15. The online system enables customers to get access to banking services from a personal computer and a modem. It is convenient for customers because transactions are done and confirmed quickly. The range of services available are quite broad. Though at first it is necessary to spend some time entering data and setting up. For security a multi-level password system and electronic signatures may be used.
16. Banks monitor cash movements and can send clients text messages to their mobile phones to confirm cash withdrawals, purchases, updated credit balance. Depending on the bank, such services may or may not have subscription fees. It increases the safety of card usage and can make card theft detection easy.
- 17–18. A bank giro credit is a payment where the customer instructs the bank to transfer funds directly to the beneficiary's bank account. Businesses and consumers alike use bank giro transfer payments to pay invoices or to send payment in advance for products ordered. Many companies enclose a convenient, pre-printed transfer form with their invoice or order form, which the customer can use to make the transfer with no mistakes. It is also possible to accept bank transfer payments by simply printing country-relevant bank account details on each invoice. Bank transfers are more secure for both the customer and the bank. There are no cheques to be lost or stolen. In addition, since the payment goes directly from the customer to the bank, there is no possibility of fraudulent alteration of the payment amount. The customer's account is debited almost immediately, which makes account reconciliation much simpler, quicker and involves less manual processing. The customer doesn't have to worry about uncashed personal cheques being debited unexpectedly from her account months later. Any payment credited to the beneficiary's account is a cleared item. There is no possibility of the payment being charged back due to insufficient funds.
- 19–20. A mortgage is a long-term loan given by a bank or a financial institution for the purpose of purchasing or renovating a house or buying land or other high value assets. The money is repaid monthly over a period of years. If the mortgagor, the borrower, defaults the mortgagee, the lender, has the right to fore-close. A mortgage also means the asset pledged as security offered to support the loan. A set interest rate is due on fixed-rated mortgages while in the case of adjustable or variable rate mortgages the interest rate changes over a certain period of time following the market rate of interest. Flexible mortgage payment exists, which means that payments are graduated, increasing for a period of time and then level off. It is common practice to transfer the seller's existing mortgage to the buyer, which is called assumption.
- 21–24. During the first interview a mortgage specialist can make a pre-scoring, state if you are eligible for a loan, if you are creditworthy that is, calculate the proportion of own resources and the value of the collateral, the tenor of the loan and the interest rate payable. A qualified appraiser assesses the value of the

- property. Then you hand in the application form to the bank with all necessary attachments. The lender weighs all the factors and processes the application. If it is approved, the borrower is informed and the contract is signed. When a property changes owners, transfer tax is due. Banks usually request the following supporting documentation along with the mortgage application form: property appraisal, ownership registration of the property / title, contract of sale stamped by the Land Registry Office, proof of a certain period uninterrupted employment history, verification of regular income – at least minimum wage –, tax returns, bank account statements, certificate of having no delinquent debts.
- 25–26. A guarantor is a person who gives a formal promise to repay the loan to the bank should the borrower fail to do so. Such agreements are required by banks to back up applications to reduce the bank's risk of non-payment.
27. It varies according to credit constructions but in general: real property, government securities, savings deposits are offered as securities.
- 28–29. Factoring is a form of debt collection in trade between suppliers and their customers. When suppliers provide credit for their buyers, they have to face the problem of delayed payments or even non-payments. During the credit period their customers use the money that suppliers might need for production. Suppliers can recover their debts by selling unpaid invoices to a bank or financial institution at a discount. The bank or factor raises money from collecting the debt and the fees charged for the service, while the supplier benefits from immediate payment, so their money is not tied up and it improves their cash flow. Furthermore, it reduces their administration costs. When the factor buys the debt on a 'without recourse' basis, they overtake all risks of payment or non payment. If the agreement is with recourse, the bank can reclaim the money if the customer fails to settle the debt. Before factors agree to buy invoices, they examine the company's debt history, credit risk, the buyer's credit status.
- 30–32. a) Open accounts/credit accounts are used when the exporters ship the goods and the importers send payment either immediately or monthly, according to agreement. The payment itself may be a bank draft, which is a cheque drawn on a bank itself. Of course it is easiest when the exporters' and importers' banks have accounts with each other. When payments are made, correspondent banks make a credit or debit entry on their reconciliation account. It is a simple and convenient form of payment when regular shipments take place.
- b) One of the most common and safest method of payment is the documentary letter of credit. The sellers present all the shipping documents, which show that they have shipped the goods exactly in accordance with the letter of credit and a bill of exchange to a bank representing the importer. This is the issuing bank because it issues the credit on behalf of the importer. If all the documents are correct, the bank makes immediate payment or accepts the bill, which means that it will pay later. Then they forward the shipping documents to the importers who can use them to obtain the goods at the place where the goods enter their country – at a port, airport or border crossing. The bill of exchange is a credit

instrument, which orders the issuing bank to pay a certain amount of money after a certain number of days after sight. In accepting the bill, provided the shipping documents are correct, the bank representing the importers simply puts its name and signature on the face of the bill and returns it to the exporters. The number of days, the tenor of the bill is the period of credit that has been agreed between the exporter and the importer. If no credit has been agreed the exporter's bank draws a sight draft, which is an order to the importer's bank to pay immediately or on sight of the documents and bill. If there is a period of credit, the letter of credit is based on D/A terms, documents against acceptance. If there is no period of credit the letter of credit is based on D/P terms, documents against payment.

- c) Documentary collection is another simple method of payment. The exporters ship the goods and send the shipping documents and draft Bill of Exchange to their bank. Their bank sends them to a bank in the importers' country for collection. That bank tells the importers that the documents have arrived and they may then give an advance to the exporters for the draft. Meanwhile they negotiate acceptance or payment of the draft with the importers. The importers find a bank to accept payment, if it is a tenor draft, or pay it immediately, if it is a sight draft. The bank is not responsible for checking the correctness of the documents. If the bank has provided an advance, it should have a letter of hypothecation from the customer, which gives the bank the right to sell the goods if the importers default. One of the advantages is that the exporters have control over the goods until the draft is paid or accepted. The disadvantage is that if the importers default the exporters have the expense of selling the goods, storing them until later or bringing them back to their own country.
- d) Forfaiting is a medium-term method of export finance used for capital goods. With the agreement of the exporter and the importer, the forfaitist, which is the lending bank, provides an advance to cover the total cost of the machinery and installation once it has been installed and is in working order. The advance is made to the importer, not the exporter, although the forfaitist pays the exporter directly. But the importer is responsible to the bank for the repayment. The importer usually gives the forfaitist a series of avalised promissory notes. These are notes, guaranteed by a bank, promising to pay on agreed dates. The advantage of this to the exporters is that they are not liable if the importers default. The disadvantage is that it may be difficult for the importers to provide the needed security to enable a bank to avalise their promissory notes. The whole contract may depend on this, otherwise another form of finance have to be found. From the importers' point of view it may be cheaper for them if interest rates are lower in their country than in the exporters' country.
- e) The bill or draft may be drawn on the importers or a bank. The drawee – usually the bank which issued the credit – accepts the bill against correct documents. But whoever the drawee is, the value of the bill is guaranteed if it is accepted by a well-known bank. This means that the bank will honour it when the bill matures and take on the risk and work of collecting payment plus the commission from the importers. The fact that the bill has a tenor of one or more

months means that the importers get credit for that period of time. At the same time the exporters may obtain their money by selling the bill on the discount market. The buyer discounts it by paying face value minus the discount, which is the interest on the bill for the remainder of its tenor. At maturity, the holder presents the bill to the accepting house for payment. The interest is determined partly by the status of the accepting house, the bank, and partly on the interests prevailing on the discount market at the time. A first-class name means a lower rate. The higher the rate, the greater the discount and the less the value of the bill in the market.

Banks can also provide short-term export finance by means of overdrafts or loans to the exporters. The kind of security taken by the bank may vary. For an established customer the bank may even provide unsecured finance.

VOCABULARY LIST AND SKETCH ANSWERS 5/B

1–2.	
due	– esedékes
3.	
public utility company	– közüzemi vállalat
variable	– változó
8–9.	
article of association	– részvénytársasági alapszabály
deed of foundation	– alapító okirat
court of registration	– cégbíróság
statute	– alapszabály
company register number	– cégjegyzékszám
tax registration sheet	– adóbevallás
certificate of incorporation	– cégki vonat
signature specimen	– aláírási címpéldány
authenticated	– hitelesített
notary public	– közjegyző
11.	
tied up	– lekötött
compound interest	– kamatos kamat
17–18.	
bank giro	– bank zsíró
to instruct(-ed)	– meghagy, utasít
beneficiary	– kedvezményezett
invoice	– számla
alteration	– változtatás
insufficient	– elégtelen

19–20.

to redeem(-ed)	– törleszt, visszafizet
mortgagor	– jelzálogadós
to default	– nem fizet
to fore-close	– zálogjogot érvényesít
pledged	– fedezetként adott
adjustable / variable	– változó kamatlábú
graduated payment	– fokozatos fizetés
assumption	– átvállalás

21–24.

pre-scoring	– előzetes hitelképesség-vizsgálat
eligible for a loan	– hitelképes
own resources	– saját erő
collateral	– kölcsönbiztosíték
tenor	– lejárat idő
appraiser	– értékbecslő
ownership registration / title	– tulajdoni lap
contract of sale	– adásvételi szerződés
Land Registry Office	– Földhivatal
tax return	– adóbevallás
delinquent	– hátralékos

25–26.

guarantor, co-signer	– kezes
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28–29.

debt collection	– adósság behajtás
delayed payment	– késedelmes fizetés
without recourse	– visszkereset nélkül
with recourse	– visszkeresettel

30–32.

open account / credit account	– hitelszámla
bank draft	– banki váltó, bankintézkvény
correspondent bank	– levelezőbank
documentary letter of credit	– okmányos hitellevél, akkreditív
shipping documents	– fuvarokmányok
bill of exchange	– intézményezett váltó
sight draft	– látra szóló váltó
documents-against-acceptance	– áruokmányok váltó elfogadása ellenében
documents-against payment	– áruokmányok váltó kifizetése ellenében
documentary collection	– okmányos beszedés, inkasszó
letter of hypothecation	– záloglevél
capital goods	– tőkejavak
avalised	– bank által garantált
promissory note	– saját váltó

TAXATION**QUESTIONS 6**

1. What is tax?
2. Why do you think the government collects tax, what are the functions of taxation?
3. What problems occur in connection with taxation?
4. How can taxpayers avoid paying tax?
5. Could you describe the different types of legal tax reductions?
6. What is the taxation of Hungary like?
7. How does the Simplified Taxation for Entrepreneurs (EVA) work in Hungary?
8. Who can become an EVA member?
9. What obligations do the members have?
10. When does EVA membership cease?
11. What are the main types of taxes in Hungary?
12. Could you go into details about the personal income tax?
13. Why do you think corporate income tax has to be paid?
14. With which countries did Hungary make the Double Taxation Prevention Treaty?
15. What does Social Security Contribution mean?
16. What characterises capital gains tax?
17. What is indirect tax?
18. Why is the Value Added Tax (VAT) or General Turnover Tax (GTT) (in Hungary) is the most important tax for the government?
19. How would you describe consumption tax or excise duty?
20. How do local taxes work and how many types does it have?
21. What tax do you know in connection with vehicles?
22. What do customs duties and customs free zones involve?
23. What are the main taxes in the UK and the USA?

MODEL ANSWERS 6

1. Tax is a certain amount of money that you have to pay to the state on the basis of your income or properties.
2. The government collects tax because it needs money to finance the public services, it counter-balances the flow of money in the economic life and it tries to have an impact on the behaviour of economy by for example levying taxes on cigarettes or alcohol. The government can also back in the investment by having introduced different kinds of depreciation accounting through which the companies can reduce their tax bills.
3. The problems occur from both the progressive and regressive nature of taxes. The problem of the progressive tax is that it imposes heavy tax burdens on people who earn extra income, as the tax rates are in direct ratio to the income. It means that the more you earn the more you have to pay for tax consequently it does not encourage people to work. Secondly there are regressive taxes like

(GB) after their profits and secondly tax after dividends. This is the so-called double taxation.

14. Hungary wanted to protect the Hungarian companies from double taxation consequently the Hungarian companies do not take part in double taxation system thanks for the Double Taxation Prevention Treaty. Hungary signed this treaty with foreign countries like Spain, Poland, the USA, Norway, Slovakia, Turkey, South Africa, Japan, the United Kingdom or Australia and with many other countries. It means that companies have to pay corporate tax but if companies from these countries pay dividends to Hungarian companies then the dividends are not levied by dividend tax. If you are an inland taxpayer and a foreign entrepreneur, the corporate income tax paid abroad increases your profit before taxation. When counting the corporate tax, the tax base is adjusted not to imply the taxable income abroad. Consequently you can subtract the dividend tax paid abroad from your corporate tax.
15. Hungarian workers have to pay health care, social security, and pension contributions from their gross salary. In return of paying health care contribution, Hungarians participate in free basic health care supplies. As for the pension contribution, the Hungarians are obliged to pay private pension fund to a certain type of private pension institution that can be chosen by the individuals.
16. This tax is mainly levied on lands, buildings or even securities. It is a kind of tax that arises when an individual buys for example a house and sells it later. If there is a difference between the purchase price and the selling price then after the amount of this difference capital gains tax has to be paid.
- 17-18. VAT belongs to indirect taxes, which is levied on services and commodities that the individual buys. VAT is an extremely important tax from which the government gains a lot of income as it has to be paid after nearly all products and services. The amount of VAT can be refunded by the business companies and are always paid by the last customer in the chain of exchange who buys the product but does not sell it. There are different marginal VAT rates the most frequent is 25% paid after for example drinks, cars, legal services or teaching foreign language. There is a reduced percentage paid after the tax base and this is 12% levied on for example medicines, living animals, flour, cereals, animal dung, invalid carriage, books, magazines, services like electricity, foods, hotel service, gas, water supply, TV and radio broadcast, fun fair entertainment, circus programs or competitions. There are products and services that are zero tax rated, these are vitamins, antibiotics, human medicines, tools for the blind like sticks for the blind, medical services and all exports. Until 1st July in 2003 VAT was not levied on teaching foreign language. Individuals do not have to pay VAT on products if they are bought in Hungarian customs free zones.
19. This tax has to be paid after certain goods mainly luxury ones like jewellers or cars at the time of their sales. Within these products there are goods that are unhealthy for the individuals like alcohol or even cigarettes and cigars

consequently the government tries to reduce the consumption of these harmful commodities. The customer who buys the products always pays this tax.

20. Local authorities have the right to levy taxes on certain things where the taxpayers are individuals, separate legal entities or business associations without separate legal entity. On the basis of this, local taxes are made up of four types in Hungary. The first type is the local business tax that is on revenues of companies or businesses doing their activities in the area of local authorities. The tax liability is 2% of the tax base. The other ones are the building tax and the land tax where the tax liability depends on the basic area of the building or land being in the territory of the local authorities. This amount is paid by the owner of the building or land. Budgetary institutions, buildings belonging to the Church, additional buildings belonging to the flat or holiday resorts are tax-exempt. And finally there is tourist tax paid by tourists whose permanent residence is not in the given place and stays at least one night in that place which is in the territory of the local authority. The tax base is the number of the nights whose amount is 300 forints per person per night (on the basis of the tax law of 2003). Individuals under 18 and over 70, under health care supply, students learning in secondary schools, college or university are tax free.
21. Everybody who owns vehicle supplied with vehicle licence has to pay motor vehicle tax on the basis of the weight of the vehicle whose amount varies according to the type of the vehicle. The tax liability starts on the first day of the following month after the vehicle licence has been made out. The local authorities determine the amount of the tax until the 15th December each year. If they miss to publish the modifications in connection with the tax, the old tax regulations remain. If the owner withdraws the vehicle from circulation then the tax is not necessary to be paid.
22. At the customs each imported product is taxed after a certain quantity. Each country determines what you can bring into their country and if you bring more than the allowed quantity you have to declare it to the customs officers. After this surplus you must pay customs duties whose rate is between 10% and 15%. On the other hand there are customs free zones. Each country can agree to create customs free zones. In these zones the individuals can buy goods without paying VAT or even customs duty after them.
23. The main taxes are the personal income tax and the corporate income tax. This tax has to be paid after the personal income like in Hungary reduced by the tax allowances and certain deductions. According to the Pay As You Earn way the tax is immediately withheld by the employer and paid to the Commissioners of Inland Revenue before the taxpayer gets the salary. As far as corporate income tax is concerned in Britain and in the US the employees of corporations or businesses have to pay taxes twice. Firstly after the profit and secondly after the dividends. The firms can also subtract costs from their profit to reduce the amount of the tax. This cost can come from the depreciation of the tangible assets whose time can be three, five or even fifteen years. If all the expenses are subtracted from the returns then we get the corporate income after which the income tax has to be paid.

VOCABULARY 6

- 2.**
to levy(-ied) tax on something
depreciation accounting
- adót kivet vmire
– értékcsökkenési elszámolás
- 4.**
to launder(-ed) money
- pénzt mos
- 5.**
loopholes
tax shelters
tax deductible
tax loss
tax heavens
- kibúvók
– adó alóli kibúvás
– adólevonás
– adózás elkerülését szolgáló veszteség
– adóparadicsom
- 6.**
self-assessing
taxpayer
- önbevalló
– adófizető
- 7.**
Simplified Taxation for Entrepreneurs
Value Added Tax (VAT)
- Egyéni Vállalkozói Adó
– általános forgalmi adó
- 8.**
patent office
executive office
tax-advance
tax base
tax year
- szabadalmi ügyvivői iroda
– végrehajtó iroda
– adóelőleg
– adóalap
– adóév, adózási év
- 9.**
adjusted
legal titles
invoice
- módosítva
– jogcímek
– számla
- 10.**
Tax Administration
ratepayer
- adóhivatal
– adóalany
- 11.**
personal income tax
corporate income tax
capital gains tax
social insurance contribution
local tax
customs duty
consumption tax
- személyi jövedelemadó
– társasági adó
– vagyonnövekmény adó
– társadalombiztosítási hozzájárulás
– helyi adó
– vám
– fogyasztási adó

- gift and inheritance tax
withholding tax
motor vehicle tax
- örökösödési adó
– forrásadó
– súlyadó
- 12.**
tax allowances
pension contribution
child allowance
tax bracket / tax rate
tax rate table
marginal tax rate
- adókedvezmény
– nyugdíj hozzájárulás
– családi pótlék
– adósáv
– adósáv táblázat
– adott sávra érvényes adókulcs
- 14.**
pay as you earn (PAYE)
- bérből munkáltató által levont jövedelemadó
- 15.**
Double Taxation Prevention Treaty
- kétszeres adózás védelméről szóló egyezmény
- dividend tax
inland taxpayer
foreign entrepreneur
profit before taxation
adjusted
taxable income abroad
- osztalékadó
– belföldi adózó
– külföldi vállalkozó
– adózás előtti eredmény
– módosítva
– külföldön fizetendő adó
- 16.**
health care contribution
gross salary
basic health care supplies
private pension fund
private pension institution
- egészségügyi hozzájárulás
– bruttó fizetés
– egészségügyi alapellátás
– magánnyugdíj alap
– magánnyugdíj pénztár
- 18–19.**
refunded
cereals
animal dung
invalid carriage
- visszatérít
– gabonafélék
– állati trágya
– rokkantkocsi
- 21.**
separate legal entities
business associations
local business tax
in the area of local authorities
building tax
land tax
tax liability
budgetary institutions
- önálló jogi személy
– gazdasági társaság
– helyi iparüzési adó
– helyi önkormányzat területén
– építményadó
– telekadó
– fizetendő adó
– költségvetési szervek

additional buildings belonging to the Church	– egyházhhoz tartozó épületek
tax-exempt	– adómentes
tourist tax	– idegenforgalmi adó
permanent residence	– állandó lakhely
per person per night	– személyenként és éjszakánként

22.

vehicle licence	– forgalmi engedély
motor vehicle tax	– gépjárműadó
to withdraw (-drew, -drawn) the vehicle from circulation	– kivonni a járművet a forgalomból
to make (made) out	– kiállít
road tax	– útdadó

23.

customs free zones	– vámmentes terület
returns	– bevétel

24.

Commissioners of Inland Revenue	– adóhivatal
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COMPANY – FORMS OF COMPANIES**QUESTIONS 7/A*****Forming a company***

1. What ideas do you need to consider for starting a business?
2. What does break-even analysis mean? (sketch answers only)
3. How do you calculate the break-even point and what does it show? (sketch answers only)
4. What are the advantages of starting a business?
5. What are the risks of starting a business?
6. What is a business plan?
7. What are the parts of a business plan?
8. What do the introductory and the summary part include?
9. What are the market analysis, the description of the business and the production plan in charge of?
10. What are the marketing and the operation plan responsible for?
11. What do the risk analysis, the financial plan and the appendix consist of?
12. What documents are required to set up a company?
13. What does the Memorandum of Association contain?
14. What has to be included in the Articles of Association?

MODEL ANSWERS 7/A

1. 3. Nowadays there are more and more people who decide to start a business. But before you get started there are so many points you have to examine. Firstly the type of business that you want to start has to be decided. Of course it is important to enjoy what you do otherwise it does not make a success of your small business. You also need to know a lot about the given business and need to have a skill to get it up and run it. Finally the most essential point is to have a good chance of turning a profit. To find out you have to prepare a "break-even analysis" which determines the potential profitability of the business, tells you whether it will turn a profit easily or with difficulty in the future.
4. People start a business partly because they do not want to remain employees any more or partly because they are forced to set up a business, as they become unemployed and cannot find a job. They sometimes do not think about the several benefits the starting of a business can reap. On one hand you become independent from your boss, very flexible and free even if your business is established firmly. On the other hand you can enjoy the power even if you have employees, furthermore it can provide you satisfaction and fulfilment that you work for yourself and not for anybody else. And in the end if your business is run in a perfect way you can become wealthy or at least you can achieve a good financial situation.

5. Of course there can be negative points in starting a business. If you start a business a lot of money has to be invested which can either be loaned from a bank or from friends, if you do not have enough money yourself. But the invested money can be lost if your business is not run in a satisfactory way. The other risk is that starting a business needs a lot of time and energy that you have to deprive your family of, at this time you have to consequently make sacrifice for your new business.
6. All entrepreneurs would be extremely happy if they could foresee the future. Of course it cannot be foretold but it can be planned. That is why entrepreneurs need to create a business plan. A business plan shows where the business would like to get to within the first three years. It helps to determine the business's capability of life on the market, it is a tool for obtaining the financial resources and finally it is a guide for the business to reach its planned goals. You cannot drag your feet in making a business plan, you have to make it extremely well because it is the crucial part of any loan applications.
7. Sometimes the most difficult part of getting up a business plan is to determine the current position of the company. There are several types of business plans as far as its outline is concerned. But now let's see the kind of outline which is very common in Hungary. The body can be divided into ten sections. These are the introductory section, the summary, the market analysis, description of the business, production plan, marketing plan, operation plan, risk analysis, financial plan and the appendix.
8. The first is the introductory part. It contains the name and address of the company, the owner's name and address, the field of activity, function of it and the financial needs. The second section is the summary, which is three or four pages long about the whole business plan. Its objective is to introduce what the business plan is about and to show the problems if there are any.
9. The next step is the market analysis, which is about five or ten pages. Here we can read about the overall market and its changes, the market segments, the target market and the customers, industry overview, the primary competitors and the competitive products and the opportunities, risks and threats as well. Then comes the description of the business. In this section the products and services, the sizes of the company (e.g.: how many employees are there?, how much are the returns?), the introduction of the administrative staff and offices and the entrepreneurs' professional background are described here. The fifth section is the production plan where the flow of the production, the premises, machines and equipment and the raw material suppliers' names are written down.
10. The sixth plan is the marketing plan. In this part we can get to know about the marketing strategy, sales tactics, advertising, prices, the prognosis of the product circulation and about the methods of controlling. The next section is the operation plan, which contains the key personnel, the organisational structure, form of the company, the company directors' résumé, professional background

- and their authority and finally the division of labour and liability within the company.
11. Then comes the risk analysis which estimates the Strengths, Weaknesses, Opportunities and Threats of the company (SWOT analysis), prepares for the unexpected events, makes the contingency plan and introduces new technology with which the company works. And the last but one part is the financial plan. In this section we have to make a previous income plan, make a cash flow projection, a pro-forma profit and loss projection, a starting balance sheet and a balance sheet projection, a break-even (point) analysis and determine the present and necessary sources of finance. In the end the last step is the appendix where the supporting material can be found for example letters from potential customers, market research data, the suppliers' price quotations, products photos, promotional materials or contracts and other extra bits.
12. If you decide to form a company you need two basic documents. These are the Memorandum of Association and the Articles of Association. They have to be drawn up and signed by the members who found the business. The founding members have to send these documents to the Registrar of Company and have to pay a certain amount of registration fee for this. After the documents are filed with the registrar, a certificate of registration or incorporation is given out, which allows the company to trade. The general public can have a look into these documents if they pay a fee for it.
13. The Memorandum of Association always states the constitution and gives us a detailed description about the company. What it needs to include is always set out in the Company Act. For example it has to contain the name of the company, which cannot be identical with any of the other existing company names, and the name also has to contain the form of the company (whether it is an Ltd.) and the address of the registered office of the company. This Memorandum also includes the liability of the members, the objectives and scopes of the company the shares and the capital that the members have to raise.
14. The Articles of Association deals with the structure and running of a company. It describes the nominal capital, the rights of shareholders and how they can transfer these shares, how frequently and how long the meetings should be held, the appointment of the directors, the procedures of appointing them and how long they can serve before being re-elected.

SKETCH ANSWERS 7/A

1. The definition of break-even analysis and the costs needed to calculate the break-even point.

Break-Even Analysis:

It shows the turnover, which is necessary to be able to cover the expenses. It concentrates on the break-even point.

Costs:

Fixed costs:

Fixed costs are the overheads whose amount does not change even if the quantity of production changes and has to be paid even if the company does not produce anything.

Sales revenue:

Sales revenue is the total amount of money coming from sales.

Average gross profit:

It contains the money that is left after paying the direct costs of the sale from the sales income. So you can calculate it by subtracting the direct costs from the sales income:

$$\text{Average gross profit} = \text{average sales income} - \text{average direct costs}$$

Average gross profit percentage:

Its calculation:

$$\text{Average gross profit percentage (\%)} = \frac{\text{average gross profit}}{\text{average selling price}}$$

2. The definition and calculation of the break-even point

Break-Even Point:

It is the amount of sale where the revenue is equal with the amount of the total costs. In this case there is no profit or profit margin.

Its calculation:

$$\text{sales revenue} = \frac{\text{annual fixed costs}}{\text{gross profit percentage}}$$

You need this sales revenue to break even. At this time the sales revenue is just enough to cover the costs of production consequently you have got neither profit nor loss.

VOCABULARY LIST 7/A

1–3.

break-even analysis	– fedezeti pont elemzés
profitability	– jövedelmezőség
fixed cost	– állandó költség

sales revenue	– értékesítési (ár)bevétel
average gross profit	– átlagos bruttó nyereség
break-even point	– fedezeti pont
to break even	– nullszaldóssá tenni
4.	
to reap	– (le)arat
fulfilment	– megelégedés
5.	
to deprive of	– megfoszt vkitől
6.	
to drag one's feet in sg	– ímmel-ámmal csinál valamit
loan application	– hiteligénylés
7.	
introductory section	– bevezető oldal
the summary	– összefoglaló
the market analysis	– piacelemzés
the description of the business	– vállalkozás leírása
the production plan	– termelési terv
marketing plan	– marketing terv
operation plan	– szervezeti terv
risk analysis	– kockázatelemzés/bebecslés
the last but one part	– utolsó előtti rész
financial plan	– pénzügyi terv
appendix	– függelék
8.	
field of activity	– tevékenységi terület
financial needs	– pénzügyi szükségletek
9.	
market segment	– piaci szegmens
target market	– célpiac
industry overview	– piaci áttekintés
primary competitor	– elsődleges versenyző
competitive product	– versenyképes termék
risks and threats	– kockázatok és félelmek
premise	– telephely
raw material supplier	– nyersanyagszállító
10.	
sales tactics	– eladási taktika
key personnel	– kulcsszemélyzet
division of labour	– munkamegosztás

contingency	– előre nem látott események
last but one part	– utolsó előtti
previous income plan	– előzetes jövedelem terv
projection	– előrejelzés
pro-forma	– előzetes
balance sheet	– mérleg
source of finance	– pénzforrás/anyagi forrás
market research data	– piackutatói adatok
price quotation	– árajánlat

12.

Memorandum of Association	– alapító okirat
Articles of Association	– alapszabályok
to draw (drew, drawn) up	– megfogalmaz, megkövegez
founding member	– alapító tag
registrar of company	– cégnyilvántartó
registration/filing fee	– bejegyzési/iktatási illeték
to file(-d)	– beiktat
registrar	– nyilvántartó
certificate of registration	– bejegyzési igazolás

13.

constitution	– alapszabály
Company Act	– társasági törvény
liability	– felelősség
objective	– cél
scopes	– terület, tevékenységi kör
to raise capital	– tőkét / pénzt szerez

14.

nominal capital	– kibocsátott részvények össznévértéke
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QUESTIONS 7/B**Forms of companies**

1. What legal forms can be chosen?
2. How can you group the different business organisations?
3. What forms of businesses are there in Hungary?
4. What is a sole proprietorship like?
5. In which lines of business do the sole traders operate most frequently?
6. When does a sole proprietorship come to an end?
7. What advantages does a sole proprietorship have?
8. What are the disadvantages of the individual enterprise?
9. What is a partnership?
10. What is the deed of partnership good for?
11. Who chooses a partnership?
12. What positive points are there in a partnership?

13. What drawbacks can occur if you run a partnership?
14. What characteristics does an unlimited partnership have?
15. How does a limited partnership work?
16. What does silent partner mean?
17. What rights do the partners have in a limited partnership?
18. What is a limited liability company?
19. What is so special in the liability of the company?
20. How is a limited liability company organised?
21. What are the benefits and disadvantages of limited liability companies?
22. What characterises a company limited by shares?
23. What is the organisation of a company limited by shares like?
24. How can a joint venture be described?
25. How is a joint venture organised?
26. What is a union?
27. What is the organisation of the union like?
28. What companies are there in Britain?
29. Who runs a private limited company?
30. What advantages are there in a private limited company?
31. What are the disadvantages?
32. What differences can be made between a private and a public limited company?
33. What advantages do public limited companies have?
34. What negative points does a plc have to face?
35. What businesses can be found in the United States of America?
36. What is a corporation?
37. What do the stockholders risk?
38. How are the shareholders taxed?
39. What abbreviations for the word corporation can you mention?
40. How does the management operate in a corporation?

MODEL ANSWERS 7/B

1. When setting up a business the legal form has to be decided. There are several legal forms within the organisations. There are sole proprietorships, partnerships (limited or unlimited), limited liability companies, companies limited by shares, joint ventures or joint enterprises, unions and corporations.
2. In Britain organisations can be grouped according to sectors. On the basis of this, there are two types of sectors, the first is the private and the second is the public sector. The private sector consists of those businesses, which are started and run by individuals or groups of individuals. The public sector includes organisations owned by the local or central government and usually it is also the government, who funds these business organisations. The private sector is the most popular both in Britain and in Hungary. Within the private sector the organisations can be classified according to their legal entity. There are businesses with no legal entity like sole proprietorships, unlimited partnerships and limited partnerships, and there are businesses with legal entity. These are limited liability companies, joint enterprises, companies limited by shares and

union. In Britain business associations with separate legal entities are divided into either private limited companies, which are owned by some shareholders, or public limited companies owned by several shareholders.

3. In Hungary there are sole proprietorships and business associations. Within the business associations there are unlimited partnerships and limited partnerships without separate legal entity and limited liability companies, companies limited by shares, joint ventures and unions with separate legal entity from which the last one is not getting so common now in Hungary.
- 4–6. In Hungary sole traders own most of the businesses. Sole proprietorship is owned by one person consequently in the eyes of law, a sole proprietorship cannot be taken apart from the sole trader. The sole trader can operate the proprietorship with a licence obtained from the local office of the Hungarian Chamber of Commerce. It is the Chamber of Commerce, which controls the activities in the enterprise whether they are done according to licence or not. The sole trader is responsible for the total control and management over the business. Sole proprietorship is not a separate legal entity and the owner has unlimited liability which means that he or she is liable for the debts with the total amount of his or her own fortune and personal assets. The profit is the owner's income, which has to be reported for tax purposes towards the Commissioners of Inland Revenue. The business can last only as long as the owner is alive or decides to run the business. In case of the owner's death the business ends. A sole proprietorship can be a small business as well such as a bakery, a restaurant or gardening.
7. There are some benefits for the sole traders if they run a business like this. For example they can keep the total profit and do not have to share it with anybody. Secondly they are the leaders or directors of their company so they can make decisions freely and can be independent. They can determine flexible working hours for themselves or they can get in closer connection with the customers and can satisfy their personal needs. When setting up their business there are not legal formalities.
8. Running a business alone requires a lot of energy and if the owners become ill they have to stop working therefore they get into a very bad financial situation. It is very difficult to keep the customers' interest up for a long time consequently a sole trader needs excellent management skill. Unfortunately most of them lack it and if the business loses interest or the sole trader dies then the business closes down. As sole traders make decisions alone they have full responsibilities for them. But besides all these the biggest disadvantage is the unlimited liability by which sole traders have to pay all the debts if there are any from their income.
- 9–11. To establish this kind of business association you need two or more owners. The owners share profits, losses and responsibility during running the business. The partners do not have to complete legal formalities when a partnership is set up but they can make a deed of partnership. It is a legal document containing the partners' rights such as how they would share the profit if the business

disputed, or how much control the partners have or how much money, capital the partners pay or even how they will end the partnership. In case of lack of the deed of partnership the arrangements the partners make between them is subject to the Partnership Act. Usually the doctors, vets or solicitors choose to set up a partnership. A partnership is not a separate legal entity and can have two types unlimited partnership and limited partnership.

12. There are several positive features of a partnership. Firstly, as there are at least two partners they can substitute each other if one of them goes on holiday or becomes ill without losing profit. Secondly, they can discuss the problems or the ideas and can make decisions together. Furthermore, they do not have to complete legal formalities when they start a partnership moreover the partners can specialise and improve the business through specialisation. Finally more money can be raised since there are more owners and sources of finance.
13. The first drawback is that as there are more partners the profit has to be shared. Secondly, during discussing the problems it can happen that the partners do not agree and cannot come to an understanding with each other in a certain problem. Partnership is not a separate legal entity so the customers can sue the partners. Finally the partnership has to be wound up if one of the partners dies or wants to leave the partnership.
14. The partnership is a relationship where at least two people have to take part in as founding members. They need some financial contribution but they do not have to pay minimal predetermined capital. Besides the financial contribution, it is essential to have an Article of Association to set the business up. The members start this business to make profit so it is a typically profit-oriented partnership. The profits and losses are shared according to a common agreement and the owners equally take part in the business activities. It is not a separate legal entity and the members of the partnership have unlimited liability – both jointly and severally – for the debts of the business. They bear liability for the debts not only with the assets of the partnership but also with their personal property if they cannot cover the debts with the assets. As far as organisation is concerned there is not a supreme body the senior officers are the members of it.
- 15–17. To found a limited partnership Articles of Association and some financial deposits are needed but as there is no minimum allotted capital, the members are not obliged to pay it. In a limited partnership at least two founding members are required. The general partner or internal member whose obligations are unlimited both severally and jointly and the limited partner or external partner who has to contribute to the partnership which is essential for the partnership to be able to operate. The limited partners do not take part in the activity of the partnership that is why they are called silent partners as well. They are not even liable for the losses of the partnership so they have got limited liability. They can lose only the money or assets invested into the partnership. On the other hand the general partners have unlimited liability and are liable for the losses and debts with the assets of the partnership and personal property if needed. If

any of the partners die or want to leave the partnership, the business has to cease. All the members take part in management.

- 18–19. A limited liability company can be formed by at least one person with a certain allotted amount of capital the so-called initial capital and with some documents such as the Articles of Association and the Memorandum of Association or in other words the Deed of Foundation. This company is a separate legal entity, it exists separately from its owners consequently the companies can sue or be sued and can make contracts. From the point of view of the company it has an unlimited liability itself, which means that once it has debts all the assets of the company are at risk. On the other hand the members of it bear limited liability, as the shareholders are not obliged to cover the debts with their personal properties, they are liable for the debts only to the extent of money they have invested into the business at the foundation. In case of a shareholder's death the shareholders do not have to close the company since the shares can be transmitted to new members.
20. The limited liability company is governed by the Members' Board or Meeting which is made up of the members of the company and a managing director elected by them. This board lets the members practice their rights. Besides the Members' Board a Supervisory Board can be formed with an appointed auditor. The Supervisory Board must contain at least three natural persons who are elected by the Members' Meeting. These members must be registered in the Memorandum of Association.
21. The main advantage is that the members have limited liability. Secondly the members have more flexibility in the organisation or structure of the company. The biggest disadvantage is that it needs a lot of work and money to form it and after the forming there are high requirements in connection with record keeping.
22. Company limited by shares has several synonyms; it can be called joint stock company or public limited company. This business has to be founded with a subscribed or registered capital by at least one person, which capital contains shares with predetermined number and face value. Shareholders do not bear liability for the obligations of the public limited company the face value or the issue value of the shares limit their liability. The shares can be transferred sold or bought at any time consequently nobody knows who owns the shares exactly.
23. As there is a number of shareholders; they are not allowed to take part in the management. The supreme body is the General Board with the executive officers on the top of it. Besides them a Supervisory Board and an auditor are obligatory to be appointed for the operation of the company limited by shares. The management holds an annual general meeting where the shareholders are obliged to be present and can vote but their voting rights depend on how much face value of their shares they own.
24. Anyone can establish any of the businesses, which can be found in the Company Act except for the joint venture and the union. The joint venture or in

other words the joint enterprise is the collaboration of two or more companies. It is a business association with separate legal entity from their owners, which means that the members can sue or be sued, they can create contracts or employ people. The owners have limited liability so they do not bear liability with their own assets or private properties. If the joint venture goes bankrupt the members are liable with the founding capital and the assets of the joint venture but not with their own properties. The members are obliged to pay contribution in cash or in-kind and the profits and the losses are shared with them which is independent from the assets they have invested into the joint venture.

25. A joint venture is made up of the Board of Directors, which is composed of the director who manages and supervises the joint enterprise and the members' delegates. If needed, a managing board can be formed from the Board of Directors to be able to solve all the problems that can arise. The Board of Directors has to hold an annual meeting where they deal with all the main matters that have arisen.
26. Both the joint venture and the union exist in Hungary. The union is a separate legal entity and it requires at least two partners to found it who do not need minimum allotted capital only Articles of Association. The union is a very simple non-profit oriented type of organisation so it does not have own income and the members have to produce the assets to operate. In case of lacking the assets for covering the debts the members must involve their own properties as they have got several liabilities including unlimited and joint liability as well for the debts. The members do not have to make contributions in cash or in-kind. If the members want to liquidate the union they can do it at the end of the year only and they divide the profit among the members in proportion to each member's financial contribution.
27. As far as the organisation of the union is concerned its supreme body is the Board of Directors, which represents the owners and has the right for the ownership. Besides the Board of Directors there is a senior officer, the director, who deals with the administrative affairs in the union. The members' rights to vote in business activities is determined in the proportion to the financial assets they have but they can possess only one vote at the annual general meeting of the Board.
28. In Britain basically all kinds of companies are to be found, which exist in Hungary also. The most important ones, which are worth mentioning, are the following. In Britain sole proprietorship and partnership are very common and popular where the owners bear unlimited liability for the whole debts with their private assets. They are not separate legal entities and as for the sole proprietorship the number of the owners are not limited while in case of a partnership minimum two, maximum 20 owners are allowed. There are also limited companies, which are separated into two kinds, public and private limited companies. Both of them have to let the public inspect the information about the company. The public can have a look at the annual report, which is made up of the balance sheet, the profit and loss account, the wages and salaries, donations or employment as well.

29. The private limited companies are small businesses with separate legal entity where the shares can be transferred in that case if all the shareholders agree with it and it cannot sell shares to the public. The members have limited liability as its name includes too. The directors are the shareholders in these companies, which are usually run by families so these are family businesses where at least two founding persons are needed but no more than 50 owners. No minimum allotted capital is needed for founding a private limited company.
30. As there is limited liability in this company more shareholders risk their money and more capital is raised. The business does not end if one member dies which is also a benefit, at this time the shares must be transferred to the new member. Shares can only be sold to a new member provided all the other shareholders agree with it.
31. Firstly the companies cannot sell the shares to the public. Secondly, anybody from the public is allowed to have a look into the Registrar and get to know about the financial status of the company. What is more there is a long legal procedure for starting a business and finally the more the shareholders there are the more profit has to be shared with them.
32. The other type of limited company is the public limited company (the abbreviation for this is plc) which is – similarly to the private limited company – also a separate legal entity where the members have limited liability but there are some differences. One of them is that in the case of a public limited company at least two founding persons are needed and there is no limitation in the number of the owners. Secondly, a public limited company requires a minimum predetermined share capital, which must be £ 50 000 while as far as private limited companies are concerned, no minimum allotted capital is required. Thirdly, more information and documents about the company have to be published by the company to the public than in the case of private limited companies. And finally the main difference is that the public can buy and sell the shares on the stock exchange without all the shareholders' agreement.
33. Deriving from its nature it is a limited company consequently the members own limited liability, it is not compulsory to close the company if one of the members dies. As they can sell shares to the public they can raise huge amounts of money. These companies are extremely big so the financial institutions tend to lend them more money so they can easily dominate the market.
34. Firstly, as shares can be sold and purchased by anybody it has not only positive but negative side effects as people from outside can also take control of the public limited company. Secondly, as all the information can be inspected by the public the competing partners can gather useful information from them. Finally the bigger a company is the less personal touch they have with the customers and the less they are flexible in connection with the changes.
35. In the United States of America there are several types of companies (most of them are the same as in Britain or in Hungary) but the three most important legal forms of businesses are the proprietorship, the partnership, limited liability companies and the corporation. As for the proprietorship the same regulations

- are related to it as to the British ones. What partnership is concerned in the US there is limited liability partnership and general or unlimited partnership. In the case of the third business organisation the corporation is a bit different. In Britain it means a large company or a public organisation exactly it exists under the name of public and private limited company.
- 36–39. In the US the corporation is a business unit whose duration is indefinite as the ownership can be transferred. It has limited liability so it does not dissolve when one of the owners dies. The members are not responsible for the debts personally; the whole corporation is liable for the debts until it can pay them from their resources. The stockholders risk money only in proportion to the value of their shares. Corporation is an independent legal entity so it is separate from the owners, it can make contracts, sue and be sued and the ability to pay taxes after the income. Not only the income but also the cash dividend is taxed too as personal income of the shareholders. The corporation is one of the most popular forms of business in the US whose abbreviation can be Corp., Co., Inc., one of which by law has to be written at the end of the company name. One of these big corporations in the US is for example Procter and Gamble or General Motors.
40. The shareholders have one vote at the annual meeting with which they can elect the Board of Directors, which exercises control over the corporation. The senior officer is the president (US) or director (Br) who makes decisions and runs the whole corporation but in the cases of meeting with a third person they do not represent the business individually, to do this the officers and employees are allowed. The owners of the corporation do not take part in the control of the corporation.

VOCABULARY LIST 7/B

- | | |
|-------------------------------------|--|
| 1. | |
| legal form | – törvényi forma |
| sole proprietorship | – egyéni vállalkozás |
| partnership | – társulás, társaság |
| limited partnership | – betéti társaság (Bt) |
| unlimited partnership | – közkereseti társaság (Kkt) |
| limited liability company | – korlátolt felelősségű társaság (Kft) |
| company limited by shares | – részvénytársaság (Rt) |
| joint ventures or joint enterprises | – közös vállalkozás |
| union | – egyesülés |
| corporation | – testület, vállalat |
| 2. | |
| private sector | – magán szektor |
| public sector | – állami szektor |
| to fund(-ed) | – befektet, tőkésít |
| separate legal entity | – önálló jogi személy |

3.	
business association	– gazdasági társaság (Gt)
4–6.	
sole trader/proprietor	– egyéni vállalkozó
Chamber of Commerce	– Kereskedelmi Kamara
unlimited liability	– korlátlan felelősség
fortune	– vagyon
asset	– vagyon(tárgy)
income	– jövedelem
to report(-ed)	– beszámol, bejelent
Commissioners of Inland Revenue	– adóhivatal
7.	
flexible working hour	– rugalmas munkaidő
personal need	– személyes igény
to set (set, set) up	– elindít
8.	
keep the customers' interest up	– fenntartani a vásárlók érdeklődését
9–11.	
deed of partnership	– közjegyzői okirat
loss	– veszteség
to dispute(-ed)	– vitatkozik, nézeteltérése van
Partnership Act	– társas vállalkozási/társasági törvény
12.	
complete legal formalities	– törvényi formákra eleget tenni
source of finance	– pénzforrás
13.	
drawback	– hátrány
come to an understanding with	– dőlőre jut valamivel kapcsolatban
to sue(-ed)	– beperel
to be wound up	– befejez, véget vet valaminek
14.	
contribution	– hozzájárulás
common agreement	– közös megegyezés
jointly	– közösen
severally	– egyetemlegesen, egyenként
to bear liability for sg	– felelősséggel bír valamivel
supreme body	– legfelsőbb testület
senior officer	– fő vezető
15.	
allotted	– előre meghatározott

to be obliged to do sg	– kötelezve van valamire
general partner/internal member	– beltág
limited partner/external partner	– kültág
silent partner	– csendestárs
to cease(-ed)	– megszűnik
18–19.	
initial capital	– törzstőke
Deed of Foundation	– alapító okirat
make contract	– szerződést kötni
to be at risk	– kockáztatva van, veszélyben van
to transmit(-ted)	– átruház
20.	
Members' Board/Meeting	– igazgatóság
Supervisory Board	– felügyelő bizottság
auditor	– könyvvizsgáló
21.	
record keeping	– adattárolás
22.	
joint stock company	– részvénytársaság
subscribed/registered capital	– jegyzett tőke
number value	– szám érték, összeg
face value	– névérték
issue value	– kibocsátási érték
23.	
General Board	– igazgatóság
annual general meeting	– éves közgyűlés
24.	
to go (went, gone) bankrupt	– csődbe megy
founding capital	– alapításhoz szükséges tőke
in-kind	– természetbeni
25.	
Board of Directors	– igazgatóság
managing board	– vezetői testület
26.	
to liquidate(-ed)	– felszámol
in proportion to	– arányában
28.	
public limited company	– állami korlátolt felelősségű társaság
private limited companies	– magán korlátolt felelősségű társaság
profit and loss account	– eredmény kimutatás

34.
to take (took, taken) control of – ellenőrzést gyakorol
- 36–39.
to dissolve(-ed) – feloszlik
dividend – osztalék
40.
to exercise(-ed) control over – ellenőrzést gyakorol

QUESTIONS 7/C

Managements and structure of a company

1. What types of structures are there?
2. What characteristics does the hierarchical structure have?
3. What is a functional structure?
4. Why was the matrix structure created? What is it good for?
5. What is the gist of the temporary group work?
6. What are its drawbacks?
7. What is a general company structure like?
8. What are the main functions of management?
9. How can you describe the planning?
10. What is the organisational function about?
11. Why are directing and controlling so important?
12. What skills do the managers have to possess?
13. To what extent are the different skills required on each level?
14. What managerial styles are needed?
15. What do these styles contain?
16. What managerial styles are there according to Lebel?
17. What do these styles consist of?
18. What is the manager's role?
19. What characterises a good manager?

MODEL ANSWERS 7/C

- 1–3. There are different types of structures but the most common ones are the hierarchical structures. In this structure there is mainly a person or a group at the top of the pyramid and several people at the bottom of it in increasing number at each level. Everybody has his own place both the superior and the subordinates. There are people (for example the managers' assistants) who can help their colleague and are not subordinated to that colleague in the pyramid. This kind of position is the staff position or structure. Besides these structures there is a third one, the so-called functional structure where the whole business is organised according to functions such as marketing, production, staff, finance, personnel, research or sales.

4. The disadvantage of the pyramid structure is that the lower level you go the less decision-making skill the people have, as a solution to this problem the matrix structure was created where the employees have to report to several superiors. The authority can also be exercised in this way but sometimes it is not so effective.
- 5–6. The new attempt, which was made to keep the flow of work more efficient was the group work without a leader. According to this concept, groups or teams are obliged to do the work with entire responsibility for the whole project. After completing the work successfully, the group dissolves, so it has only temporary function. The negative side of this kind of management is that sometimes groups cannot work together so successfully, because they are not good at making decisions and need a great deal of self-discipline to work together in a group. All in all, to work efficiently a leader is always required.
7. The organisational structure describes the relationship between the managers and their subordinates. Each company has a different organisational structure, now one kind of organisation is introduced. The Board of Directors represents the top of the company, with its Chairman, in the US this person is called the President. The Board is in charge of strategy and main decisions. The Managing Director or in the US the Chief Executive Officer, who is appointed by the Board of Directors, is responsible for directing the organisation in the interest of achieving the company's goals. It is supported by seven departments these are production, marketing, finance, research and development, information technology, public relations and finally the personnel or human resources department. The Senior Management is situated at this level. The finance department is composed of two sections these are the Financial Management and the Accounting. The marketing department also has sub-entities, in charge of market research, sales, advertising and promotions. The Middle Management is positioned at this last level (under the Senior Management level) it instructs the workers.
8. The main functions of management (in the right order) are planning, organising, directing and controlling.
9. The main aim of planning is to achieve the goals in the organisation, which includes the procedure of setting up the objectives. The procedure to reach the goal contains different types of planning the main ones are strategic planning and contingency planning. Strategic planning introduces what resources the company uses and how to achieve the goals. The contingency planning determines what possibilities or other ways can be to reach the goals, if the first way does not meet with success.
10. The second function is the organisational function, which relates to how an organisation with its activities is planned and arranged. It also means the allocation of resources, what tasks the subordinates have to complete and through what procedure can the goal be reached.
11. The next function is the directing function which is mainly the managers' function who have to instruct the employees what work they have to do in the

company to reach the goal. Within the direction the managers have to assign the work, explain what the workers have to do and ask constant feedback on the basis of the subordinates' work. In the last function, which is the controlling function the managers receive and analyse the feedback about the employees' work and about the plan, through which the manager can make the necessary changes in the plans.

12. The main skills are technical, conceptual and human relations skills. Technical skill means those skills without which you are unable to complete the obligatory task of a given situation. These technical skills are for example the ability to write programmes on the computer or to analyse statistical data. Conceptual skill contains the ability to see the whole organisation and the connections between the parts. And finally the human relations skill means the capability of the employees' motivation, training or even supporting them and communicating with them in a company.
13. Each management level requires the skills in a different amount. The lower the level is the less conceptual skills are required. On the other hand the technical skills are in inverse ratio to the conceptual skills. The lower the level is the more technical skills are required. And finally the human relations skills are the only skills which are needed in nearly the same quantity at each level.
14. There are different concepts in connection with the managerial styles. The first concept was developed by Tannenbaum and Schmidt. They differentiate the managerial styles on the basis of how the manager and the subordinates share on the authority of making decision, which is the dominant form of manifestation of the managerial power. According to this concept there are autocratic, patriarchal, consulting, cooperative, participating and democratic managerial styles.
15. In the autocratic style the manager makes the decision or even gives orders and the subordinates have no power of decision. In the patriarchal style the manager makes the decision but he asks the subordinates before making the decision. The next style is the consulting style where the manager makes the decision and makes efforts to get the subordinates to accept the decision. For this he has to consult with them. The fourth style is the cooperative one, where the manager describes the problem and asks the colleagues to give an opinion about it, then the manager decides, but takes the subordinates' opinion into consideration when making decision. The following style is the participating style where the manager characterises the problem, asks the subordinates to make suggestions for solving the problem and finally the manager accepts one of these suggestions. Tannenbaum and Schmidt divide the democratic style into two parts. In the first part the manager depicts the problem and determines the different conditions connected with the decision like deadlines while in the second part the whole group makes a common decision and the manager is only an outside and inside coordinator.
16. Lebel developed another concept of managerial styles, where he took three factors into consideration: the manager, the subordinates and the results and on

the basis of these he created seven managerial styles. These are the absolutist, the narcissist, the paternalistic, the harmonising, the participation based, the technocratic and finally the management oriented styles.

17. In the absolutist style the manager is interested only in the results. He has got strict goals, which he wants to achieve. In the narcissist style the manager's aim is to create a personal cult around himself, he accepts the popular and good decisions but he shifts the responsibility to someone else. His aim is to be extremely popular among the subordinates. In the paternalistic style the subordinate comes into the front and the manager is in good relationship with the subordinates but it is still the manager who decides. In the harmonising style the manager prefers a suitable working atmosphere in contrast with performance, he informs, and consults with the subordinates even lets them take part in making decisions. He also helps his employees to develop. In the participation-based style the manager creates professional groups, whose suggestions are sometimes accepted. The manager represents the collective's opinion. In the technocratic style the manager takes into consideration in his decisions only professional guidelines. The subordinates do not take part in decision-making but there is a close contact between the manager and them. The last style, the management oriented style, integrates the three factors. The manager creates clear goals for the subordinates, he shows understanding towards the collective's problems, but they cannot go to the expense of performance.
18. According to Henri Fayol, who is a French industrialist, a good manager forecasts, plans, organises, commands, coordinates and controls. Still a lot of people agree with this definition but some say that now the managers do not command but motivate or even direct. It is sometimes a bit difficult to define the manager's role especially because his role depends on the level at which he does the activities. Top managers mainly plan, make policies and make decisions while middle management and the supervisors coordinate, communicate and even make decisions dealing with the daily operation of the company. To sum up managers have to set objectives for which they need analytical ability, they organise the usage of the resources of the company, deal with work division and choose the right person for the right job. The manager also has to encourage and motivate people, communicate with them and develop both the employees and themselves.
19. A good manager needs to have a perfect analytical ability for setting the objectives, it is also necessary to have a good communicating, understanding and social skills. A good manager sets high standards for the workers, expects them to work very hard and respects the employees. He also needs to be intelligent, creative, and imaginative and to have a good problem-solving ability. He has to know where he wants to go during managing and has to be self-confident.

VOCABULARY LIST 7/C

1–3.

hierarchical structure	– hierarchikus szerkezet
subordinate	– beosztott
staff position or structure	– személyzeti szerkezet
functional structure	– funkcionális szerkezet

4.

authority	– hatalom
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7.

chairman	– elnök
Managing Director/Chief Executive Officer	– vállalatvezető
research and development	– kutatás és fejlesztés (K+F)
human resources department	– emberi erőforrás osztály (HR)
Financial Management	– pénzügyi igazgatóság
accounting	– könyvelés

8.

directing	– irányítás
controlling	– ellenőrzés

9.

to achieve the goals	– elérni a célokat
to set up the objectives	– felállítani a célokat
strategic planning	– stratégiai tervezés
contingency planning	– tervezés előre nem látott eseményekre

10.

allocation of resources	– erőforrás allokáció/elosztás
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13.

to be in inverse ratio to sg	– fordított arányban van valamivel
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14.

manifestation	– megnyilvánulás
autocratic	– autokratikus
patriarchal	– patriarchális
consulting	– tanácskozó
cooperative	– kooperáló
participating	– résztvevő
democratic	– demokratikus
managerial style	– vezetési stílus

15.

power of decision	– döntési hatalom
outside and inside coordinator	– külső és belső koordinátor

16.

absolutist	– abszolutista
narcissist	– narcista
paternalistic	– paternalista
harmonising	– harmonikus
participation based	– részvételen alapuló
technocratic	– technokrata
management oriented	– vezetés-orientált

17.

personal cult	– személyi kultusz
to shift the responsibility to sy	– áthárítja a felelősséget
to come into the front	– előtérbe kerül
working atmosphere	– munkahelyi légkör
performance	– teljesítmény
professional groups	– szakértői csoport
professional guidelines	– szakmai szempontok
to show understanding towards	– megértést tanúsít valaki iránt
to the expense of	– valaminek a rovására

COMPANY – COMPANY MERGERS AND ACQUISITIONS

QUESTIONS 8

1. In what ways can you categorise the organisations?
2. What are the main organisational goals?
3. What ways of growing can you mention?
4. What does take over or acquisition include?
5. How can management fight against take over?
6. What tactics does the predator company have?
7. What does merger stand for?
8. What are the reasons for mergers?
9. What are the causes for both mergers and acquisition?
10. Why do some mergers and acquisitions fail?
11. What directions of growth exist?
12. How can you describe the horizontal and vertical directions?
13. What do conglomerate and lateral direction of growth mean?
14. What is de-integration and how many ways does it have?
15. How do de-merger, divestment and contracting out work?
16. What does buyout cover and what types does it have?
17. Why do companies need an annual report?
18. What forms of the report are possible?
19. What does the choice of the report form depend on?
20. What are the parts of the annual report?
21. How many parts does an annual report consist of in Hungary?
22. What does a balance sheet report?
23. What forms can the balance sheet have?
24. What elements is the balance sheet made up of? (sketch answers only)
25. Why is the income statement considered to be an important document?
26. How do you count the profit or loss?
27. Why is the income statement called a profit and loss account?
28. How is the profit and loss account structured in Hungary? (sketch answers only)
29. What is the supplementary enclosure responsible for?
30. What does the business report introduce?

MODEL ANSWERS 8

- 1–2. Businesses can be categorised according to their legal form, which has already been discussed in the previous topic and according to their size. Each business is motivated by different goals, which it would like to reach. These goals can be to maximise the profit, the benefits both for the society and the members of the company, to increase the growth of the company and to maximise the market share.
3. Firms can grow within the company, which is called internal growth and outside the company called external growth. If the company is so successful

that it can invest its profit again into expanding itself or can expand sales then we talk about internal growth or expansion. External growth has two types. The first is called acquisition or take over and the second is merger.

4. In the case of acquisition or take over one company buys the shares of another company. At this time only the ownership changes but the name and structure of the acquired company remains the same and it stays a separate legal entity as well. Take over can have two types, the first is the friendly take over when the acquired company supports the other firm which has already taken it over. In the other case, in the hostile take over, the acquired company is against the control of the other company.
5. Management can fight against take over with the help of some tactics. These are the followings: the poison pill tactic, when the acquired company does not make the whole take over enjoyable or makes it even difficult for the other company either financially or legally. A special version of the poison pill is the suicide pill when a firm that wants to by-pass a hostile take over begins to deal with an activity that can destroy the other company. The next one is the crown jewels tactic when the acquired company sells the most valuable assets cheaply to a supporter, making the other company unattractive to do the take over. Later the acquired company repurchases the sold assets when it itself is not in danger of the take over. The third one is the scorched earth one where the acquired company gets rid of valuable assets or even most parts of the company. The following defence is the pacman defence when one company wants to take over another one but the second (acquired) company purchases the shares of the first company not to let the take over happen. All in all, the acquired company makes a counter offer to the first company. The final tactic is the shark repellent tactic when the acquired company wants to make an unwanted take over unlikely for the other company by for example revealing secrets or betraying plans during take over.
6. On the other hand the firm, which wants to take over the other company, can also defend itself against the tactics of the acquired company. There are two ways for this, one of them is the dawn-raid defence and the other is the white-knight tactic. In the first case the predator company suddenly purchases quite a lot of shares of the company that it would like to control as soon as the stock market opens that day. The target company has not got the chance of avoiding the take over. In the white-knight tactic the acquired company, which is the participant of the take over bid, can purchase shares from another company to prevent itself from the take over.
7. Besides the first so-called acquisition type there is another one which is the merger where at least two companies join together to form a bigger and larger company. These companies do not become separate legal entities everything becomes common such as the assets, markets or even the earnings as well.
8. As far as the sellers are concerned they are mainly motivated by the failure of the firm. From the buyers' point of view they are motivated by five reasons. Firstly there are defensive motives (it has already been mentioned above) the

firms can merge to increase their debts or to become large enough not to be acquired by another company. The second one is the risk spreading through diversification when the company spreads the risk through the firms and reduces the risk of failure. The third type is the monopoly power that a company would like to gain through merging. The fourth one is when the managers of a company want to achieve their goal, which covers the idea that they want to be large and powerful through mergers. Finally the companies want to be more effective in production through decreasing the costs in research or development so they mainly take economic efficiency in consideration.

9. There are several reasons for mergers and acquisitions for example they can decrease competition, they can have access to new technology, new product lines or suppliers, furthermore they can reduce expenses for operation, they can expand in the market share or they can enter into new business very quickly.
10. There are some primary reasons for this. They can fail because of poor internal and external communication; high premiums, which were paid for the company; culture clashes or poor state of integration strategies. If the expectations are not realistic for cooperation it can also lead to the failure of a company, it can be thanked for poor business fit or regulatory delay.
11. If a company wants to grow it can do it in different directions. These types refer to mergers and acquisitions. On the basis of direction there can be horizontal, vertical, conglomerate and lateral direction of growth.
12. In the first case, the horizontal one, at least two companies are merged which produce the same goods or provide the same service. The reasons for this kind of growth are to decrease the price competitions between the companies or the company competition or even to be able to dominate the market safely. The second type is the vertical one where the firms are merged or taken over at different production stages, the companies have different functions. Here the aim is, to take control over the quality, to ensure the supplies and to be able to distribute the goods properly.
13. The next category is the conglomerate growth where the companies are not in relationship with each other in the type of work through which they try to create strong financial background and solve the problem that can occur in sales. And finally lateral growth is placed in the last group where the firms, which are merged, use nearly the same techniques in production but they are not in contest with each other.
14. The opposite of merger or acquisition is de-integration that can be made to be against take over, to make the company more effective or to raise money. The four ways of it are de-merger, divestment, contracting out and management buyouts.
15. De-merger means that two or several other independent companies are created from one company where shares are provided for the shareholders in proportion to the amount of share they possessed in the previous company. In the case of divestment subsidiary companies are sold and during this the company can

cease its unfavourable parts. And finally contracting out means that a company is not pleased to take part in a contract agreement and it dissolves the agreement instead. The companies mainly try to contract out of unimportant services and concentrate on the significant services instead.

16. When a company buys another company or if it buys all the shares of another company which is owned by a shareholder we talk about buyout. There are different types of buyout the first one is the staff buyout when the employees buy the company for which they work. The second one is the management buyout (MBO) when the upper managers of the company buy all outstanding shares of the company. And finally the leveraged buyout (LBO) means that a company wants to get a controlling interest over another company by using a huge amount of debt. This debt is borrowed money, usually loan. The acquiring company uses its assets as collateral to cover the loan and after the take over the acquired company issues bonds to discharge the debt.
17. Each company needs to create plans for the future or even solve problems. The law of accountancy states that each company has to perform a report about a closed economic year, which depicts the financial and income situation of the company. It is usually the management of the company that prepares the annual report, which informs the public and its shareholders about the company.
18. The forms of the report can be the annual report, simplified annual report, consolidated report and simplified balance sheet and profit and loss account (GB) or income statement (US). Entities with bookkeeping by single entry can use the latter type while the first three types can be used by companies providing bookkeeping by double entry.
19. To decide which form of report the company wants to make depends on the number of employees, the form of bookkeeping, the aggregate amount of the balance sheet, the amount of the annual sales turnover and other regulations.
20. Not only in Britain but also in the United States of America the companies have to create an annual report. The parts of the annual report can vary according to the country where it is made. One type of anatomy of an annual report is the following. This kind of report has two basic components, the first component has to suit the requirements of the Securities and Exchange Commission (SEC), a commission which has directing and controlling function over the US stock exchange. The second component contains optional documents. Within the two components the first needs deeper analysis. First of all it contains the auditor's report, where the accountants prove that the financial data and statements are real and meet the requirements of the Generally Accepted Accounting Principles or GAAP. In the second part, which is the report of management, the managers take responsibility for the fact that the financial information written in the annual report is valid and real. The third part is the financial statements and notes part where the balance sheet, the income statement and the cash-flow statement are positioned. The selected financial data part summarises the financial status of the company while the management discussion part provides reports, which inform us about the performance of the company.

21. In Hungary the parts of the annual report are the balance sheet, the income statement, the supplementary enclosure, and the business report.
22. The balance sheet is a financial document, a static statement, which shows the assets and liabilities of a company in value, at a particular, given point of time usually at the end of the year. Its types are opening, closing, property balance sheet and the balance sheet of the annual report. The balance sheet has two main groups the first is the assets, which is the resources obtained by the company and the second category is the liabilities, which shows the origin or the source of the assets where it comes from. It also shows the owner's equity, which is the amount that we get if we deduct the liabilities from the assets.
23. Its form can be two-sided or horizontal where on the left side the assets and on the right side the liabilities can be found. The other form is the vertical where the assets and the liabilities are enumerated under one by one.
- 24–25. The income statement and profit and loss account mean one and the same thing. The profit and loss account is an accounting document, which shows the turnover or revenues and the expenses of the company in value, in a determined structure, during a period of time. It is an accounting document because it is made on the basis of the accounting law, an auditor certifies it and it is made for a given period of time. It contains the yields and expenditures according to their main types. The amounts are rounded (for thousand forints in Hungary) and the final amount is the net profit from which the tax is deducted.
- 26–28. The profit and loss account contains firstly the turnover of the company then it deducts the production and the operating expenses and finally the taxes. Through these deductions we get the profit or loss of the company. If the amount of the turnover is higher than that of the expenses then it is called profit while if it is less then it is called loss.
29. The supplementary enclosure contains those data, which are necessary to be able to introduce the financial situation of the company to the local authorities, investors or creditors. It is made up of three parts. The first one is the general part where the accounting principles, accounting policy, cash flow or even the financial situation of the company can be found. The second part is the specific part where there are supplements for the balance sheet and the income statement can be seen. In the last part, the informative part additional materials can be read.
30. The business report has no determined structure. It introduces the present operation of the company and its future effects on business or even the flow of business. It provides information in connection with human political situations and property relations.

SKETCH ANSWERS 8

1. Balance sheet (It has got "A" and "B" version the following balance sheet is the "A" version.)

Balance sheet	
Assets	Liabilities
A) Invested or fixed assets	D) Shareholder's equity (Own capital)
I. Intangible assets	I. Issued capital stock
1. Capitalised value of formation, promotion and restructuring expenses	II. Not paid issued capital stock
2. Capitalised value of research and development	III. Capital reserve
3. Rights, representing assets	IV. Accumulated profit reserve
4. Intellectual property (Trade marks, patents)	V. Fixed reserve
5. Goodwill	VI. Valuation reserve
6. Deposits for intangible assets	VII. Retained profit of the year (Net profit)
7. Value correction of intangible assets	E) Provisions
II. Tangible assets	1. Provisions for expected liabilities
1. Real property (Lands and buildings) and their rights, representing assets	2. Provisions for expected costs
2. Technical equipment, machinery, vehicles	3. Other provisions
3. Other equipment, furniture fittings, tools, fixtures, vehicles	F) Liabilities (creditors)
4. Breeding animals	I. Deferred liabilities
5. Assets in course of construction (equipment and construction in process)	1. Deferred liabilities against associates
6. Advances (prepayments)	2. Deferred liabilities against enterprise with other sharing relation
7. Value correction of tangible assets	3. Deferred liabilities against other smallholder
III. Investments (Financial assets)	II. Long-term liabilities
1. Long-term shares and participations in associates	1. Long-term borrowed loans
2. Long-term loans in associates	2. Convertible bonds
3. Other long-term shares and participations	3. Debts on the issue on bonds
4. Long-term loans in enterprise with other sharing relation	4. Investment and development credits
5. Other long-term loans	5. Other long-term credits
6. Long-term credit securities	6. Long-term liabilities against associates
7. Value correction of investments	7. Long-term liabilities against enterprise with other sharing relation
	8. Other long-term liabilities

B) Current assets I. Inventory (stocks) 1. Materials 2. Work in progress 3. Porker and other animal 4. Finished goods 5. Goods 6. Advances (prepayments) for stocks II. Receivables (debtors) 1. Trade debtors (Accounts receivables) 2. Receivables against associates 3. Receivables against enterprise with other sharing relation 4. Bills (drafts) receivables 5. Other receivables III. Securities 1. Shares and participations in associates 2. Other shares and participations 3. Own shares, business shares, shares bought for resale 4. Credit securities for endorsement IV. Liquid assets 1. Cash, cheques 2. Bank deposits C) Prepaid expenses (accrued and deferred assets) 1. Accrued and deferred assets of revenues 2. Accrued and deferred assets of costs and expenses Deferred expenses	III. Short-term (current) liabilities 1. Short-term borrowings, loans 2. Short-term credits 3. Advances received from customers 4. Trade creditors (Accounts payable) 5. Bills payable 6. Short-term liabilities against associates 7. Short-term liabilities against enterprise with other sharing relation 8. Other short-term liabilities G) Accrued Expenses 1. Accrued expenses of revenues 2. Accrued expenses of costs and expenditures 3. Deferred revenues
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2. **Income Statement** (In Hungary income statement has got an "A" and "B" version the following income statement shows the "A" version of the total expenditure profit and loss account.)

INCOME STATEMENT
01. Net domestic sales 02. Net external sales I. Turnover (Sales, Revenue) (01+02) 03. Change in self-manufactures stocks 04. Own work capitalised II. Own performance capitalised (±03+04)

III. Other income (Other revenues) 05. Cost of raw materials and consumables 06. (Material type) Services consumed 07. Other services 08. Cost of goods sold 09. Cost of services sold IV. Material-type costs (05+06+07+08+09) 10. Wages and salaries 11. Other staff emoluments 12. Contribution deducted from wage V. Staff costs (Employees costs) (10+11+12) VI. Depreciation VII. Other operating expenses A) TRADING PROFIT (INCOME FROM OPERATIONS) (I±II+III+IV–V–VI–VII) 13. Income from investments 14. Holding gain arising from sold shares 15. Investments interest, holding gain 16. Other interest receivable and similar income (interest income) 17. Other income from financial activities VIII. Income from financial transactions (13+14+15+16+17) 18. Investments holding loss 19. Interest payable (interest expenses) 20. Shares and participations, securities, bank deposits loss of value 21. Other expenses on financial transactions IX. Expenses on financial transactions (18+19±20+21) B) PROFIT ON FINANCIAL TRANSACTIONS (VIII–IX) C) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (±A ±B) X. Extraordinary income (Extraordinary benefit) XI. Extraordinary expenses D) EXTRAORDINARY PROFIT (X–XI) E) PROFIT BEFORE TAXATION (±C ±D) XII. Taxation F) PROFIT AFTER TAXATION (±E–XII) 22. Use from the accumulated profit reserve for dividends and profit sharing 23. Dividends and profit-sharing paid payable G) RETAINED PROFIT OF THE YEAR (±F+22–23)
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VOCABULARY LIST 8

1–2. organisational goals market share	– szervezeti célok – piaci részesedés
3. acquisition take over merger	– felvásárlás – felvásárlás – összeolvadás
4. ownership hostile	– tulajdonjog – ellenséges
5. poison pill suicide pill crown jewels to repurchase(-ed) scorched earth counter offer shark repellent to reveal(-ed) to betray(-ed)	– mérgezett/keserű pirula – öngyilkossági pirula – koronaékszerek védelme – visszavásárol – felperzselt föld – ellenajánlat – cápariasztó – elárul – elárul
6. predator dawn-raid white-knight bid	– ragadozó – hajnali támadás – fehér lovag – ajánlat/egyezség
8. economic efficiency	– gazdasági hatékonyság
9. product line	– termékvonal
10. clash regulatory delay	– nézeteltérés – szabállyal szembeni késés
11. conglomerate lateral	– összetömörült – oldalirányú/oldalsó

12. production stage	– termelési szakasz
14. de-merger divestment contracting out	– fuzionált vállalatok szétválása – leépítés – kiszerezni, szerződést felbontani
15. subsidiary	– leányvállalat
16. buyout staff buyout management buyout leveraged buyout collateral to discharge(-ed) debt	– kivásárlás – személyzet által történő felvásárlás – vezetők által történő felvásárlás – romló vállalat megszerzése – fedezet – adósságot kiegyenlítő
17. law of accountancy annual report closed economic year financial income situation	– számviteli törvény – éves beszámoló – lezárt gazdasági év – vagyoni, pénzügyi – jövedelmi helyzet
18. simplified annual report consolidated report simplified balance sheet and profit and loss account income statement (US) profit and loss account (GB) bookkeeping by single entry bookkeeping by double entry	– egyszerűsített éves beszámoló – összevont beszámoló – egyszerűsített mérleg és eredmény levezetés – eredmény kimutatás – eredmény kimutatás – egyszeres könyvvizetés – kétszeres könyvvizetés
19. aggregate amount of the balance sheet amount of the annual sales turnover	– mérleg főösszege – éves árbevétel nagysága
20. Securities and Exchange Commission (SEC) auditor's report accounting principles performance	– Értéktőzsde Bizottság – könyvvizsgálói jelentés/beszámoló – számviteli alapelvek – teljesítmény/eredmény

21.	
balance sheet	– mérleg
supplementary enclosure	– kiegészítő melléklet
business report	– üzleti jelentés
22.	
assets	– eszközök
liabilities	– források
in value	– (pénz)értékben
opening balance sheet	– nyitó mérleg
closing balance sheet	– záró mérleg
property balance sheet	– vagyonmérleg
owner's equity	– saját tőke
24.	
assets	– eszközök
invested or fixed assets	– befektetett eszközök
intangible assets	– immateriális javak
capitalised value of formation, promotion and restructuring expenses	– alapítás-át szervezés aktivált értéke
capitalised value of research and development	– kísérleti fejlesztés aktivált értéke
rights, representing assets	– vagyoni értékű jogok
intellectual property/trade marks, patents	– szellemi termékek
goodwill	– üzleti vagy cégérték
deposits for intangible assets	– immateriális javakra adott előleg
value correction of intangible assets	– immateriális javak érték helyesbítése
tangible assets	– tárgyi eszközök
real property/lands and buildings and their rights representing assets	– ingatlanok és a kapcsolódó vagyoni értékű jogok
technical equipment, machinery, vehicles	– műszaki berendezések, gépek, járművek
other equipment, furniture, fittings, tools, fixtures vehicles	– egyéb berendezések, felszerelések, járművek
breeding animals	– tenyészállatok
assets in course of construction/equipment and construction in process	– beruházások, feltűjtások
advances/prepayments	– beruházásokra adott előlegek
value correction of tangible assets	– tárgyi eszközök érték helyesbítése
investments/financial assets	– befektetett pénzügyi eszközök
long-term shares and participations in associates	– tartós részesedés kapcsolt vállalkozásban
long-term loans in associates	– tartósan adott kölcsön kapcsolt vállalkozásban
other long-term shares and participations	– egyéb tartós részesedés
long-term loans in enterprise with other sharing relation	– tartósan adott kölcsön egyéb részesedési viszonyban álló vállalkozásban
other long-term loans	– egyéb tartósan adott kölcsön

long-term credit securities	– tartós hitelviszonyt megtestesítő érték-papír
value correction of investments	– befektetett pénzügyi eszközök érték-helyesbítése
current assets	– forgóeszközök
inventory/stocks	– készletek
materials	– anyagok
work in progress	– befejezetlen termelés és félkész termék
porker and other animal	– növendék-, hízó- és egyéb állatok
finished goods	– késztermékek
goods	– áruk
advances/prepayments for stocks	– készletekre adott előlegek
receivables/debtors	– követelések
trade debtors/accounts receivable	– vevők
receivables against associates	– követelések kapcsolt vállalkozással szemben
receivables against enterprise with other sharing relation	– követelések egyéb részesedési viszonyban lévő vállalkozással szemben
bills/drafts receivables	– váltókövetelések
other receivables	– egyéb követelések
securities	– értékpapírok
shares and participations in associates	– részesedések kapcsolt vállalkozásban
other shares and participations	– egyéb részesedés
own shares, partnership shares, shares bought for resale	– saját részvények, saját üzletrészek
credit securities for endorsement	– forgatási célú hitelviszonyt megtestesítő értékpapírok
liquid assets	– pénzeszközök
cash, cheques	– pénztár, csekk
bank deposits	– bankbetétek
prepaid expenses/accrued and deferred assets	– aktív időbeli elhatárolások
accrued and deferred assets of revenues	– bevételek aktív időbeli elhatárolása
accrued and deferred assets of costs and expenses	– költségek, ráfordítások aktív időbeli elhatárolása
deferred expenses	– halasztott ráfordítások
liabilities	– források
shareholder's equity/own capital	– saját tőke
issued capital stock	– jegyzett tőke
not paid issued capital stock	– jegyzett, de még be nem fizetett tőke
capital reserve	– tőketartalék
accumulated profit reserve	– eredménytartalék
fixed reserve	– lekötött tartalék
valuation reserve	– értékelési tartalék
retained profit of the year/net profit	– mérleg szerinti eredmény
provisions	– céltartalékok

provisions for expected liabilities	– céltartalék várható kötelezettségekre
provisions for expected costs	– céltartalék jövőbeni költségekre
other provisions	– egyéb céltartalék
liabilities/creditors	– kötelezettségek
deferred liabilities	– hátrasorolt kötelezettségek
deferred liabilities against associates	– hátrasorolt kötelezettségek kapcsolt vállalkozással szemben
deferred liabilities against enterprise with other sharing relation	– hátrasorolt kötelezettségek egyéb részesedési viszonyban levő vállalkozással szemben
deferred liabilities against other smallholder	– hátrasorolt kötelezettségek egyéb gazdálkodóval szemben
long-term liabilities	– hosszú lejáratú kötelezettségek
long-term borrowed loans	– hosszú lejáratra kapott kölcsönök
convertible bonds	– átváltoztatható kötvények
debts on the issue on bonds	– tartozások kötvénykibocsátásból
investment and development credits	– beruházási és fejlesztési hitelek
other long-term credits	– egyéb hosszú lejáratú hitelek
long-term liabilities against associates	– tartós kötelezettségek kapcsolt vállalkozással szemben
long-term liabilities against enterprise with other sharing relation	– tartós kötelezettségek egyéb részesedési viszonyban levő vállalkozással szemben
other long-term liabilities	– egyéb hosszú lejáratú kötelezettségek
short-term/current liabilities	– rövid lejáratú kötelezettségek
short-term borrowings, loans	– rövid lejáratú kölcsönök
short-term credits	– rövid lejáratú hitelek
advances received from customers	– vevőktől kapott előlegek
trade creditors/accounts payable	– szállítók
bills payable	– váltótartozások
short-term liabilities against associates	– rövid lejáratú kötelezettségek kapcsolt vállalkozással szemben
short-term liabilities against enterprise with other sharing relation	– rövid lejáratú kötelezettségek egyéb részesedési viszonyban levő vállalkozással szemben
other short-term liabilities	– egyéb rövid lejáratú kötelezettségek
accrued expenses	– passzív időbeli elhatárolások
accrued expenses of revenues	– bevételek passzív időbeli elhatárolása
accrued expenses of costs and expenditures	– költségek és ráfordítások passzív időbeli elhatárolása
deferred revenues	– halasztott bevételek
25.	
accounting document	– számviteli dokumentum
turnover	– bevétel
revenues	– bevétel

determined structure	– meghatározott szerkezetben
to count law	– számviteli törvény
auditor	– könyvvizsgáló
to certify	– hitelesít
yield	– hozam
to round-ed	– kerekít
26-27.	
to deduct-ed	– levon
production expenses	– termelési költségek
operating expenses	– működési költségek
28.	
total expenditure	– összköltség eljárású
net domestic sales	– belföldi értékesítés nettó árbevétele
net external sales	– exportértékesítés nettó árbevétele
turnover / sales, revenue	– értékesítés nettó árbevétele
change in self-manufactured stocks	– saját termelésű készletek állományváltozása
own work capitalised	– saját előállítású eszközök aktivált értéke
own performance capitalised	– aktivált saját teljesítmények értéke
other income	– egyéb bevételek
cost of raw materials and consumables	– anyagköltség
(material-type) services consumed	– igénybe vett szolgáltatások értéke
other services	– egyéb szolgáltatások értéke
cost of goods sold	– eladott áruk beszerzési értéke
cost of services sold	– eladott szolgáltatások értéke
material-type costs	– anyagjellegű ráfordítások
wages and salaries	– bérköltség
other staff emoluments	– személyi jellegű egyéb kifizetések
contribution deducted from wage	– bérjárulék
staff costs	– személyi jellegű ráfordítások
depreciation	– értékcsökkenési leírás
other operating expenses	– egyéb ráfordítások
trading profit	– üzemi (üzleti) tevékenység eredménye
income from investments	– kapott osztalék és részesedés
holding gain arising from sold shares	– részesedések értékesítésének árfolyamnyeresége
investments interest, holding gain	– befektetett pénzügyi eszközök kamatai, árfolyamnyeresége
other interest receivable and similar income/interest income	– egyéb kapott kamatok és kamatjellegű bevételek
other income from financial activities	– pénzügyi műveletek egyéb bevételei
income from financial transactions	– pénzügyi műveletek bevételei
investments holding loss	– befektetett pénzügyi eszközök árfolyamvesztése

interest payable/interest expenses	– fizetett kamatok és kamatjellegű ráfordítások
shares and participations, securities, bank deposits loss of value	– részesedések, értékpapírok, bankbetétek értékvesztése
other expenses on financial transactions	– pénzügyi műveletek egyéb ráfordításai
expenses on financial transactions	– pénzügyi műveletek ráfordításai
profit on financial transactions	– pénzügyi műveletek eredménye
profit on ordinary activities before taxation	– szokásos vállalkozási eredmény
extraordinary income/extraordinary benefit	– rendkívüli bevételek
extraordinary expenses	– rendkívüli ráfordítások
extraordinary profit	– rendkívüli eredmény
profit before taxation	– adózás előtti eredmény
taxation	– adófizetési kötelezettség
profit after taxation	– adózott eredmény
use from the accumulated profit reserve for dividends and profit sharing	– eredménytartalék igénybe vétele osztalékra, részesedésre
dividends and profit-sharing paid payable	– fizetett osztalék és részesedés
retained profit of the year	– mérleg szerinti eredmény
29.	
general part	– általános rész
accounting policy	– számviteli politika
specific part	– specifikus rész
supplement	– kiegészítés
informative part	– tájékoztató rész
30.	
determined structure	– meghatározott szerkezet
flow of business	– üzlet menete
property relation/ownership	– tulajdonviszony

COMMERCE – FUNCTIONS, TYPES AND SERVICES OF TRADE

QUESTIONS 9/A

Retail trade

1. In what sense does commerce differ from trade?
2. Which functions determine the channels of distribution?
3. What does retail trade mean?
4. What do frontline service and staff mean?
5. What are the main services of retail trade?
6. What functions does retail trade provide?
7. How can you categorise the types of retailer?
8. Could you introduce the door to door type of retailer?
9. What other simple type of retailers can you describe?
10. What are the advantages and disadvantages of sole traders?
11. What are the chain stores like?
12. Who controls them?
13. What benefits do they involve?
14. In what sense does a supermarket differ from the multiples?
15. Why is not the big size advantageous?
16. What can hypermarkets provide for the customers?
17. What are the characteristic features of the department stores?
18. What negative and positive features have impact on department stores?
19. What is the difference between a specialist stores and a discount store?
20. What do the specialist stores focus on?
21. Why are the catalogue stores so special?
22. Why does a shopping centre function as a collector of shops?
23. How does a franchise system operate?
24. Who is a franchisor and a franchisee?
25. What does the franchise format include?
26. How many types of fees does the franchisee have to pay?
27. What are the franchisor's and the franchisee's tasks?
28. What are the forms of trade, which do not need shops?
29. What services can vending machines provide?
30. How can products be sold in the case of mail order?
31. What are the advantages and disadvantages?
32. What similarities are there between e-commerce and mail order?
33. What modern technologies are used in the shops?
34. Besides the retail services what other types of services can you mention?
35. What does the warranty service guarantee to the customers?

MODEL ANSWERS 9/A

1. By definition commerce is the act of buying and selling goods and services, which links the channel of distribution between the producer and the consumer. On the other hand trade is only a part of commerce, the procedure during which ownership changes. It also means the buying and selling of commodities and services, which can take place both inland and between countries. Inland trade is called home trade, which is made up of retail and wholesale trade while trade between countries means foreign trade, which is responsible for export – import transactions.
2. The functions that help trade are also part of commerce. The members of the channels of distribution can change the ownership by selling the goods and services so the transfer of ownership is one of the functions of the channels of distribution. The second function is the risk taking function where the owner of the commodity bears the risk and if the ownership changes the risk is shifted to the new owner. The next function is the financial function, which means on the one hand that the owner of the commodity invests money into the goods when buying it until the consumers pay them. On the other hand he can grant credit to the consumers or partners who want to buy the goods or services and cannot pay immediately. The channel of distribution can function as an information or communicational channel. The consumers can be informed about the services and commodities through telecommunications like Internet, television or radio, through advertising or even through mail services. Finally the last function is the channel of logistics where the commodities and services are transported from one place to another and the customers can reach the goods in the desired place.
3. As a part of home trade, retail trade ensures the supply of goods for the members of the public. The retailer usually purchases the commodity from the wholesaler and sells it to the consumer.
- 4–5. Retail trade is a real frontline service where the quality and outlook of the products are extremely important from the customers' point of view. The shop assistant or the trader cannot sell the product without showing it. They belong to the frontline staff which means that they are directly involved in meeting and communicating with the customers. Sometimes it depends on the frontline staff whether the product is sold to the customer or it is not. The main services can be profit oriented (for example if a customer asks the shop assistant to wrap the present up and the assistant asks money for this) or can contain cost-price, it can be subject to a fee, or not. The service can be provided by the trader or by other assistants and finally it can belong to the product or can be independent from it.
6. Firstly, the retailer provides a great variety of goods from which the consumers can choose. Secondly the commodities are in stocks from which the customers can buy. Moreover the retailer can give advice to the customers in connection with the commodities or encourage the sale through some tools like advertising, providing services (for example delivering the product to the customer's home)

- or granting of credit. On the other hand the customers can tell their positive or negative opinions about the goods they bought whether the commodities satisfy the customers' needs or not. And finally the retailers own small outlets from which they sell the producers' products consequently the producers themselves do not have to spend time on selling their own goods.
7. There are three basic categories the first one is the simplest type for example door to door, market traders or even sole traders. The second type is more complex which does not contain one shop but several ones sometimes chains of shops such as multiples, supermarkets, hypermarkets, department stores, specialist stores, discount stores and catalogue stores. And finally the last type involves the modern forms in retailing like vending machines, mail order, electronic commerce, shopping centres or even franchise forms. There is another type of categorisation according to which these forms are divided into two groups. The first is the ones where the sale takes place in a shop or chains of shops and the second one contains forms without shops such as vending machines, mail order, telemarketing or electronic commerce.
8. Among the simplest types there is a door to door retail form. Within the door to door retail form there are people who carry their commodities, go on foot from door to door and try to sell their goods. They are the so-called peddlers. Another type within this form involves people who transport their commodities by car or van and sell them in the streets. They are the hawkers. And finally the third group, which belongs to the door to door form, contains retailers who have mobile shops they drive them and try to sell the goods.
9. The next simplest form of retailer is the market trader form where the traders sell their commodities from stalls. Their retail price is lower than prices in boutiques because the retailer does not pay overheads or high renting fee for the stall. The last simplest type of retailer is the sole trader who owns a shop, which can be either in the city centre or in the outskirts of the town. They usually sell one type of commodity, for example bakery products or different types of meat (in case of butchers).
10. The benefits of sole proprietorship are that the trader is in close contact with the customer and can satisfy the customer's needs. The trader can even grant credit to the customer and it is not necessary for the customer to travel into the town for a loaf of bread for example because these types of shops can be found everywhere in the town they are not sited only in the town centre. Of course everything has negative points. The disadvantages can be that the retail prices are higher and the consumers cannot buy the goods in bulk, as there are limited quantities. Finally in case of the trader's sickness if he cannot be substituted the shop is closed until the retailer's recovery.
- 11–13. The multiples or chain stores contain chains of shops which have one and the same name and have common ownership. They are usually situated in the city or shopping centres and controlled by central headquarters. As they are very large stores it can happen that the retailer does not purchase the commodities from the wholesaler but from the producer consequently he can sell the goods

on lower prices with which he can attract the customers. As the chains of stores exist under one name money can be saved with advertising because one advertisement advertises all the shops belonging to the chain.

- 14–15. The supermarkets are self-service stores, which usually purchase foods, drinks or toiletries but some of them sell clothes or medicines available without prescription. These supermarkets serve one district of the town, provide large quantities of products which get the customers to buy goods they have not planned and are supplied with shopping trolleys and several check out points. The shopping area is bigger than in the case of multiples and as they are self-service it is not necessary to employ more staff for serving the customers. One of the drawbacks comes from its big size. Because of it there is little contact with the customers and there is higher rate of stealing in the case of both trolleys and products.
16. The hypermarkets have bigger shopping area than supermarkets that are situated in the outskirts of settlements. They are self-service shops like supermarkets, sell wide range of commodities that are not mainly food products and provide several kinds of services. Sometimes they are open at night as well. Hypermarkets are made up of departments or it can happen that there are shops whose owners rent the shopping area of the hypermarket. The parking place is an obligatory part of each hypermarket.
17. These department stores are divided into different departments like women's and men's wear, jewellery's or even toyshops, according to the commodity that the traders sell. The departments are separate and independent shops from the department store, which means that the owners are in charge of their profit. In some cases the customers can take advantage of the credit facilities that are provided by the traders.
18. It is very positive that the customers can choose from wide range of goods, the shop assistants are in contact with the customers and can give advice to them in connection with the goods. The consumers can park their cars easily because of the big parking areas and the stores can be approached easily as they are situated in very favourable parts of the town. The department stores have to face some disadvantages as well. For example as most of them are situated in the town centres these sites are very expensive. As there are several departments within the store there is no opportunity for price competition.
- 19–20. The specialist stores specialise in narrow kinds of commodities. They are situated in the centre of the town and often sell only one product line that makes it possible to focus on quality and personal service. Discount stores sell products in bulk and large quantities in low prices and work with low profit margin.
21. As far as catalogue stores are concerned they advertise their products in catalogues, which are either sent by post or can be bought in the shops which are situated in town centres. The customers have to fill in a form on which they order the product and if they are kept in stock they can buy them immediately if

not they have to wait for them. The customers pay for the goods as soon as they get them.

22. The shopping centre can be called as the collector of shops because it combines numerous outlets it is made up of department stores, specialist stores and different shops. These shopping centres are huge several-story buildings supplied with parking sites, elevators, lifts or even information desks.
- 23–27. Franchising is a business where there are two main characters, the franchisor and the franchisee. The franchisor sells the licence to the franchisee to be able to operate the business. The franchisor and the franchisee make a franchise agreement or the so-called franchise business format, which states the following obligations or tasks. The franchisee has to pay a franchise fee, which is a given amount of initial money, and a royalty fee or in other words a management service fee, which is a determined per cent of the annual turnover. The franchisee also has to pay an advertising fee as a contribution to the marketing and advertising costs. In return it is the franchisor that is mainly responsible for the marketing and advertising tasks and also for the employees' training. The franchisor gives an operations manual to the franchisee where all the information about running the business can be found and he can also appoint a master franchisee who is in charge of a specific area of the business. This format also contains the franchisee's right for using the name, trademark and logo of the business. The right lasts for a specific time and concentrates on a specific area. The franchisee has to provide high quality of the service, he can also take part in marketing, strategic and quality control. Pizza Hut, Kentucky Fried Chicken, McDonald's are all franchise organisations.
28. In these forms the credit cards, the computer services and the telecommunications take very important role. The forms are vending machines, mail order and electronic commerce.
29. Vending machines provide food, drink, chocolates or soups during twenty-four hours of the day. These are situated in busy places and as they are automatic there is no need for shop assistants although the costs of repairing and maintaining are very high.
30. To sell the products it can use catalogues from which the products can be chosen or it can advertise in the media like television, radio or newspapers, magazines. In these cases orders are usually taken through telephones or by mail and the products are sent by post. It can happen that the customers are granted credit without interest to be able to buy the goods conveniently. In certain cases there can be agents who take the orders from friends who choose the right product from whom they want to buy the catalogue. These agents get commission for selling the products like in the case of agents circulating AVON or Oriflame catalogues.
31. The advantages are that this type of purchase is very comfortable, the customers have time to choose among the commodities and they can take advantage of the credit without interest. The negative side of it is that sometimes the prices are high and the customers have to pay for the postal services as well. They do not

know whether the product they would like to order has a high quality or not and if they arrive at their homes in their perfect shape. The customers do not foresee whether the clothes they ordered will be a perfect fit. Of course these catalogues provide the possibility of sending back the goods and changing it into the perfect size.

32. Electronic commerce is also a form of trade where there is no need for shop assistants. It means the buying and selling of goods and services which are also contracted and paid through Internet. The introduction of e-commerce made the customers invest in computer systems and subscribe to Internet service. Ordering goods through Internet carries most of the advantages and disadvantages as mail order. Consequently the customers can save time by ordering the goods on the Internet, it is very convenient, they are not urged to order the goods and even do not have to go anywhere just sit in front of the computer and order what they want. With this activity they can save the petrol cost, which they would have spent if they had had to go to the shop to do the shopping. On the other hand the prices are higher on the Internet. Furthermore, this kind of shopping is very impersonal, moreover you are not aware of the quality of the product in certain cases and it is very time consuming if you want to change it if you are not satisfied with it.
33. Electronic developments help and save time for the shop assistants as well. Nowadays electronic check-outs are used in bigger shops or stores. These check-outs read the bar code of the product which carries information about the type of the product and transfers it to the cash register which prints this information on the bill given to the customer after shopping. The other type of bar code scanner is the electronic or light pen, which reads the code of the product and informs the customers about the commodity. There are also security arches that are gates through which you go after shopping. It checks whether you have stolen something from the store or not. In case of stealing it begins to give out an alarming tone and the security men catch you and fine you.
34. There are two other types of services and these are the customer service and warranty or guarantee service. The customer service combines all the services that are provided in connection with the commodity that the company would like to sell. It is usually a department, which deals with the customers' complaints and gives advice to them connected with the usage of the product. It has got two types, the first is the technical type, where the members deal with repairing services or help the customers how to use the products. The other one deals with the selling of the products here the members of this service inform the customers about the products, deal with complaints and deliver the commodities to the customers' home.
35. The other service that has to be mentioned is the warranty or guarantee service where the trader gives a formal written document in which the trader promises that the product will be repaired or replaced if it goes wrong in a given period of time. In more detail during this guarantee time if the commodity goes wrong the shop repairs it freely. If the product cannot be repaired the shop changes it

or in rare cases it gives the money back or even offers the customer to choose another product different from the previous one in nearly the same price. In Hungary the guarantee time for shoes for example is half a year, in the case of electrical appliances it is one year but there are special goods for example pure wool bed linens where the guarantee time can be five or ten years as well.

VOCABULARY 9/A

- | | | |
|------|-------------------------|-----------------------------------|
| 1. | commerce | – kereskedelem |
| | channel of distribution | – elosztási csatorna |
| | inland trade/home trade | – belkereskedelem |
| 2. | to shift the risk to sy | – áthárítani a kockázatot |
| 3. | supply of goods | – áruellátás |
| | consumer | – fogyasztó |
| 4-5. | frontline service | – frontvonal szolgáltatás |
| | frontline staff | – frontvonal személyzet |
| | cost-price | – önköltség |
| | to be subject to fee | – díjköteles |
| 6. | stock | – raktár |
| | sale | – értékesítés |
| | granting of credit | – hitelnyújtás |
| | door to door | – házaló |
| 7. | market trader | – piaci árus |
| | multiples | – üzletláncok |
| | hypermarket | – hipermarket |
| | department store | – áruház |
| | specialist store | – szaküzletek |
| | discount store | – diszkontáruház |
| | catalogue store | – katalógus-áruház |
| | vending machine | – automata |
| | mail order | – csomagküldő szolgáltatás |
| | electronic commerce | – elektronikus kereskedelem |
| | shopping centre | – bevásárlóközpont |
| | franchise | – franchise |
| | forms without shops | – bolt nélküli kereskedelmi forma |

- 8.**
peddlers – házaló
hawkers – utcai árusok
- 9.**
retail price – eladási ár
overheads – rezsiköltség
- 11–13.**
attract – vonzza
foods – élelmiszer
- 14–15.**
medicines available without prescription – recept nélkül kapható gyógyszerek
check out point – pénztár
- 16.**
settlements – település
food product – élelmiszer
- 18.**
price competition – árverseny
- 19–20.**
personal service – személyes szolgáltatás
in bulk – nagy tételben
profit margin – haszonkulcs
- 21.**
to keep in stock – raktáron tart
- 23–27.**
franchisor – névátadó
franchisee – névátvevő
franchise business format – franchise szerződés
royalty fee / management service fee – jogdíj
annual turnover – éves árbevétel
trademark – védjegy
- 30.**
credit without interest – kamatmentes hitel
commission – jutalék
- 32.**
to be not aware of – nincs tisztában valamivel
time consuming – időigényes
- 33.**
bar code – vonalkód
light pen – vonalkód leolvasó ceruza

- 34.**
customer service – vevőszolgálat
warranty/guarantee service – szerviz és garancia szolgáltatás
technical – műszaki
the selling of the product – termékeladás
- 35.**
guarantee time – garanciális idő(tartam)
in more detail – bővebben
electrical appliances – műszaki cikkek
pure wool bed linen – tiszta gyapjú ágynemű

QUESTIONS 9/B

Wholesale trade and foreign trade

1. What is wholesale trade?
2. What is the role of wholesale trade?
3. What are the main functions of wholesale trade?
4. Where is the wholesaler positioned in the chain of commerce?
5. In what situations can the wholesaler be omitted from this chain?
6. Who are the members of wholesale trade?
7. What services can wholesale traders provide for producers and retailers?
8. Can you name some types of wholesalers?
9. What is foreign trade?
10. What services can invisible trade include?
11. Why was it necessary for the countries to begin international trade?
12. What measurements are used in international trade and what organisations exist?
13. How can exporters sell their goods?
14. Where can exporters apply for help in Britain if they have problems?
15. What do patent and confidentiality agreement mean?
16. Why is the novelty date essential?
17. What international patent agreements does Britain belong to?

MODEL ANSWERS 9/B

1. Wholesale trade is essential to the economy. The companies buy large amounts of goods from the producers and they sell these commodities in smaller quantities to other wholesalers, retailers or even to customers. They simplify the flow of the product, as they are intermediaries between the producer and the retailers or even customers. They can store the goods instead of the manufacturers and the retailers. Wholesalers can offer commodities produced by one producer or can offer numerous items made by several manufacturers. Furthermore wholesalers can specialise in one or two goods but they can also sell wide range of products as well.
2. Wholesale trade has an intermediary role on one hand as it is a link between the producer and retailer and is the base of an important purchase market of retail

trade. It can also have a role in the producer market where it supplies the producers with services and means of production.

3. Firstly one of its functions is the intermediary function, the second is that it buys the commodities in bulk, stores them in stocks and delivers them from the place of production to the retail traders or to the place of consumption. Wholesale traders also convey information to both directions and have to finance the sale. As they finance the sale they take risk at the moment of paying for the goods because it can happen that the wholesale trader cannot sell the commodity. They can also grant credit to the retailers so the retailers are not under pressure to pay at once, instead of this they accept the credit and can sometimes pay after selling the goods. Finally wholesale traders can specialise in supplying advertising and customer service functions as well.
- 4–5. It is the producer or manufacturer who produces the commodity which is transported by the wholesale traders to their warehouses and forwarded to the retailers who sell them to the customers. It can happen sometimes that the producer sells his products direct to the retailer by eliminating the wholesaler. They can do this if the retailer belongs to a large chain store and wants to buy the commodity in bulk from the producers. If a customer orders a special product from a producer or in the case of mail order when the customer orders the product from a catalogue not only the wholesale trader but also even the retailer is by-passed.
6. There are firstly the wholesale distributors who purchase commodities from the producers and sell them in smaller quantities to the retailers or customer. And secondly there are wholesale agents or brokers who coordinate the sale of products usually from producers to retailers. These wholesalers are companies that rarely handle the commodities in the process.
7. The wholesale traders order the commodities in bulk consequently they decrease the production costs and as they transport the goods from the producers to their stocks they reduce the costs of delivery for the producers. It is the wholesale trader who finishes the packing of the goods and gives advice to the producer in connection with the up-to-date market trends. As far as the retailers are concerned, the wholesale traders can offer wide variety and choice of goods in small quantities as well to the retailers. These goods are pre-packed and labelled, they are supplied with price and the wholesale traders weigh them so the retailers save a lot of time and energy, as they do not have to do these things. The wholesalers provide customer and marketing services like advertising and promotion, technical or logistical advice, and installation and repair services to their clients. Wholesale traders often visit their customers and troubleshoot the problem or give them useful advice connected with how to use the equipment that the customer bought. And finally as the wholesale traders transport the products from the producers to their stock, the retailers can have easy access to them.
8. There are single general wholesale traders who hold huge stores within easy reach and can give credit to the retailers and even deliver the goods to their outlets. The second type contains those wholesalers who do not grant credit to

the retailer and even do not carry the goods to the retailer's outlet therefore the retailer has to do it. They are the so-called cash and carry wholesalers. And finally there are Co-operative Wholesale Societies (CWS) that own retail shop, which they supply with commodities they obtain from their firms or farms.

9. When the goods and services are purchased and sold between countries we talk about foreign trade. If one country buys goods from another country, which brings the products into the country, it is called import the other way round is the export when a country sells products to another country. Within export and import we can talk about visible trade when tangible goods and invisible trade when services are exported and imported.
10. There are several forms of invisible trade. One of them is travel, tourism or even transportation. The other can be how the services are performed. For example in the case of banking, insurance or management services the companies have to pay fees for these services which can derive from making contracts or other operations. And finally there are assets whose usage the companies have to pay for. These are the usage of patents, licenses, copyrights, trademarks or logos. The fee that has to be paid for these assets is called royalty.
11. Each country has their own natural resources that they can exploit to make products but there are differences between these resources and the climate in each country. One country cannot produce a certain type of product that other countries can make. So each country started to produce the products from which they gained comparative advantage and sold these goods to other countries. In the end international trade resulted in competition between the companies and growth in economy, higher living standards and modern technology.
12. There are two main measurements one of them is the tariff that is a kind of tax levied on imported products. The other one is the quota, which shows the quantity of the goods that can be brought into the country. Both the tariff and the quota protect the goods made in the home country by raising the price of the goods imported into the home country. The main international organisations that deal with trade are the European Free Trade Association (EFTA) and World Trade Organisation (WTO), which control tariffs.
13. The exporters can sell their goods either from home or from a foreign base. In the first case the exporter can use some devices of marketing like advertising in foreign newspapers or magazines or by making catalogues that can be bought or got abroad from which the customers can be informed about the products that the company makes. If the company is very well off it can operate an export department, if it lacks money it can form an export house, which ensures the orders sent from a foreign country. The export house can purchase the goods from the manufacturer and sell them abroad or it can happen that an export house trades the products and gets a commission from the seller if it manages to sell the goods. As for the selling from foreign base there are representatives abroad who distribute the products and if the customers would like to make contract then they make it with them.

14. There are consular officials who provide help and information for the exporters working abroad in connection with loans or finance for example. The other institution is the Department of Trade operating as a part of the Department of Trade and Industry (DTI), which also helps the exporters in market research, informs them about the licences and regulations abroad or even gives financial advice to the exporters. The third institution is the Export Credits Guarantee Department provides credit if the importer cannot pay, they insure the money against debts if the foreign importers do not pay or give help in connection with the export restrictions abroad.
15. A patent is a legal document that allows a person or a company to make or sell a new product, process or invention. According to the patent law any kind of invention has to be kept confidential until its owner files it in the Patent Office. A confidentiality agreement has to be signed by anybody who gets to know about the invention or gets a description of it. To receive the patent application the owner has to pay a certain amount of fee otherwise the application is not given out. Furthermore another fee has to be paid for the Patent Office for the search for the invention whether it has already been invented before or not. Finally the Patent Office sends the applicants a search report in which certain documents are cited. The expiry date of the patent is 20 years in every country.
16. If a company wants to apply abroad it can use the Paris Convention for the Protection of Industrial Property of 1883 to get a priory date. The novelty date is allowed if the application of the company is made within 12 months. This novelty or priory date means that if a company applies in Britain on the 23rd January and then applies in France on the 30th December then the novelty date is considered to be the 23rd January. This means that anyone who would like to apply for this invention in the world will be filed only after the 23rd January by the British application.
17. There are two international agreements to which Britain belongs the first is the Patent Cooperation Treaty and the second is the European Patent Convention. Patent Cooperation Treaty (PTC) allows that the application is carried out within 12 months then a search report is sent to the company at 18 months. This treaty does not give a patent but helps to simplify the procedure of applying a patent and puts off the expenditures that go with it like the cost of translation. The European Patent Convention (EPC) gives out an application at 12 months but those companies use it that have already applied to the Patent Cooperation Treaty. All the member states of the European Union belong to this treaty plus Cyprus, Turkey and Switzerland.

VOCABULARY 9/B

1.
wholesale trade – nagykereskedelem
wholesale trader – nagykereskedő
flow of the product – termék áramlása
intermediary – közvetítő

2.
purchase market – beszerzési piac
producer market – termelő piac
means of production – termelési eszközök
3.
place of production – termelési hely
place of consumption – fogyasztói hely
- 4–5.
chain of commerce – értékesítési csatorna
warehouse – raktár
to by-pass(-ed) – kikérül
6.
distributor (US) – elosztó, nagykereskedő
7.
stock – raktár
pre-packed – előre becsomagolt
labelled – címkével ellátott
to troubleshoot, -shot – nehéz ügyeket megold, elintéz
access to sg – hozzáférés
8.
Cooperative Wholesale Societies – Együttműködő Nagykereskedelmi Társaságok
9.
foreign trade – külkereskedelem
visible trade – látható kereskedelem
invisible trade – láthatatlan kereskedelem
10.
patent – szabadalom
12.
tariff – tarifa, díjszabás
quota – kvóta, rész, mennyiség
European Free Trade Association (EFTA) – Európai Szabadkereskedelmi Társulás
World Trade Organisation – Világkereskedelmi Szervezet
14.
consular official – konzuli hivatalnok, tisztviselő
Department of Trade – Kereskedelmi Minisztérium
Department of Trade and Industry (DTI) – Kereskedelmi és Ipari Minisztérium
Export Credits Guarantee Department – Exporthitelt Garancia Hivatal

15.
Patent Office
confidentiality agreement
- Szabadalmi Hivatal
– titoktartási egyezmény/szerződés
16.
Paris Convention
Protection of Industrial Property
novelty/priority date
- Párizsi Egyezmény
– ipari tulajdon védelmére szóló
– előjogi időpont
17.
Patent Cooperation Treaty
European Patent Convention
- Szabadalmi Együttműködési Egyez-
mény
– Európai Szabadalmi Egyezmény

COMMERCE – MARKETING**QUESTIONS 10/A****Marketing, marketing environment**

1. What is marketing?
2. How can marketing be defined?
3. How would you explain the marketing concept?
4. What is the role of marketing within a business?
5. What is the marketing environment of an organisation?
6. What elements does the micro-environment include?
7. Describe the macro-environment of an organisation.
8. What factors does the internal environment involve?
9. How can the external environment be examined in more detail?
10. What is SWOT Analysis?
11. Describe Five Forces Analysis.
12. What is PEST Analysis?

MODEL ANSWERS 10/A

- 1–2. There are many definitions of marketing. The better definitions are focused on customer orientation and satisfaction of customer needs.
'The human activity directed at satisfying needs and wants through the process of exchange.' (Prentice Hall Encyclopaedic Dictionary of Business Terms)
'Activities to design and sell a product or service by considering buyers' wants or needs, for example where and how they will buy it, how much they will be willing to pay, etc.' (Longman Business English Dictionary)
The Chartered Institute of Marketing defines marketing as *'the management process that identifies, anticipates and satisfies customer requirements profitably'*. This definition looks not only at identifying customer needs, but also satisfying them and anticipating them in the future.
Adcock et al. uses the following definition of marketing: *'The right product, in the right place, at the right time, at the right price.'* This is a snappy and realistic definition that uses McCarthy's Four Ps.
- 3–4. Most marketing experts now distinguish between selling and marketing. According to the 'selling concept' unwilling customers must be persuaded by dynamic, often pushy, hard-selling techniques to buy particular products or services that they do not necessarily need. However, according to the modern 'marketing concept', products are sold rather than bought. It means that you do not sell what you make, you produce what will be bought. The marketing concept is a philosophy. It makes the customer the focal point of all business activities. In addition to satisfying his already existing needs, marketers should also anticipate and create new ones. Marketing must begin with research, which allows the company to collect and analyse information on a variety of important

issues, such as consumer needs and expectations. By collating this information the business can decide what it wants to produce and how it will produce and sell its products. By using marketing, the business looks outwards and can assess the behaviour of rivals and also take note of the opinions of other important groups, such as pressure groups.

5. The marketing environment surrounds and impacts upon the organisation. There are three key perspectives concerning the marketing environment, namely macro-environment, micro-environment and internal environment.
6. The micro-environment influences the organisation directly. It includes suppliers that deal directly or indirectly, customers, and other local shareholders. Micro tends to suggest small, but this can be misleading. In this context, micro describes the relationship between firms and the driving forces that control this relationship. It is a more local relationship, and the firm may exercise a degree of influence.
7. The macro-environment includes all the factors that can influence an organisation, but that are out of their direct control. It is continuously changing, and the company needs to be flexible to adapt. There may be aggressive competition and rivalry in a market. There is always the threat of substitute products and new entrants. The wider environment is also ever changing, and the marketer needs to compensate for changes in culture, politics, economy and technology.
8. All factors that are internal to the organisation are known as the internal environment. They are generally audited by applying the 'Five Ms' which are **Men, Money, Machinery, Materials and Markets**. The internal environment is as important for managing change as the external. Marketers call the process of managing internal change internal marketing. Essentially they use marketing approaches to aid communication and change management.
9. The external environment (i.e. macro- and micro-environment) can be examined in more detail using approaches such as SWOT Analysis, Michael Porter's Five Forces Analysis or PEST Analysis.
10. SWOT Analysis is a tool for examining an organisation and its environment. It is the first stage of planning and helps marketers to focus on key issues. Once key issues have been identified, they can set up marketing objectives. SWOT stands for *strengths* (e.g. a new, innovative product or service, the location of the business), *weaknesses* (e.g. poor quality goods or services, damaged reputation), *opportunities* (e.g. a new international market, mergers, joint ventures or strategic alliances), and *threats* (e.g. a new competitor in the market). Strengths and weaknesses are internal factors while opportunities and threats are external factors.
11. Five Forces Analysis helps the marketer to contrast a competitive environment. It has similarities with other tools for environmental assessment, such as PEST analysis, but tends to focus on the single business or SBU (Strategic Business Unit) rather than a single product or range of products. Five Forces Analysis

looks at five key areas, namely the threat of entry, the power of buyers, the power of suppliers, the threat of substitutes, and competitive rivalry.

12. PEST Analysis is a framework used in analysing the business environment of an organisation. The acronym PEST stands for Political, Environmental, Social and Technological. It is very important for an organisation to consider all these factors of the business environment before launching the marketing process. In fact, environmental analysis should be continuous and feed all aspects of planning.

SKETCH ANSWERS 10/A

1. Marketing deals with the following areas:

- advertising
- after sales service
- design
- delivery and distribution
- packaging and presentation
- pricing
- promotion
- research
- quality control and assurance
- testing

VOCABULARY LIST 10/A

- | | |
|---|--|
| 1–2. | |
| to anticipate(–d) | – előre lát, megjósol |
| snappy | – szellemes |
| 3–4. | |
| pushy | – erőszakos, tolakodó |
| hard-selling techniques/high-pressure selling | – kellemetlenül erőszakos hirdetési mód-szerek, az áru nevének és jó tulajdon-ságainak állandó ismételtetése |
| consumer needs | – fogyasztói szükségletek |
| to collate(–d) information | – összegyűjt (információkat különböző forrásokból) |
| to take note of | – odafigyel vmire, észrevesz |
| pressure group | – érdekvédelmi csoport |
| 6. | |
| driving force | – hajtóerő |
| 8. | |
| to audit(–ed) | – megvizsgál |
| to manage(–d) | – kezel |

10.**SWOT Analysis**

merger

joint venture

alliance

- GYELV- (gyengeségek, erősségek, lehetőségek, veszélyek) elemzés
- egyesülés, fúzió
- vegyes vállalat
- szövetség

11.**Five Forces Analysis****PEST analysis**

strategic business unit (SBU)

threat of entry

power of buyers

power of suppliers

threat of substitutes

competitive rivalry

- gazdasági szervezet versenyképességét vizsgáló elemzés
- az üzleti környezet tanulmányozásának kerete
- stratégiai üzleti egység
- új versenytárs megjelenésének veszélye
- vásárlóerő
- (be)szállítói hatalom
- helyettesítő termékek megjelenésének veszélye
- versenyhelyzet

12.

acronym

to launch(-ed)

- betűszó
- elindít, elkezd

1.

advertising

after sales service

design

delivery and distribution

packaging and presentation

pricing

promotion

research

quality control and assistance

testing

- reklámozás
- vevőszolgálat, vevőgondozás, utószervíz
- tervezés
- fuvarozás és szállítmányozás
- csomagolás és piaci bevezetés
- ártervezés, az ár megállapítása
- marketingkommunikáció
- kutatás
- minőségellenőrzés- és biztosítás
- tesztelés

QUESTIONS 10/B***Market segmentation, targeting, positioning; the marketing mix; marketing strategy***

1. Why is segmentation important?
2. What is the function of segmentation?
3. What is a segment?
4. In what ways can you segment a market?
5. What is targeting?
6. What types of targeting are there?

7. Describe the 'single segment with single product' approach to targeting.
8. Describe the 'one product for all segments' approach to targeting.
9. Describe the 'multi-segment' approach to targeting.
10. What is positioning?
11. What is the marketing mix?
12. What elements are included in the marketing mix?
13. Define marketing strategy.

MODEL ANSWERS 10/B

1. Different customers within a market have different needs to be satisfied. To get a product or service to the right person or company, a marketer would firstly segment the market, then target a single segment or series of segments, and finally position within the segment(s).
- 2–3. Segmentation is essentially the identification of subgroups of buyers within a market who share similar needs and who demonstrate similar buyer behaviour. The world is made up from billions of buyers with their own sets of needs and behaviour. Segmentation aims to match groups of purchases with the same set of needs and buyer behaviour. Such a group is known as a 'segment'.
- 4–5. There are various ways to segment a market. For example, the automotive market could be segmented by driver age, engine size, model type, cost, and so on. However, the more general bases include age, country or region or area (geographical segmentation), the nature of the purchase, the use of the product, loyalty to the brand, benefit (satisfaction gained by the consumer), social class and income levels (socio-economic groups), lifestyle or beliefs, education, rate of usage and household structure.
The firm can then use this information to draw up a segmentation map. This is a tool for analysing the market and helping to identify market opportunities. They will evaluate each segment based on potential business success.
After the market has been separated into its segments, the marketer will select a suitable segment or a series of segments. It is like looking at a dartboard or a shooting target. You see that it has areas with different scores – these are your segments. Aiming the dart or the bullet at a specific scoring area is targeting.
6. There are three main approaches to targeting: single segment with single product, one product for all segments and the multi-segment approach.
7. According to this approach, the marketer targets a single product offering it a single segment in a market with many segments. For example, British Airways' Concorde used to be a high value product aimed specifically at business people and tourists willing to pay more for speed.
8. The marketer could ignore the differences between the segments, and choose to aim a single product at all segments i.e. the whole market. This is typical in mass marketing or where differentiation is less important than cost. An example of this is the approach taken by budget airlines such as Ryan Air in Ireland.

9. Here a marketer will target a variety of different segments with a series of differentiated products. This is typical in the automotive industry. Here there are a variety of products such as diesel, four-wheel-drive, sports saloons, and so on.
10. Positioning is the way people perceive a product in relation to the company's other products and to competing products, or the way the company would like them to perceive it. Positioning is usually achieved by managing the four elements of the marketing mix: product, place, price and promotion.
- 11–12. Marketing mix is a phrase first used by Borden in the 1960s to describe the marketing techniques that a company may use in order to strengthen demand for its products. Following the later work of McCarthy, these are usually referred to as the 'Four Ps', i.e. product, place, price and promotion. Within each element there are a number of separate sub-elements that can be added.
13. Besides being a philosophical approach to business marketing can also be seen as a coherent strategy aimed at achieving the organisation's objectives by identifying, predicting and satisfying customer demands. This is a co-ordinated plan comprising the following components: marketing research, product planning and development, pricing, distribution and promotion.

SKETCH ANSWERS 10/B

1. The sub-elements involved in the marketing mix:

- **Price** (the price of the product; particularly the price compared to the competitors)
 - basic list price
 - discounts
 - length of the payment period
 - possible credit terms
 - allowances, etc.
- **Product** (targeting the market and making the product appropriate to the market segment the business is trying to sell into)
 - quality
 - features (standard and optional)
 - style
 - brand name
 - colour
 - services and guarantee
 - size
 - packaging (sometimes treated as the fifth P), etc.
- **Place** (how the product is distributed)
 - channels of distribution
 - locations of point of sale
 - transport and logistics
 - inventory size, etc.

- **Promotion**
 - advertising
 - sales promotion
 - personal selling
 - direct mail
 - publicity/Public Relations, etc.

VOCABULARY LIST 10/B

1.
to segment(-ed) a market
a segment
segmentation
to target(-ed)
to position(-ed) a product
- felosztja a piacot, szegmentál
– szegment, piaci rész
– piacfelosztás, szegmentálás
– megcélóz, összpontosít vmire
– pozícionál, másokhoz viszonyítva meghatározza a termék helyzetét
- 2–3.
buyer behaviour
- fogyasztói magatartás
- 4–5.
loyalty to the brand
income level
market opportunities
- márkahűség
– jövedelemszint
– piaci lehetőségek
7.
targeting
- piaci célzás
9.
mass marketing
budget airline
- tömegmarketing
– alacsony költségvetéssel üzemelő légitársaság / „fapados” légitársaság
10.
differentiated product
automotive industry
- versenytársakétól jól megkülönböztetett, differenciált termék
– autóipar
11.
to perceive(-d)
- érzékel, észlel, felfog
14.
coherent
product planning and development
- összehangolt, összefüggő
– termékfejlesztés
1.
basic list price
allowances
- alapár, listaár
– kedvezmények

feature	– itt: terméktulajdonság
channel of distribution	– értékesítési csatorna
point of sale	– elárusítóhely
inventory	– árukészlet
sales promotion	– eladásösztönzés
personal selling	– személyes eladás
direct mail (DM)	– direct mail, hirdetés reklámlevéllel

QUESTIONS 10/C

Marketing research

1. What is marketing research?
2. What sources of data are there?
3. What is the difference between primary and secondary research?
4. What factors must be considered when choosing the method of research?
5. What ways are there to carry out primary research?
6. What is the difference between a random sample, a stratified sample and a cluster sample?
7. What observation techniques could you mention?
8. What are the major drawbacks of observation techniques?
9. What are experiments aimed at?
10. How are experiments usually carried out?
11. How can surveys be conducted?
12. What are the advantages of surveys?
13. How are personal interviews carried out?
14. What are the advantages and disadvantages of personal interviews?
15. How is primary data collected with the help of focus groups?
16. What is the main advantage/disadvantage of focus groups?
17. How is mail survey used to collect primary data?
18. What are the advantages and disadvantages of telephone interviews?
19. How can interviews be carried out over the Internet?
20. In what cases and how is mystery shopping carried out?
21. How are projective techniques used in primary data collection?
22. How are diaries used in collecting data?
23. How are omnibus studies carried out?

MODEL ANSWERS 10/C

1. Marketing research is the process of gathering information on potential customers. Marketers will normally look at information that shows buying habits, lifestyles and perceptions of both current and prospective customers. There are various types of research and these are: market research, product research, price research, sales research, promotion research, business research, motivation research, and so on.
- 2–3. There are two main sources of data – primary and secondary. Primary or field research is conducted from scratch. Its collection can therefore be expensive

and time-consuming. However, it should be accurate and relevant to the business involved. Secondary research, also known as desk research, refers to the use of already existing data that has already been collected for other purposes. The data is comparatively cheap to acquire but might not be accurate or exactly that required by the business.

4. When deciding on the method of research, we must always take into consideration the cost, the speed of collation, accuracy, reliability, age of information as well as any special characteristics of the market.
5. There are several ways to conduct primary research. The most usual ones are observation, experiments, surveys, mystery shopping, projective techniques, diaries and omnibus studies.
6. Simple random sample is a method of sampling where every member of the population to be sampled has an equal probability of being included in the sample. It is often done by using a computer to generate random numbers. Stratified sample is a subtype of random sampling where market researchers divide the population into subsets and the sample represents each subgroup in their representation in the population as a whole. People within the subsets are selected in a random way. With the cluster sample, which is a non-random method, groups of people are selected, who share the same beliefs, opinions, etc. and are later interviewed individually.
- 7–8. Observation can take the form of audits (e.g. checking stocks), recording devices (e.g. to record customers' television viewing habits) and watching (e.g. observing customers' behaviour in shops). It is costly and provides only limited information.
- 9–10. The function of experiments is to test how customers react to changes. This might involve changes in the product, packaging, advertising, price and distribution arrangements. Test marketing also belongs to this category. Product tests are often completed as part of the test marketing process. A product is introduced to the market in a limited number so that marketers can test customer reaction before they start the national launch. The products are displayed in an outlet and potential customers are asked to visit the shop where their purchase behaviour is observed. Observers will contemplate how the product is handled, how the packing is read, how much time the consumer spends with the product, and so on. This way marketing costs can be reduced.
- 11–12. This is a technique most associated with marketing research. Surveys can take the form of a personal interview, postal survey, telephone survey, panel survey (in which a group of people are asked about their opinions and their behaviour is examined), focus group discussion, and so forth. The advantage of a survey is that it is flexible, provides extensive data and can be used for examining opinions.
- 13–14. Personal interviews are conducted between a market researcher and a respondent. The obvious advantages of personal interviews are that they allow more depth, the respondent's body language can emphasise his reactions, and physical prompts such as the product and pictures can be used. They can be,

however, rather expensive and another possible drawback is that some respondents may give biased responses being face-to-face with a researcher.

- 15–16. Focus groups are made up from 10-18 selected respondents based together in the same room. Highly experienced researchers work with the focus group to gather in-depth qualitative feedback. Discussion, opinions, and beliefs are encouraged, and research will probe into specific areas that are of interest to the company commissioning the research. The main merit of this method lies in the participants and the researchers' interaction. However, it is very complex and can be very expensive in comparison to other methods.
17. Often, the mail survey is the most appropriate way to gather primary data. Lists are collated, or purchased, and a pre-designed questionnaire is mailed to a sample of respondents. Mail surveys do not tend to generate more than a 5-10 per cent response rate. However, a second mailing to prompt or remind respondents tends to improve response rates. Mail surveys are less popular with the advent of technologies such as the Internet and telephones, especially call centres.
18. Telephone ownership is very common nowadays. It is ideal for collecting data from a geographically dispersed sample. The interviews tend to be very structured and tend to lack depth. Telephone interviews are cheaper to conduct than personal interviews (on a per person basis). Its major drawback is the respondents' unwillingness to participate.
19. The Internet can be used in a number of ways to collect primary data. Visitors to sites can be asked to complete electronic questionnaires. However, responses will increase if an incentive is offered, such as a free newsletter, or free membership. Other important data are collected when visitors sign up for membership.
20. Companies often set up mystery shopping campaigns on an organisation's behalf. It is widely used in banking, retailing, travel, cafés and restaurants, and many other customer-focused organisations. Mystery shoppers enter the bank, outlet, etc. pretending to be real customers. They collect data on customer service and customer experience. Findings are reported back to the commissioning organisation. There are many issues surrounding the ethics of such an approach to research.
21. Projective techniques are borrowed from the field of psychology. They will generate highly subjective qualitative data. There are many examples of such approaches including completing the 'bubbles' on a cartoon series, sentence or story completion, and word association, which depends on very quick (subconscious) responses to words. Psychodrama is also used, for example imagine that you are a product and describe what it is like to be operated, worn, or used.
22. Diaries are used by a number of specially recruited consumers. They are asked to complete a diary that lists and records their purchasing behaviour over a period of time (weeks, months, or years). It demands a substantial commitment on the part of the respondent. However, by collecting a series of diaries with a number of entries, the researcher has a reasonable picture of purchasing behaviour.

23. In an omnibus survey a market research company sends out a questionnaire to a sample of customers at regular intervals. Any other companies may buy space on the questionnaire and insert their own questions. The research is far cheaper and requires less time and effort than conducting your own research.

SKETCH ANSWERS 10/C

1. The main steps of the marketing research process:

1. Define the problem. Never conduct research for things that you would 'like' to know. Make sure that you really 'need' to know something. The problem then becomes the focus of the research. For example, why are sales falling in the Greek market?
2. Choose a method for collecting data that you will analyse to solve your problem. Shall we conduct a telephone survey, or shall we arrange a focus group?
3. Select a sampling method. Do we use a simple random sample, stratified sample, or cluster sample?
4. How shall we analyse any data collected? What software shall we use? What degree of accuracy is required?
5. Decide upon a budget and a timeframe.
6. Go back and speak to the managers of clients requesting the research. Make sure that you agree on the problem. If you gain approval, then move on to step seven.
7. Go ahead and collect data.
8. Conduct the analysis of the data.
9. Check for errors. It is not uncommon to find errors in sampling, data collection method, or analytic mistakes.
10. Write your final report. This will contain charts, tables, and diagrams that will communicate the results of the research, and hopefully lead to a solution to your problem. Watch out for errors in interpretation.

2. Sources of secondary research:

- trade associations
- national and local press industry magazines
- national/international governments
- web sites
- informal contacts
- trade directories
- published company accounts
- business libraries
- professional institutes and organisations
- omnibus surveys
- previously gathered marketing research
- census data
- public records, etc.

VOCABULARY LIST 10/C

- 1.**
 buying habits – vásárlói szokások
 market research – piackutatás
 product research – termékkutatás
 price research – árkutatás
 sales research – eladáskutatás
 promotion research – reklámkutatás
 business research – üzleti kutatás
 motivation research – motivációkutatás
- 2–3.**
 source of data – adatforrás, információforrás
 primary source – elsődleges, első kézből való információforrás
 secondary – másodlagos, másodkézből való
 field research/primary research – helyszíni piackutatás
 to start from scratch – a semmiből, nulláról kezd vmit
 desk research/secondary research – másodlagos kutatás, íróasztalnál végzett kutatás
- 5.**
 to conduct research – kutatást lebonyolít, vezet
 observation – megfigyelés
 experiment – kísérlet
 survey – felmérés
 mystery shopping – tesztvásárlás
 projective techniques – kivetítési módszerek
 omnibus study/survey – gyűjteményes felmérés
- 6.**
 sampling – mintavétel
 random sample – véletlen minta
 stratified sample – rétegzett minta
 cluster sample – csoportos/klaszter minta
- 7–8.**
 audit – ellenőrzés
- 9–10.**
 national launch – országos (termék)bevezetés
 to display(-ed) – kitesz (áruház polcaira)
 outlet – üzlet, kereskedelmi egység
 to contemplate(-d) – meg szemlél

- 11–12.**
 personal interview – személyes (négy szemközt) elbeszélgetés
 postal survey – megkérdezés postai úton
 telephone survey – telefonos megkérdezés
 panel survey – panel, törzsminta-megkérdezés
 focus group discussion – fókusz csoportos vita
- 13–14.**
 drawback – hátrány
 biased – elfogult
- 15–16.**
 in-depth qualitative feedback – alapos és részletes minőségi visszajelzés
 to probe(-d) into – feltár vmit
 to commission(-ed) – megrendel
 merit – előny
- 19.**
 incentive – ösztönzés, engedmény
 free newsletter – ingyenes hírlevél
 to sign(-ed) up for membership – tagsáért folyamodik
- 20.**
 customer service – vevőszolgálat, vevőgondozás
- 1.**
 census data – népszámlálási adatok

QUESTIONS 10/D

Product and pricing

1. Explain the concept of the product life cycle (PLC).
2. What problems are there with PLC?
3. What is a product line?
4. What is the product mix?
5. What is pricing?
6. What factors must be considered when setting prices?
7. What ways are there to price a product?
8. When do marketers use premium pricing?
9. What does penetration pricing refer to?
10. What do we mean by economy pricing?
11. When is price skimming used?
12. What other important approaches to pricing are there?
13. When is psychological pricing used?
14. What is product line pricing?
15. What does optional product pricing refer to?

16. When is captive product pricing used?
17. What does product bundle pricing mean?
18. Give an example for promotional pricing.
19. When do marketers use geographical pricing?
20. What is value pricing?
21. Explain the notion of dumping.
22. What is a price war?
23. What are 'upmarket', 'mid-market' and 'downmarket' products?
24. Define mass market.
25. What is an entry-level product?
26. How can a product 'cannibalise' another one?

MODEL ANSWERS 10/D

1. The product life cycle (PLC) is based on the biological life cycle. According to this concept, a product has a changing 'life' with four phases: introduction, growth, maturity and decline. Marketing tasks, especially those associated with the Four Ps, vary with the stage the product is in.
2. In reality very few products follow such a prescriptive cycle. The length of each stage varies enormously. The decisions of marketers can change the stage, for example from maturity to decline by price-cutting. Not all products go through each stage. Some go from introduction to decline. It is not easy to tell which stage the product is in.
3. A product line of a company is a set of products which have similar features, similar uses or are purchased by the same kind of customer. Marketers may extend the product line by increasing variations or, alternatively, shorten it by reducing the number of variations.
4. The product mix of a business means its product portfolio that is the combination of all its product lines.
5. Pricing means that the company decides the price of its products in relation to each other and to competing products.
6. The price of a product depends mainly on two things: the overall costs and the profit margin. First, the manufacturer works out the overall costs summing up all the costs assigned for the product: manufacturing costs, packing and packaging, transportation, insurance, and so on. Taking these costs as its starting-point, the manufacturer can calculate the unit cost (the cost of each model). This is then completed by the profit of the company (normally 10 per cent).
There are other factors, however, which influence the price of goods. If the product is in demand and there are not many competitors on the market, the company can set a higher unit price. However, producing goods in small quantities is more expensive than in large quantities. If there is a big demand for a product, the company can manufacture it in large quantities and a lower unit price can be charged.

7. There are many ways to price a product. The four main pricing strategies are premium pricing, penetration pricing, economy pricing, and price skimming.
8. A high price is set when the product or service can be regarded as unique. This approach is used where a substantial competitive advantage exists. Such high prices are normally charged for luxuries.
9. The price charged for products and services is set artificially low in order to gain market share. Once this is achieved, the price is increased.
10. This is a no frills low price. The marketing and manufacturing costs are kept at a minimum. Supermarkets often have economy brands for soups, spaghetti, and so on (e.g. TESCO economy products).
11. A high price is charged when the company has a substantial competitive advantage. However, the advantage is not sustainable. The high price tends to attract new competitors into the market, and the price inevitably falls due to increased supply. Manufacturers of digital watches used a skimming approach in the 1970s. Once other manufacturers were tempted into the market and the watches were produced at a lower unit cost, other marketing strategies and pricing approaches were implemented.
12. There are various approaches to pricing used. The most important ones include psychological pricing, product line pricing, optional product pricing, captive product pricing, product bundle pricing, promotional pricing, geographical pricing and value pricing.
13. Psychological pricing is used when the marketer wants the consumer to respond on an emotional, rather than rational basis. For example, instead of one dollar they charge 99 cents for a product. Double pricing also belongs to this category. In this case, shopkeepers put two prices on an article, the higher price being crossed through to make customers believe that it has been reduced.
14. Where there is a range of products or services, the pricing reflects the benefits of parts of the range. For example, in the case of car washes, a basic wash could be \$2, wash and wax \$4 and the whole package \$6.
15. Companies will attempt to increase the amount customers spend once they start to buy. Optional 'extras' increase the overall price of the product or service. For example airlines will charge for optional extras such as guaranteeing a window seat or reserving a row of seats next to each other.
16. Where products have complements, companies will charge a premium price where the consumer is captured. For example a razor manufacturer will charge a low price and recoup its margin (and more) from the sale of the only design of blades that fit the razor.
17. Here sellers combine several products in the same package. This also serves to move old stock. Videos and CDs are often sold using the bundle approach.
18. Pricing to promote a product is a very common application. There are many examples for promotional pricing including approaches such as BOGOF (Buy One Get One Free).

19. Geographical pricing is evident where there are variations in price in different parts of the world, for example rarity value, or where shipping costs increase price.
20. This approach is used where external factors such as recession or increased competition force companies to provide 'value' products and services to retain sales (e.g. value meals at McDonald's).
21. Dumping means selling products cheaply in an export market, at a much lower price than in the domestic market, even below the production cost, perhaps in order to increase market share in the particular market.
22. A price war is a situation when two or more companies cut the prices of their products/services, often in response to each others' price reductions, all trying to gain a larger market share.
23. Products that target the richer sections of the market are often referred to as upmarket. Mid-priced products are called mid-market. Low-priced products, designed for customers in the poorer sections of the market, may be described as downmarket, but this term may as well suggest lower quality.
24. Mass market refers to standard, non-luxury articles that are produced and marketed in large quantities. They are manufactured at a low unit cost.
25. An entry-level product is the item of a company's product range sold at the lowest price. Its function is to attract first buyers. They are also referred to as bottom-end or low-end items. The most expensive products are called top-end or high-end.
26. When one of a company's products gains sales at the expense of another of the same company's products, we say that it cannibalised the other one. It usually happens when the products are too similar.

SKETCH ANSWERS 10/D

1. The most common price discounts:

- Cash discount (in the case of prompt or early payment)
- Promotional allowance (participation in sales promotion)
- Quantity discount (when purchasing large quantities)
- Seasonal discount (purchasing out of season)
- Trade discount (the purchaser is not the end user)

VOCABULARY LIST 10/D

1. product life cycle (PLC) – termékélekciklus
- introduction (phase) – bevezető szakasz
- growth – növekedési szakasz
- maturity – érettség
- decline – hanyatló szakasz

3. product line – termékfajta, termékvonala
marketer – marketingszakember
4. product mix/product portfolio – termékválaszték
6. overall costs – összes költség
manufacturing costs – gyártási költségek
unit cost – egy termék előállításának költsége
7. premium pricing – extra, minőségi ármeghatározás
penetration pricing – behatolási (piacnyerési) ármeghatározás
economy pricing – gazdaságos ármeghatározás
price skimming – lefőlözési árpolitika
8. competitive advantage – versenyelőny
12. optional product pricing – választható termék-ármeghatározás
captive product pricing – „fogoly” termék-ármeghatározás
product bundle pricing – csomagár
promotional pricing – reklámár
geographical pricing – földrajzi ármeghatározás
value pricing – értéken alapuló ármeghatározás
13. double pricing – kettős árazás
16. to recoup(-ed) – visszaszerez
(profit) margin – árres, haszonkulcs
18. BOGOF (buy one get one free) – egyet fizet – kettőt kap akció
21. dumping – dömping
market share – piaci részesedés
22. price war – árháború
price reduction – árcsökkentés
23. upmarket product – luxus termék
mid-market product – közép-árkategóriájú termék
downmarket product – olcsó, silány áru

24.
mass market – tömegtermékek piaca
25.
entry-level/bottom-end/low-end product – behatoló áron (legolcsóbban) kínált termék
top-end/high-end product – legdrágább termék
26.
cannibalisation – termékkannibalizmus
to cannibalise(-d) another product – ugyanazon gyártó másik termékétől veszi el a piacot
1.
cash discount – árengedmény készpénzfizetés esetén
promotional allowance – reklámkedvezmény
quantity discount – mennyiségi engedmény
seasonal discount – szezonális engedmény
trade discount – kereskedelmi kedvezmény

QUESTIONS 10/E

Promotion, advertising, media, personal selling, sales promotion, direct mail, PR, sponsorship

1. What is promotion?
2. What methods belong to Above The Line and Below The Line techniques?
3. What does the choice of the promotional mix depend on?
4. What is the objective of promotion?
5. How would you define advertising?
6. What stages can be identified within an advertising campaign?
7. What does the term media refer to?
8. How can the media be classified?
9. What does media planning involve?
10. Define the term media objective.
11. What do we mean by target audience, reach and frequency?
12. What do we mean by media strategy?
13. What does media tactics comprise?
14. Describe the Internet as a medium for advertising.
15. What is the function of advertising agencies?
16. Why do companies tend to use the services of advertising agencies?
17. What is personal selling?
18. Describe sales promotion.
19. Who is sales promotion aimed at?
20. What is Public Relations (PR)?
21. What do we mean by direct mail?
22. Define sponsorship.

MODEL ANSWERS 10/E

- 1–2. Promotion is a set of different techniques the aim of which is to inform, influence and persuade customers. According to McCarthy's classification, promotion is one of the Four Ps, which is further divided into four elements: advertising, personal selling, sales promotion and Public Relations. This is the classical promotional mix. However, according to the modern classification, promotion is divided into two parts. Above The Line (ATL) techniques refer to classical advertising while Below The Line (BTL) techniques involve non-traditional marketing communication techniques, such as sales promotion, point of purchase (POP), trade fairs, exhibitions, events, sponsoring, direct marketing, Public Relations, and personal selling.
3. The actual choice of promotional techniques depends on the product. Advertising and personal selling are the two most favoured ways of promoting a product. The other techniques have a supporting role to assist advertising or personal selling. However, certain factors such as the nature of the product and the target audience as well as the product life cycle and the money available must be considered when making up the promotional mix for a particular product.
4. The primary aim of promotion is to reinforce sales and profits, but promotional techniques may serve many other purposes, such as informing customers about the existence and benefits of products and services, creating or increasing demand for the product, or positioning it in relation to rivals' products. The most effective form of promotion is probably word-of-mouth advertising, which occurs when people tell their friends about the advantages of products or services that they have bought. However, not many providers of goods or services can rely on this alone, so they use paid advertising instead. In fact, many companies also make use of corporate advertising to build up their reputation rather than sell particular products.
5. Advertising is non-personal, one-way communication directed at target audiences through various paid media (print media, outdoor displays, radio, TV, cinema, Internet) to present and promote products, services and ideas.
6. There are various steps that must be followed in an advertising campaign. The first step is to set objectives of the campaign. When advertising objectives have been established, the next stage is to identify target customers (age, sex, social class, income, geographical location, size of family, media preferences). The third stage is to specify the unique features of a product, which will be communicated, and are known as USP – Unique Selling Points/Proposition. The copywriter bases his work on USP. The fourth stage is called media planning. It means selecting the media most suitable for achieving the given objectives. The fifth stage is to write the copy (the text of the ad) and the slogans. This is the job of copywriters. Designers make illustrations or design a sequence for TV. Big companies have their own advertising departments where they employ these people, but smaller companies hire an advertising agency to do the creative work.

7. In advertising the term media refers to communication vehicles such as the print media (newspapers, magazines, journals), radio, television, cinema, outdoor display (billboards, posters), direct mail, and the Internet. Advertisers use media to convey commercial messages to their target audiences, and the media depend to different degrees on advertising revenues to cover the cost of their operations.
8. The media are usually classified into either mass or niche media. Newspapers, magazines, television and radio are considered *mass media* because they deliver messages to a widespread, anonymous audience. The wide coverage of the mass media makes them ideal vehicles for advertisers who need to reach a large audience.
Advertising media such as cable television and direct mail are often viewed as *niche media* because they reach a narrowly defined audience with unique demographic characteristics or special interests. Direct mail offers more flexibility in terms of precision targeting and content customisation. Direct mail can be used to reach almost every consumer with personalised messages.
9. Media planning is the process of selecting time and space in various media for advertising in order to accomplish marketing objectives.
- 10–11. A media objective states what the planner wishes to accomplish. It is usually specified in terms of the target audience, reach, and frequency. The *target audience* is often defined according to demographics, product usage and psycho-graphics. *Reach* refers to the proportion of an audience that will see a particular advertisement at least once within a given period of time. *Frequency* refers to the number of times within a given period of time an audience is exposed to a media schedule.
12. A media strategy specifies the means for achieving the media objectives. A strategic decision is how to allocate the media budget geographically; that is, deciding in which markets to advertise and how much to spend in each of these markets.
13. Media tactics consist primarily of the activities of selecting media vehicles in the most cost-effective manner to ensure the successful execution of media strategies.
14. The Internet has emerged as a medium for marketing and advertising at the beginning of the 1990s. The Internet is different from conventional advertising media in several respects. First, it can serve as not only a communications channel but also a transaction and distribution channel. Consumers can get information and make purchases and payments all through the Internet. No other medium can accomplish these marketing functions instantly, without resorting to other means. Second, the Internet is by nature interactive. Users can initiate a shopping process by visiting a Web site and then clicking on hyper-linked text for more information. It is a two-way communication, with the Internet serving as a provider of customised content that meets an individual's needs. Third, it has the capacity for multimedia content. It can carry not only text and graphics but also audio and video content. The multimedia nature of

- the Internet is suitable for high-impact advertising. The Internet has become an integral part of the media mix for many advertisers, and new forms of advertising have filled the World Wide Web landscape, including animated banner ads, sponsor logos, and 3-D visualisation.
15. Advertising agencies provide businesses with expert advice on how to advertise their products and services in the most effective way. They will also manage the whole advertising campaign. The client firm normally provides the advertising agency with a fixed budget and a brief that summarises the objectives of the advertising campaign and outlines the message to be communicated to the target audience. The agency is responsible for creating advertisements or commercials as well as drawing up a media plan identifying which media will be used in the campaign and in which proportions. Agencies often produce alternative adverts and/or commercials that are pre-tested (pilot testing) before deciding on the final version and the national launch.
 16. Although large firms could afford to set up their own advertising departments, they prefer to use the services of specialised advertising companies. Such agencies are likely to have more resources, and wider knowledge about all aspects of advertising and advertising media than a single company. The most talented advertising experts tend to work for agencies rather than individual companies as this provides them with the opportunity to deal with a variety of advertising accounts (contracts to advertise product or services).
 17. Personal selling is one element in the promotional mix. Operating at the point of sale, it pushes the product by emphasising its advantages and its uses. It involves two-way communication. Personal selling is an effective way to manage personal customer relationships using sales people who act on behalf of the organisation. They must be well-trained in the approaches and techniques of personal selling. However, sales people are very expensive and should only be used where there is a genuine return on investment. For example, salesmen are often used to sell cars or household appliances where the margin is high.
 18. Sales promotion refers to all forms of promotion other than either advertising or personal selling. Like advertising, sales promotion is a form of one-way communication but unlike advertising, it does not involve a paid medium. Sales promotion is employed in a supportive role to the other techniques of communicating with customers. It is a method of developing the product/brand image or reinforcing advertising and selling messages.
 19. Some promotional activities are aimed at the trade (trade promotions) while other promotional incentives are focussed directly on the consumers (consumer promotions).
 20. PR is an important element of corporate advertising which is not directly concerned with increasing sales of a particular product or service, but more with the brand image, or picture, a company wants to present to the public. Public Relations is defined as 'the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its publics'

(Institute of Public Relations). PR experts specialise in organising activities and events that generate positive publicity for companies.

21. Direct Mail is very highly focussed on targeting consumers based upon a database. As with all marketing, the potential consumer is 'defined' according to a series of attributes and similarities. Creative agencies work with marketers to design a highly focussed communication in the form of a mailing. The mail is sent out to the potential consumers and responses are carefully monitored. DM is highly successful for selling magazine subscriptions, insurance and financial services. The letters usually start with a very personalised first sentence designed to ensure that the reader continues reading. The sales message is persuasive and clear, the language is direct and convincing, each item is tailored to the particular segment.
22. Sponsorship is where an organisation pays to be associated with a particular event, cause or image. Companies will mainly sponsor sports events such as the Olympics or Formula One, but cultural events are also popular with businesses due to their positive attributions (prestige, eternal value, etc.). The attributes of the event are then associated with the sponsoring organisation.

SKETCH ANSWERS 10/E

1. Arguments for advertising:

Advertising

- informs people about the advantages, price, accessibility, etc. of a product or service. Most people would never hear about goods and services offered without advertising.
- can differentiate the product from its competitors and can also act as a means to product identification.
- influences the purchase decision by allowing the consumer to make a more informed choice.
- can be regarded as a guarantee of quality.
- helps to build up a positive brand image.
- does not only help satisfy existing demand but plays an important role in creating new needs.

2. Arguments against advertising:

Advertising

- increases costs and, as a result, prices.
- is a waste of money.
- makes customers buy products (or services) that they do not actually need.
- can be deceptive.

3. Factors that must be considered when choosing the medium for the advertisement:

- geographical coverage
- size and composition of its audience

- power to reach the target group
- prestige of the medium (authenticity)
- its technical properties (sound and/or vision and/or movement, complex impact)
- flexibility (timing)
- receptive situation (the circumstances under which the recipient meets the medium)
- selectivity
- the relative cost
- ability to demonstrate
- product/service itself
- frequency of repetition/the permanence of the advertisement

4. Advantages and disadvantages of the television as a medium for advertising:

Advantages:

- high prestige
- receptive (relaxed) audience
- very good technical properties (combination of sound and vision)
- good for demonstration
- high coverage, large reach
- messages can be targeted according to programmes

Disadvantages:

- very high cost
- low flexibility
- conveys only limited information
- short life
- low attention when used as 'background noise'
- viewers find adverts an unnecessary intrusion and tend to surf among the channels during commercial breaks
- too many channels available – divided audience

5. Advantages and disadvantages of the radio as a medium for advertising:

Advantages:

- high prestige (human voice)
- low cost
- high coverage, large reach
- geographically selective
- can be targeted according to programme, radio station

Disadvantages:

- short life
- low attention ('background noise')
- no visual stimuli

6. Advantages and disadvantages of outdoor media as a means for advertising:*Advantages:*

- low cost
- high coverage
- relatively long life
- can be targeted locally
- frequent repetition
- demonstrative effect

Disadvantages:

- conveys limited (written) information
- low prestige
- unfavourable receptive situation
- mixed audience
- high manufacturing costs
- limited flexibility

7. Advantages and disadvantages of newspapers as a medium for advertising:*Advantages:*

- high coverage
- high prestige and topicality (political papers)
- flexibility
- large cover, high reach
- relatively low cost (cost-effective)
- targeting via readership profile
- local newspapers are selective geographically

Disadvantages:

- short life
- low prestige (tabloids)
- ineffective dispersion, low pass-along
- no movement or sound
- unfavourable receptive situation (public transport, 5-15 minutes)
- problem of gaining and retaining attention

8. Advantages and disadvantages of magazines as a medium for advertising:*Advantages:*

- target selected audience
- variable prestige
- relatively long life
- favourable receptive situation
- wide cover, high pass-along
- high quality reproduction

Disadvantages:

- high cost
- limited flexibility
- no sound or movement

9. Advantages and disadvantages of the cinema as a medium for advertising:*Advantages:*

- can be targeted locally, via subject of the film
- large reach (young adults)
- favourable receptive situation
- sound, vision and movement together, complex impact
- ideal medium for advertising films
- high selectivity

Disadvantages:

- lack of frequent repetition (low cinema attendance)
- low attention level

10. Personal selling involves the following techniques:

- sales presentations (including demonstrations)
- sales meetings
- telemarketing
- one-to-one communication with salespeople
- samples

11. Examples for sales promotion techniques:

- immediate customer incentive (free samples, trial packs, bonus packs, money-off promotions, free accessories, introductory offers, BOGOF i.e. 'buy one, get one free')
- delayed customer incentive (coupons, tokens, trading stamps, cash refund on mail order, self-liquidating offers, competitions)
- Point of Sale (POS) and Point of Purchase (POP) (counter displays)
- fairs and exhibitions
- sponsorship (sports, arts, etc.)
- performance-related incentive (bonuses, competitions, supply bonuses)

12. Techniques and functions of Trade Promotion:*Techniques of trade promotions:*

- bonuses
- competitions
- demonstrations
- exhibitions
- brochures/catalogues
- training
- samples
- money-off promotions
- contributions to advertising costs
- holidays etc.

Functions of trade promotions:

- develop goodwill
- encourage the dealer to push the product
- assist the sales force

- expand distribution
- boost unpopular lines

13. Techniques and functions of consumer promotion:

Techniques of consumer promotions:

- POP/POS techniques
- merchandising
- free samples
- coupons
- BOGOF
- competitions
- money-off promotions etc.

Functions of consumer promotions:

- draw attention to the product
- promote sales
- increase usage
- back up other promotional activities
- target a particular segment
- expand off-season sales
- boost unpopular lines

VOCABULARY LIST 10/E

1–2.

above the line (ATL)	– vonal feletti marketingkommunikációs módszerek
below the line (BTL)	– vonal alatti marketingkommunikációs módszerek
point of purchase (POP)	– eladáshelyi reklám
trade fair	– kereskedelmi vásár

3.

target audience	– célközönség
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4.

word-of-mouth advertising	– kb. szájhagyomány útján terjedő személyes tapasztalaton alapuló reklám
corporate advertising	– szervezeti reklám

5.

print media	– nyomtatott sajtó
outdoor displays	– szabadtéri reklámeszközök

6.

unique selling points/proposition (USP)	– egyedülálló eladási tulajdonság/ajánlat
copywriter	– reklámszövegíró

media planning	– médiatervezés, hirdetési eszközök összetételének megtervezése
advertising agency	– reklámügynökség
7.	
communication vehicle	– reklámhordozó, üzenethordozó
billboard	– hirdetőtábla, óriásplakát
to convey(-ed) a message to sy	– üzenetet átad, továbbít
advertising revenues	– reklámbevételek
8.	
medium (plural: media)	– reklámeszköz, médium
mass media	– tömegmédia
niche media	– kisebb szektorokra, szegmensekre irányuló média, rétegmédia
customisation	– egyéni igényekre szabás
personalised message	– egyénre szabott üzenet
10–11.	
media objective	– média cél(kitűzés)
reach	– elérés
frequency	– gyakoriság
12.	
media strategy	– médiastratégia
to allocate(-d) the budget	– felosztja a költségvetést
13.	
media tactics	– médiaválasztással kapcsolatos taktikai döntések
cost-effective	– költséghatékony
14.	
hyper-linked	– hiperhivatkozásokkal ellátott
customised content	– egyénre/célcsoportra szabott üzenet
animated banner ad	– mozgó szalagcím-reklám
3-D visualisation	– háromdimenziós megjelenítés
15.	
brief	– eligazítás, reklámkampány célkitűzéseinek írásos összefoglalója
pilot testing	– kipróbálás széleskörű közzététel/ bevezetés előtt
16.	
advertising account	– reklámszerződés, -megbízás
19.	
trade promotion	– kereskedelemösztönzés
customer promotion	– fogyasztóösztönzés

- 20.**
brand image – márkaimázs
publicity – hírverés, reklám, nyilvánosság
- 21.**
attribute – tulajdonság, jellemző
creative agency – reklámügynökség (feladata elsősorban a reklámüzenet megtervezése, kivitelezése)
- 3.**
coverage – lefedettség
technical properties – műszaki jellemzők
receptive situation – befogadói szituáció
ability to demonstrate – szemléltető képesség
- 7.**
profile – személyiségjellemzők összessége
ineffective dispersion – meddőszórás
pass-along – továbbadás
- 11.**
immediate customer incentive – közvetlen fogyasztóösztönző módszer
trial pack – tesztcsomag
bonus pack – ajándécsomag
money-off promotion – árkedvezmény
free accessories – ingyenes kiegészítők
introductory offer – bevezető ajánlat
delayed customer incentive – késleltetett fogyasztóösztönző módszer
cash refund – pénzvisszatérítés
self-liquidating – öntörlesztő, önfelszámoló kölcsön
performance-related incentive – teljesítményhez kapcsolódó ösztönzés
- 12.**
goodwill – jó hírnév
sales force – vásárlóerő
- 13.**
merchandising – értékesítés

COMMERCE – THE SETTLEMENT OF A COMMERCIAL DEAL

QUESTIONS 11/A

Enquiries, offers, quotations, orders, complaints, arbitration, the export sales contract

1. What is an enquiry?
2. How can you make an enquiry?
3. What are the major formal requirements of an enquiry?
4. What types of enquiry are there?
5. What should be included in a general enquiry?
6. What should be included in a specific enquiry?
7. Explain the difference between a solicited and an unsolicited offer.
8. Describe the basic principles and structure of unsolicited offers.
9. What should be involved in a solicited offer?
10. What is a quotation?
11. What is an offer made 'without engagement'?
12. What is a firm offer?
13. What is a tender?
14. What is a counter proposal?
15. When does the customer place an order?
16. What formal requirements does an order have?
17. In which cases should the buyer provide references?
18. Does the supplier have any obligations when receiving an order?
19. What is an Advice of Dispatch or Advice Note?
20. What are the most frequent reasons for complaints?
21. What are the formal requirements of a letter of complaint?
22. What is the function of an arbitration court?
23. What is an arbitration clause?

MODAL ANSWERS 11/A

1. An enquiry (American English: *inquiry*) can be a starting point of a business relationship. Firms usually choose to send out an enquiry when they look for possible suppliers, ask for catalogues, price-lists or prospectuses, require sample, or want to obtain more detailed information about the terms of payment or delivery that are inevitable to be familiar with before placing an order.
- 2–3. You can make an enquiry by telephone, telegram, telex, fax, or postcard. However, if you need to provide more information about your firm or ask the supplier for more information, it is advisable to write a letter. Letters of enquiry are expected to be simple, brief and clear pointing out what you are interested in. However, sometimes you must be a bit more explicit, especially when you suggest more favourable terms or methods of payment or ask for discounts.

- Such enquiries must be written carefully so that you can make a good impression on the supplier.
4. Enquiries can be classified as either general, in which you ask for the latest catalogues, price-lists, samples, etc., or specific asking for more explicit information.
 5. In a general enquiry you should briefly point out why you need the information and how you heard about the firm you are writing to. It is not necessary to provide a detailed description about your company when asking for catalogues, brochures, booklets, etc.
 6. In a specific enquiry you must be more specific and state exactly what you want. So, you must also provide a detailed description of the goods needed as well as the market. You must point out any particular items you are interested in and state clearly what you would like your prospective supplier to send you (catalogue, price list, directions for use, etc.). In addition, you must include the terms and time of payment and delivery. You must also point out that the enquiry is without engagement that is it does not bind you to place an order. It is a good idea to add the request for the lowest possible price and the promise of an order if the terms are competitive.
 7. A solicited offer is a confirmation of or a reply to an enquiry. Suppliers write an unsolicited offer or Sales Letter with the aim of encouraging or persuading their prospective customer to do business with them.
 8. The structure of unsolicited offers follows their fundamental principles: attention, desire, conviction and action. The function of the opening sentences is to attract the reader's attention, and make him desire to buy the product or make use of a service that the supplier is offering. The customer then must be convinced that it is in his best interest to accept the offer. In the end, he must be persuaded to take action.
 9. The function of a solicited offer is to get the prospective customer to do business with the supplier. So, he must make the product/service attractive for the buyer by emphasising some of its selling points along with any guarantees he can offer. Latest catalogues and price-lists should also be enclosed. When the seller does not have what the customer has asked for, he must offer a substitute or suggest another article which may be of interest for the customer. Alternatively, he may also refer the buyer elsewhere.
 10. A quotation is the most explicit form of a solicited offer.
 11. A company's quotation is not necessarily legally binding. When the supplier makes an offer without engagement, he reserves the right to change the conditions of the offer or refuse the customer's order. He must, of course, include the following notice in his offer: 'without engagement'.
 12. A firm offer is fixed, which means that the supplier binds himself that he will not change any conditions specified in the offer. It usually contains a particular time limit for the receipt of orders, or a discount price quoted for certain quantities.

13. A tender is a firm offer made to a governmental department or to a local authority to carry out exactly specified work or to supply goods required, at a fixed price.
14. It may happen that the buyer does not accept the price and/or terms offered by the supplier. In that case he makes a counter-proposal to achieve more favourable conditions.
- 15–16. When the customer and the supplier have agreed on all the terms specified in the offer, an order is placed. Orders are usually written on a firm's official order form. Even if the order is made by telephone, it is advisable to confirm it in writing, to prevent possible misunderstanding. A brief covering letter should be attached to confirm the most important data of the order. Particular attention must be paid to accuracy and clarity when placing an order.
17. New customers are usually required to attach references to their first order. It means that they should give the name of their bank or any other firms with whom they have had business relations for a considerable time. They may decide not to send a reference. In such a case, the seller may also ask for references. In general, the seller wants to make sure of the buyer's financial situation, solvency, reliability, reputation, etc. Such an enquiry is always carried out in the strictest confidence.
18. No. On receiving an order, it is up to the seller whether to accept, disregard or turn it down. There are various factors that may force a supplier to reject an order, for example the products ordered are out of stock, the customer may have a bad reputation for settling his accounts, the buyer's terms are unfavourable, there is a shortage of labour, an industrial action is going on, and so on. If he accepts, he will be bound legally to fulfil the order.
19. An Advice of Dispatch or Advice Note is a notice in which the seller informs the customer about the fulfilment of the order and the shipping arrangements he has made to have the goods delivered to the buyer. It usually contains the number and the date of the order, informs the customer that the goods are ready for delivery or that they have been transported, provides the date and manner of delivery, and may include the mode of packing along with the number and marking of packages.
20. Complaints arise when one of the parties (either the seller or the buyer) fails to fulfil the terms of the contract. Also, there are certain unpredictable situations, for which neither of the parties can be made responsible, such as wars, strikes, natural disasters, and so on. However, such cases do not occur very often so most of the time it is either the seller or the buyer who is at fault. The seller is to blame when the products have been damaged during delivery, the wrong goods have been dispatched or there are some problems with the quantity, quality or packing of the goods. A delay in delivery and problems with the shipping documents may also encourage buyers to lodge a complaint. The buyer may be at fault when he refuses to pay for the goods although he has already accepted them, rejects the goods without giving a good reason or fails to arrange transport in time.

21. The purpose of a letter of complaint is to sort out the problem in a way that is satisfactory for both parties. A lot depends on the language and the tone used. Nothing is gained by being rude or personal. The tone of the letter must be quiet, polite, and objective. The passive and impersonal structures should be used. There is no need for lengthy explanations, the letter must give a brief but clear presentation of the relevant facts. The writer of the complaint may suggest how the mistake can be corrected.
22. Arbitration courts are tribunals, which belong to chambers of commerce and they function as conciliators in trade disputes. When there is no other possibility to settle such disputes between the parties in a peaceful way, they may either choose to go to a general law court or to an arbitration court. As legal proceedings in a general law court are both costly and slow, and there may be differences between the legislative systems of countries, it makes more sense to refer the matter to an arbitration court. Arbitration proceedings are simple, less costly, relatively fast, and the parties can keep away from publicity.
23. If the parties to a contract decide on referring the matter to an arbitration court in the case of a dispute, they must include a statement about it (arbitration clause) in the contract. Arbitration must be agreed on before signing a contract, it cannot be enforced afterwards.

SKETCH ANSWERS 11/A

1. The following points must be included in a quotation:

- a full description of the goods/services
- quantity of goods (in customary units)
- quality (a full description as to grade, finish, strength, brand, make, etc. is essential)
- price (per unit or for the minimum quantity, with or without discount)
- method of transport
- terms of delivery (the time and the place of delivery)
- terms of payment (the currency and the mode of payment i.e. in advance, by letter of credit, etc.)
- insurance
- validity of the offer
- additional items such as arbitration clause, Incoterms etc.

2. The following points must be included in an order:

- the addresses of the seller and the buyer
- a date and a reference number
- description of the goods with a reference to the quality, specifications, serial numbers, etc.
- the quantity in customary units
- the type of packing and marking
- the terms of payment and delivery
- the price

- the details of shipping and forwarding
- all the necessary documents (e.g. the bill of lading, commercial invoices, consular invoices, certificate of origin, etc.)
- some other points, e.g. instructions for handling or references

3. A typical sales contract contains the following points:

- the purpose of the contract
- a full description of the goods/services
- the quantity of goods
- price
- terms of delivery with reference to the relevant Incoterm 2000
- terms of payment
- the date of delivery
- methods of transport
- the packing of the goods
- insurance
- import or export licence details or other instructions
- shipping/freight/documentary requirements
- contract conditions, e.g. arbitration clause

VOCABULARY LIST 11/A

- | | |
|--------------------------------|---|
| 1. | |
| enquiry/inquiry | – (ár)ajánlatkérés |
| sample | – minta |
| terms of payment | – fizetési feltételek |
| terms of delivery | – szállítási feltételek |
| to place(-ed) an order | – megrendelést felad |
| 2–3. | |
| discount | – árengedmény |
| 4. | |
| general enquiry | – általános (ár)ajánlatkérés |
| specific enquiry | – különleges (ár)ajánlatkérés |
| 6. | |
| directions for use | – használati utasítás |
| without engagement | – kötelezettség nélküli |
| to bind, bound, bound | – kötelez |
| lowest possible price | – legkedvezőbb ár |
| 7. | |
| solicited offer | – ajánlatkérésre adott válasz, ajánlatkérés
visszaigazolás |
| confirmation | – megerősítés, visszaigazolás |
| unsolicited offer/sales letter | – önkéntes ajánlat, reklámlevél |

- 8.**
conviction – meggyőzés, rábeszélés
- 9.**
selling point – előnyös (termék)tulajdonság
- 10.**
quotation – árajánlat
- 11.**
legally binding – kötelező érvényű
- 12.**
firm offer – kötelező ajánlat
to quote(-d) (a price) – árajánlatot tesz
- 13.**
tender – versenytárgyalási ajánlat, tender
- 14.**
counter-proposal – ellenajánlat
- 15–16.**
covering letter – kísérőlevél
- 17.**
reference – vélemény, referencia
solvency – fizetőképesség
- 18.**
to disregard(-ed) – figyelmen kívül hagy, nem törődik vele
to turn(-ed) down – elutasít
to be out of stock – nincs raktáron
to settle(-d) an account – számlát kiegyenlít
shortage of labour – munkaerőhiány
industrial action – sztrájk, munkabeszüntetés
to fulfil(-led) an order – megrendelést teljesít
- 19.**
Advice of Dispatch/Advice Note
shipping – szállítólevél, fuvarlevél
– szállítás(i), fuvar-
- 20.**
complaint – reklamáció
terms of the contract – szerződési feltételek
delay in delivery – késedelmes szállítás
shipping documents – fuvarokmányok
to lodge(-d) a complaint – panaszt tesz, kifogást emel, reklamál

- 22.**
arbitration – választott bírói eljárás, döntőbíráskodás
arbitration court – választott bíróság
tribunal – törvényszék, bíróság
chamber of commerce – kereskedelmi kamara
conciliator – döntőbíró
trade dispute – kereskedelmi vita
to settle(-d) a dispute – vitát elsimít
- 23.**
arbitration clause – választott bírói záradék
- 1.**
customary unit – szokásos, elfogadott mértékegység
price per unit – egységár
- 2.**
specification – részletes leírás
serial number – sorozatszám
forwarding – szállítmányozás
bill of lading – hajóraklevél
commercial invoice – kereskedelmi exportszámla
consular invoice – konzuli számla
certificate of origin – származási bizonyítvány
instructions for handling – kezelési útmutató
- 3.**
import licence – behozatali engedély
export licence – kiviteli engedély
freight – itt: (áru)szállítás
contract conditions – szerződési feltételek

QUESTIONS 11/B

Packing & marking, transport, shipping documents, forwarding

1. What is the function of packing?
2. Are the words 'packing' and 'packaging' synonyms?
3. What is the function of marking of cargo?
4. Give examples for special instructions that may be printed on containers.
5. What is a brand?
6. What are branded goods?
7. What is a trademark?
8. What documents are used in rail transport?
9. What shipping documents are needed in road transport?
10. What is a CMR note?
11. What does the acronym TIR stand for?
12. When is air transport used?

13. What shipping document is used in air transport?
14. What basic classes of ships are there in sea transport?
15. What are passenger liners used for?
16. What is the function of cargo liners?
17. What are tramp ships?
18. When are special freighters used?
19. What is the difference between a dock, quay, wharf, harbour, haven and port?
20. What is a chartered vessel?
21. Who are the experts representing a link between the shipowner and the charterer?
22. What is a charter party?
23. What is a time charter?
24. Define voyage charter.
25. What is a liner conference?
26. What is a Bill of Lading (B/L)?
27. What is the function of a shipping agent and a freight forwarder?

MODEL ANSWERS 11/B

- 1–2. The main function of packing is to protect the goods from damage or loss while they are transported from the factory or the warehouse to their destination. However, it also serves marketing purposes. The term 'packaging' refers to the wrapping and containers of goods in which they are sold in shops such as packets of cigarettes, cartons of milk and cans of coke. By 'packing' we mean the covering given to goods to protect them from damage and theft while being carried from one place to another, such as crates of wine or barrels of beer.
3. Marking of cargo serves identification purposes. With the application of unambiguous marks, traders can prevent from delay, confusion and miscarriage. Such marks usually contain the initials of the importer, the destination, the order number and the number of the cargo.
4. Sometimes internationally accepted signs, special directions or warnings concerning the manner of handling, loading, lifting, etc. are added to the marking such as 'fragile', 'this side up', 'top', 'bottom', 'handle with care', 'inflammable', 'keep dry', 'stay away from heat', 'no hooks to be used', 'to be kept cool', 'perishable', etc.
5. A brand was originally an owner's mark, made by burning on cattle but now it is a maker's name, a trademark or sign, usually officially registered and protected. It is put on goods to make it easy for buyers to recognise the make or quality.
6. Branded goods are marked with the name of the producer or some other brand name chosen by him, and usually put in special packaging before leaving the factory. The aim is to make the particular brand of goods easily recognisable and distinguishable from other brands in the shops.
7. A trademark is a special mark that is placed on a particular brand of article or commodity to distinguish it from similar goods sold by other producers. New

- trademarks are registered at the competent patent office. A registered trademark becomes the property of the person or organisation in whose name it is registered, and no other producer may use it without the owner's permission. If the trademark consists only of a name, it is called a registered trade name. Some examples: COCA COLA, NIKE, APPLE, etc.
8. When the goods are transported by rail, the consigner must fill out a consignment note in inland transport and an international consignment note in international railway transport.
 9. In inland road transport a waybill is used, while in international transport it is called a road consignment note. This is an evidence of receipt of the goods (by the carrier), but not a document of title to the goods, which means that the holder of the road consignment note does not have the right to possess the goods. It is also non-negotiable, which means that the holder of the note cannot transfer the title of the goods to someone else by endorsing. The note specifies the name and address of the sender (exporter) and the consignee (importer), the place of delivery and the place and date of taking in charge by the carrier.
 10. A CMR (Convention Merchandises Routier) note is an internationally accepted transport document for the shipping of goods by road through European countries that are members of the CMR. It is non-negotiable and so is not a document of title.
 11. The Transport International Routier (TIR) system operates in international road transport although sea transport may be used at some stage. The TIR system is faster and more economical because trucks are not delayed by border control. The container is locked and sealed in the exporting country. Then the truck transports the goods to the country of destination and may go across several countries on the way. However, import duties are only paid in the country of destination.
 12. Air transport is used when the goods are needed urgently (medical supplies and other emergency equipment, mail, newspapers, spare parts etc.), perishable goods (fruit, flowers, vegetables, food, etc.) or they are of high value (jewellery, furs, watches, etc.).
 13. The document used in air transport is called air consignment note or air waybill. It is made out in triplicate – one copy is retained by the consignor, another by the airline, and one is carried with the goods for the consignee. The air waybill is not a document of title and is therefore non-negotiable.
 14. There are four basic classes of ships used in sea transport: passenger liners, cargo liners, tramps and special freighters.
 15. Passenger liners are used primarily for passenger travel although they may carry some cargo. They follow fixed routes and have a scheduled timetable so delivery dates can be guaranteed. Due to high freight costs passenger liners are mainly used for transporting high value cargoes.
 16. Cargo liners sometimes carry a few passengers, although their main purpose is to deliver cargo. They run on fixed routes and to a regular timetable.

17. Tramp ships do not work to fixed routes or timetables and do not normally carry passengers. They accept any type of cargo, mainly bulk, and carry goods to any port to which shippers have cargo to send. Many of these cargoes are seasonal and include coal, timber, sugar, ores and fertilisers, which are shipped in complete shiploads.
18. Special freighters are ships built for special purposes. They can be container ships, bulk carriers (ore and grain), tankers (oil and other bulk liquids) or ferries (mainly for passenger travel).
19. A dock or quay or wharf is a landing place by the waterside for vessels to receive or discharge cargo. Usually it has cranes, rails and other appliances for moving loads. A harbour or haven is any bay, recess or inlet of the sea, or the mouth of a river where ships can obtain good or safe anchorage. A port is a town or place that provides a safe landing place for people and goods, and facilities, such as docks, wharves, and cranes for loading and unloading ships. It is also a place where customs offices control the entry of goods.
20. Chartered vessels are tramp ships, which can be hired. Freight markets, such as the Baltic Exchange in London, are responsible for hiring ships or space on them. The charges are not fixed but are determined by supply and demand.
21. Three types of specialists are involved in dealing in a freight market. Chartering agents do business on behalf of merchants who charter vessels. Shipbrokers are agents who represent shipowners and make charter party contracts between shipowners and charterers. Independent brokers are intermediaries who arrange ships for cargo and cargo for ships.
22. A charter party is a formal document, which records the detailed conditions of a contract between a shipowner and a charterer. The shipowner agrees to hire his ship or part of the cargo space in it, and the charterer agrees to hire it, for a fixed period of time or for a stated number of voyages between named ports.
23. Under a time charter the ship is hired for an agreed period of time during which the charterer may use the ship as he wishes, paying a monthly rate of hire based on the dead-weight tonnage of the ship. The ship is operated by the owners, but the charterer pays the cost of fuel and stores consumed during the period of the charter.
24. Under a voyage charter the ship is hired for a single voyage between certain agreed ports, to carry a stated cargo at a fixed rate of freight. The owner bears all the expenses of the voyage and is responsible for operating the ship.
25. The Liner Conference is a member-only organisation where shipowners offer their services on a particular sea route on conditions previously accepted by the members. The aim of such conferences is to decrease internal competition and protect the members from outside competition. They established common freight and passenger fares and limit entry to the trade.
26. The Bill of Lading is the most important document in sea transport. It contains the names of the consignor and the consignee, a detailed description of the goods, their destination and the name of the ship that is transporting them. It is

usually prepared in triplicate. One copy is retained by the consignor, one copy is sent on to the consignee and one copy is given to the ship's master, who acknowledges the receipt of the goods and binds himself to deliver them to their destination under the terms agreed.

It is a document of title to the goods that is the person who owns the B/L has the right to take possession of the goods. It is also negotiable, which means that the B/L may be transferred to another party by endorsement. When the seller writes only his name on the back of the B/L, we speak of blank endorsement. When he adds also the name of the party to whom the goods are to be delivered, it is a full endorsement.

27. A shipping agent is a person or a business organisation that works on behalf of another person or company and carries out activities related to the transportation of goods across borders. It is involved in preparing shipping documents, arranging for shipping space and insurance and deals with customs formalities, in return for a fee. Some shipping agents are also forwarding agents, organising the collection, carriage and delivery of goods between ports and the premises of merchants and manufacturers.

SKETCH ANSWERS 11/B

1. Factors influencing the nature of packing for an international consignment:

- climatic conditions of the transit countries
- nature of the goods (size, weight, etc.)
- form of transport used
- customs regulations in the transit countries
- insurance acceptance conditions
- marketing considerations
- marking of the cargo
- cost of packing

2. The major forms of transport used in international trade:

- rail transport
- road transport
- air transport
- sea transport
- inland waterways (rivers)
- pipelines

3. Factors influencing the choice of transport:

- nature of the goods
- size and weight of the cargo
- value of the goods
- distance the consignment must be transported
- how urgently the consignment is needed
- convenient position of terminals, e.g. station, docks and airport
- cost of the transport

- possibility of combining cargoes to reduce costs
- the reputation of the carrier

4. Advantages and disadvantages of rail transport:

Advantages:

- more suitable for passenger travel than road transport
- faster than road transport on distances over 200 miles
- economy in the use of labour
- especially suitable for container traffic
- more economical in fuel use than road transport

Disadvantages:

- routes and timetables are fixed
- possible delays (especially in winter)
- problem of transshipment
- high equipment and overhead costs
- need for road transport
- less economical than road transport for journeys of less than 200 miles
- there is more handling, and therefore greater risk of damage
- impersonal, so the risk of pilferage is greater

5. Advantages and disadvantages of road transport:

Advantages:

- it is flexible because provides door-to-door delivery
- economy (possibility of return loads)
- fast over short distances of less than 200 miles
- transshipment is eliminated so there is less risk of damage or pilferage
- the growing motorway network speeds up movement and reduces congestion
- specialised vehicles of great variety (tankers, containers, refrigerated carriers, etc.)
- suitable for the fast delivery of perishable goods

Disadvantages:

- congestion and delays
- cargoes are limited in size and weight
- subject to mechanical breakdowns
- affected by extreme weather conditions
- some roads are unsuitable for very large vehicles
- slower than railways over long distances
- not economical if the truck returns empty
- tax on vehicles and fuel must be incorporated into costs

6. Advantages and disadvantages of air transport:

Advantages:

- the fastest form of transport
- operates to timetables, mostly on direct routes
- low risk of damage or pilferage

- shorter transit time reduces insurance costs
- low packaging costs
- particularly effective over long distances
- containers used to speed up loading/unloading cargo

Disadvantages:

- high freight rates due to high operational costs
- weight and size of the consignment is limited
- sometimes affected by bad weather conditions
- other forms of transport are needed to and from airport
- not suitable for short distances
- causes noise and pollution

7. Types of B/L used in foreign trade:

- **Shipped B/L** – It acknowledges that the goods have been actually received on board.
- **Received for Shipment B/L** – It acknowledges that the goods are in the care of the shipowners for carriage on a ship, but does not say that the goods are on board.
- **Through B/L** – It covers goods which have to be handed over from one carrier to another during the journey.
- **Clean B/L** – It indicates that the goods were received on board 'in good order and condition'.
- **Dirty/Foul/Claused B/L** – The B/L contains a clause stating that the condition of the goods or packing when received was unsatisfactory.

VOCABULARY LIST 11/B

1–2.

packing
packaging

– csomagolás (szállítás előtt)
– csomagolás (boltok polcaira szánt árucikk esetén)

3.

cargo
marking of cargo
unambiguous
miscarriage
initials

– szállítmány
– árujelzés
– egyértelmű
– téves kézbesítés, áru elkallódása
– kezdőbetűk

4.

fragile
this side up
handle with care
inflammable
keep dry
stay away from heat

– törékeny
– ezzel az oldalával felfelé
– óvatosan kezelendő
– nem gyúlékony
– szárazon/száraz helyen tartandó
– hőtől távol tárolandó

no hooks to be used	– ne használjon kampókat
to be kept cool	– hűtve tárolandó
perishable	– romlandó
5.	
brand	– márka(név)
trademark	– védjegy, márkajelzés
registered	– bejegyzett
6.	
branded goods	– márkanévvel gyárilag ellátott áru, márkázott áru
patent office	– szabadalmi hivatal
8.	
consignor	– küldemény feladója, megbízó
(rail) consignment note	– vasúti szállítólevél, fuvarlevél
inland	– belföldi
9.	
waybill/road consignment note	– közúti fuvarlevél
evidence of receipt of the goods	– átvételi elismervény, nyugta
carrier	– fuvarozó
document of title to the goods	– árut megtestesítő okmány
holder	– birtokos
non-negotiable	– nem átruházható
negotiable	– átruházható
to transfer(-red)	– átad, átruház
endorsing	– „forgatás”, csekk v. váltó háttérrel ellátása tulajdon-átruházás céljából
consignee	– küldemény címzettje
11.	
economical	– gazdaságos
13.	
air consignment note/air waybill	– légi fuvarlevél
triplicate	– három példányban készült
14.	
passenger liner	– menetrend szerint közlekedő utasszállító óceánjáró
cargo liner	– menetrend szerint közlekedő teherhajó
tramp ship	– útvonalhoz, menetrendhez nem kötött teherhajó
special freighter	– szállítmány szerint specializálódott hajó, pl. tanker, konténerhajó stb.

15.	
freight	– itt: fuvardíj
17.	
bulk	– ömlesztett áru
19.	
dock	– kikötőmedence, dokk
quay	– rakodópart, rakpart
wharf	– rakpart, kikötő
vessel	– hajó, vízi jármű
to discharge(-d)	– kirakodik
crane	– daru
haven/harbour	– kikötőhely
bay	– öböl
recess	– medence, öböl
inlet	– öböl
river mouth	– folyó torkolata
anchorage	– horgonyzóhely
port	– kikötő, rév
to load(-ed)	– berakodik
to unload(-ed)	– kirakodik
20.	
chartered vessel	– áruszállításra bérelhető hajó
freight market	– hajóbérleti piac
21.	
chartering agent	– hajóügynök
shipbroker	– hajóbróker
shipowner	– hajótulajdonos
charterer	– hajót bérlő személy
22.	
charter party	– hajóbérleti szerződés
23.	
time charter	– meghatározott időre szóló hajóbérleti szerződés
dead-weight tonnage	– tonnában kifejezett teljes terhelés
24.	
voyage charter	– útvonal-hajóbérlet
to bear the expenses of sg	– viseli vminek a költségeit
25.	
fare	– menetdíj, viteldíj (személyszállításnál)

26.

to take possession of	– birtokba vesz
endorsement	– forgatás, hátirat
blank endorsement	– üres forgatmány
full endorsement	– teljes forgatmány

27.

forwarding agent	– szállítmányozási ügynök
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1.

customs regulations	– vámszabályok
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2.

inland waterways	– folyami hajózás
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4.

transshipment	– átrakodás
overhead costs	– rezsiköltségek, általános költségek
pilferage	– tolvajlás, megdézsmálás, fosztogatás

5.

door-to-door delivery	– házhozszállítás
congestion	– forgalmi dugó, torlódás

7.

shipped B/L	– fedélzeti hajóraklevél
received for shipment B/L	– áruátvételi hajóraklevél
through B/L	– közvetlen hajóraklevél
clean B/L	– tiszta hajóraklevél
dirty/foul/claused B/L	– záradékos hajóraklevél

QUESTIONS 11/C**Insurance**

1. Define premium.
2. What is an insurance policy?
3. Who is a policyholder?
4. How can you classify risks?
5. What is the difference between insurable and uninsurable risks?
6. Can you give some examples for uninsurable risks?
7. In which case can the insured person rely on compensation?
8. What does the principle of utmost good faith prescribe?
9. Why do you have to have an insurable interest?
10. What do we mean by the principle of indemnity?
11. What is the rule of subrogation?
12. What does the rule of contribution determine?
13. What is the role of the average clause in an insurance policy?
14. What is a proximate cause?

15. How do you make a claim for damages?
16. What is reinsurance?
17. To what extent is life assurance different from other types of insurance?
18. What is the aim of life assurance policies?
19. What is a whole-life policy?
20. What is a term policy?
21. What is an endowment policy?
22. What is marine insurance?
23. What kind of perils can occur in marine transport?
24. What does the term average mean in marine insurance?
25. What is general average?
26. What is particular average?
27. What are the main types of marine insurance?
28. What does hull insurance cover?
29. What is cargo insurance?
30. What risk does freight insurance cover?
31. When is shipowner's liability insurance taken out?
32. What is accident insurance?
33. What risk does personal accident insurance cover?
34. What is theft insurance?
35. What is property insurance?
36. Define liability insurance.

MODEL ANSWERS 11/C

1. The premium is the money paid during a particular period of time by the insured to the insurance company in return for insurance cover.
2. The written contract between the insurance company (insurer) and the insured is called the policy.
3. A policyholder is someone who has an insurance policy.
- 4–6. Depending on their nature, risks may be classified as insurable risks and uninsurable risks. The insurance companies provide cover against insurable risks but not against uninsurable risks. Insurable risks, such as fire, theft or accident, happen regularly so insurance companies can calculate on the basis of past statistics what is the probability of their occurrence during the period of insurance. Uninsurable risks, on the other hand, cannot be clearly described or calculated and are not often met. Such risks are, for example, rust and corrosion or inadequate packing or that a new enterprise will be successful.
7. The insured person is entitled to compensation if he has fulfilled the principles of insurance. The basic principles of insurance are the following: utmost good faith, insurable interest, indemnity, and proximate cause.
8. The person intending to take out an insurance policy is legally bound to give the insurance company all the relevant facts and information so that he can get a correct assessment of the risks to be insured. No essential facts must be kept

- back. The insurance company, by the same legal rule, is legally bound not to mislead the insured, for example by putting conditions into the contract that are unfair or have not been discussed with the insured.
9. If you do not meet the condition of insurable interest, the interest is not insurable. It is a ruling condition of insurance that the person who benefits from an insurance contract must himself be liable to suffer a loss that can be valued in money if the insured object is damaged or lost, or the insured person gets injured or dies.
 10. The principle of indemnity prescribes that the insured should be in the same position after a loss as he was immediately before it, that is neither richer nor poorer as a result of the loss. It means that the insured can only be compensated for the true value of the loss. (Obviously, the principle of indemnity makes no sense in the case of life assurance and personal accident insurance.)
 11. When an insurance company settles a claim, it has the right over the insured item. It means that the insurance company is entitled to any other money that the insured person can get for the same loss, for example compensation from the person who caused the loss. This reduces the cost of the loss to the insurer and prevents the insured from obtaining more than his full indemnity.
 12. The insured has the right to insure an item with two (or more) different insurance companies and claim for damages from both of them in the event of a loss. The rule of contribution prescribes the share of a loss (i.e. each company will pay a proportion of the cost) so that the insured cannot be over-insured.
 13. The average clause means that, in the event of a claim, the compensation shall not be greater than the proportion that the face value of the property (the value stated in the policy) bears to its actual value. This is to make sure that the item is insured for at least its full actual value and that the premium is paid on this basis.
 14. The proximate cause is the thing that is directly responsible for an event or chain of events. The insurance company will only settle a claim if the cause of the event is covered by the terms of the policy.
 15. When the event against which the policyholder is insured has happened, he is entitled to be compensated for the loss. First he has to make a claim on the claim form provided by the insurance company. The insured ought to complete the form with the utmost good faith. The insurance company will only accept the claim and indemnify the insured if there are no breaches of the conditions of the policy and the claim is justified.
 16. We speak about reinsurance when a large risk is shared among two or more insurers. In such a case each of the insurers takes responsibility for a fixed part of any loss, and receives a like proportion of the premiums.
 17. Life assurance is one of the main classes of insurance. The term 'assurance' refers to the fact that the insurance relates to an inevitable event, one that must happen at some time, such as a person's death, or the date he reaches a certain age.

18. Normally the purpose of insurance is to compensate the insured for some loss or damage. The purpose of life assurance is somewhat different, since the insured person himself cannot be compensated. The main types of life assurance policy are whole-life, endowment, term, and annuity.
19. In the case of a whole-life policy the insured person pays the premiums (weekly, monthly, or yearly) for the rest of his life. However, such policies are payable only on the death of the insured. (The sum assured may simply be enough to pay for the funeral, or it may be much larger to give some benefit to dependants.) This is called a straight life policy. It is, however, also usual to arrange that premiums are no longer paid when the insured person reaches retirement age (60 or 65). Such a policy is called whole-life with limited payments policy.
20. Term policies are for a fixed period of time, for example for 15 or 20 years. They provide benefit only if the insured person dies within this period. If he is still alive at the end of it, the policy expires and he receives nothing. Mortgage guarantee policies belong to this category. Someone who is buying a house on a mortgage may be made to take out a life assurance policy for the duration of the mortgage. If the mortgagor dies within this period, the proceeds of the policy will cover the mortgage.
21. The holder (or his beneficiary) of an endowment policy will be paid a fixed sum on a specified date or at death, whichever occurs earlier. It is therefore can be considered a form of saving as well as a form of insurance. A double endowment policy is an arrangement by which the sum insured will be doubled if the insured person lives to the end of the fixed period.
22. It is the oldest of the main classes of insurance. Marine insurance covers loss or damage to goods during sea transport. It deals with a variety of policies that give cover to owners of ships, their cargoes, and of other marine property against damage or loss caused by maritime perils. (Perils are accidents that may happen at sea, in harbour or on inland waterways.)
23. Perils can be classified as total and partial loss, major perils (e.g. fire, collision, stranding, sinking) and minor perils (e.g. seawater damage), and losses voluntarily incurred (e.g. jettison) and those involuntarily incurred.
- 24–27. The word *average* in this context means damage. Actually, it means the sharing, among owners or insurers, of the cost of loss or damage at sea. General average is the sharing of a partial loss resulting from a voluntary sacrifice made to prevent a total loss. In a situation of great danger, for example, the master of the ship throws part of the cargo into the sea in order to save the ship and the rest of the cargo for the common good. Then we talk about general average loss. Particular average is also partial loss, which arises from an accidental (involuntary) happening. The main types of marine insurance are hull, freight, shipowner's liability and cargo insurance.
28. Hull insurance covers the ship itself and its fixtures. It can be taken out either for a particular voyage or for a fixed period of time.

29. Cargo insurance covers a ship's cargo. It has four basic types. Free of Particular Average (FPA) covers the cargo against a total loss and partial loss caused by major perils, such as fire, collision or sinking. With Particular Average (WPA) covers the cargo against total and partial loss caused by minor or major perils. Against All Risks (AAR) provides the most comprehensive cover but only against risks contained in the policy. Cargo can also be covered against Strikes, Riots, War Risks and Civil Commotion.
30. Freight insurance protects the insured against the loss of freight (payment for carrying cargo). It is usually paid in advance, although the company is not strictly entitled to it until the cargo is dispatched. If the cargo is not delivered, the company may expect a claim for repayment of the freight. To avoid such a situation, normally an insurance policy is taken out against this possibility.
31. Shipowner's liability insurance covers the shipping company against risks caused by its own or the crew's acts: collisions, personal injuries, water pollution, and so on.
32. Accident insurance includes a wide variety of policies dealing mainly with loss of property other than by fire and lightning and with property other than ships and their cargoes. Its main sections are personal accident insurance, theft insurance and property insurance.
33. Personal accident insurance covers the insured against partial or total disability deriving from accidental causes.
34. Theft insurance includes policies insuring against loss where the main risk is stealing, such as all-risks policies, money policies, and sometimes policies for business premises and private houses.
35. Property insurance is another form of accident insurance, which protects one's possessions normally against accident and theft. Household insurance is a kind of property insurance, which can be divided into two parts: contents insurance covering such things as furniture and other accessories, and buildings insurance, which covers the building against damage.
36. Liability insurance protects the insured person against his liability to pay compensation for bodily injury, sickness or death, or for damage to property caused by negligence. Such liability may arise especially in the use of motor vehicles, the exercise of a profession (such as medicine or the law), the running of a business (employer's liability) and in private life.

SKETCH ANSWERS 11/C**1. Examples for non-life insurance policies:**

- marine insurance (hull insurance, cargo insurance, freight insurance, shipowner's liability insurance),
- fire insurance,
- motor insurance,
- aviation insurance,
- accident insurance (personal accident insurance, property insurance),
- liability insurance (public liability, employers' liability, fidelity bond), etc.

VOCABULARY LIST 11/C

- | | | |
|------|--|--|
| 1. | premium | – biztosítási díj(részlet) |
| | insured | – biztosított (személy) |
| | insurance cover | – biztosítási fedezet |
| 2. | (insurance) policy | – biztosítási kötvény |
| 3. | policyholder | – biztosított, biztosítási kötvény tulajdonosa |
| 4–6. | insurable risk | – biztosítható kockázat/kárveszély |
| | uninsurable risk | – nem biztosítható kárveszély/kockázat |
| | rust | – rozsdás |
| | corrosion | – korrózió |
| | inadequate packing | – nem megfelelő csomagolás |
| 7. | to be entitled to sg | – jogosult vmire |
| | compensation | – kártérítés |
| | utmost good faith | – a lehető legjobb indulat |
| | insurable interest | – biztosítható/biztosításképes érdek |
| | indemnity | – jótállás, biztosíték |
| | proximate cause | – közvetlen ok |
| 8. | to take (took, taken) out an insurance | – biztosítást köt |
| | policy | |
| | assessment | – becslés, értékelés |
| | to mislead, misled, misled | – félrevezet |

9. to be liable to do sth	– felelős vmiért, köteles vmire
10. life assurance accident insurance	– életbiztosítás – balesetbiztosítás
11. to settle(-d) a claim	– követelést elfogad
13. average clause face value actual value	– középérték záradék – névérték – tényleges érték
15. to indemnify(-ied) breach (of contract)	– kártalanít, kárpótol – szerződésszegés
16. reinsurance	– viszontbiztosítás
18. whole-life policy endowment policy term policy annuity policy	– egész életre szóló kötvény – javadalmazásos kötvény – határidős kötvény – évjáradék-biztosítás
19. straight life policy whole life with limited payments policy	– egyenes életbiztosítás kötvény – korlátozott fizetésű egész életre szóló kötvény
20. to expire(-d) mortgage guarantee policy mortgage	– lejár – ingatlanvásárlási kötvény, jelzálogkötvény – jelzálog
21. beneficiary double endowment policy	– kedvezményezett – dupla javadalmazásos kötvény
22. marine insurance peril	– tengeri biztosítás – veszély, kockázat
23. total loss partial loss	– totálkár – részleges kár

major peril collision stranding minor peril voluntarily/involuntarily incurred losses	– súlyos(abb) kockázat – ütközés – zátonyra futás – csekély(ebb) kockázat – szándékosan/nem szándékosan elszenvedett veszteségek
jettison/cast away	– hajóból nagy veszély esetén könnyítésül a tengerbe dobott áru
24–27. average general average particular average hull insurance freight insurance shipowner's liability insurance cargo insurance	– itt: hajókár – közös hajókár – részleges hajókár – hajótörzs-biztosítás – fuvardíj-biztosítás – hajótulajdonos felelősségbiztosítás – rakománybiztosítás
29. riot civil commotion	– zendülés – polgári zavargás
32. personal accident insurance theft insurance property insurance	– személyes balesetbiztosítás – lopás elleni biztosítás – vagyonbiztosítás
34. all-risks policy	– minden kockázatra kiterjedő biztosítás
35. household insurance contents insurance buildings insurance	– ingatlanbiztosítás – lakás tartozékaira kötött biztosítás – épületbiztosítás
36. liability insurance negligence	– felelősségbiztosítás – hanyagság
1. fire insurance motor insurance aviation insurance public liability insurance employer's liability fidelity bond	– tűzbiztosítás – járműbiztosítás – légi balesetbiztosítás – közfelelősség-biztosítás – munkáltatói felelősségbiztosítás – munkáltatóbiztosítás hűtlen kezelés ellen

INTERNATIONAL TRADE – EXPORT, IMPORT

QUESTIONS 12/A

Difficulties in international trade

1. Why do countries trade?
2. Define export and import.
3. What is the balance of trade?
4. What is a trade deficit?
5. What is a trade surplus?
6. What is the balance of payments?
7. What are visible and invisible imports/exports?
8. What difficulties must exporters face?
9. What is the function of export houses?
10. Who is a distributor?
11. What is the function of an agent?
12. What is the difference between a factor and a broker?
13. Who is a del credere agent?
14. Who is a sole agent?
15. What is the function of licensing?
16. Which is the most effective way of avoiding possible risks in a foreign market?
17. What difficulties may arise with payment?
18. What are the basic methods of payment used in international trade?
19. When does the use of payment in advance make sense?
20. Which method of payment means the greatest risk for the seller?
21. What is a pro-forma invoice?
22. What is a commercial invoice?
23. What is a consular invoice?
24. What is the function of a bonded warehouse?

MODEL ANSWERS 12/A

- 1–2. Countries trade because it is in their interest to trade. No country has the necessary resources, abilities, talents, expertise to produce everything that its consumers want or need, so some items must be imported (bought from abroad), perhaps from countries that specialise in their production. To pay for these imports, countries must in turn export (sell goods or services of their own to another country). Countries are thus economically interdependent on each other.
- 3–7. A country's balance of trade is the difference between the total value of its imports and exports. This includes visible imports/exports (goods). The balance of trade is an important part of the balance of payments, which also includes invisible items (services, transportation, insurance, tourism) and capital transfers from one country to another. If the total value of the goods imported

(visibles) is higher than that of the goods exported, the balance of trade is bad (adverse or unfavourable), that is to say it shows a deficit. If the reverse case is true, the balance of trade is good or favourable and it shows a surplus.

8. Exporters must be prepared for a variety of problems, which may be largely different from those they can expect in national trade. The distance to cover when shipping abroad is normally greater than in domestic trade, so exporters are often forced to use a combination of different ways of transport, which means a lot of administration as well as an increase in costs. Documentation is far more extensive in exporting than in the home market, and requires more work from the exporter. Much of this work can be handed over to a foreign representative or a freight forwarder (a firm specialised in making all the arrangements concerning the export of goods).
Language and cultural differences may be overcome if exporters pay special attention to providing precise translation of documents that accompany goods and use the service of trained interpreters in negotiations. Ignoring cultural differences and local requirements may lead to embarrassing situations and might as well endanger the success of a business deal. That is why market research is of great importance.
Different governments may require different technical specifications for products sold in their country. It is not uncommon that the exporter has to prepare a lot of different specifications for electrical equipment. (One of the advantages of EU membership is the use of uniform technical specifications and requirements in member states.)
Customs regulations have to be observed too, and they create considerable work for the exporter.
Trade restrictions, which mean a considerable obstacle to trade, can only be avoided by not exporting to countries imposing them.
Payment is another problem area. The exporter and the customer may use different currencies, in which case the currency must be exchanged in the foreign exchange market. The parties to the contract must also agree on the method, time and other terms of payment.
Careful attention must also be paid on insurance, because the risks are greater for the exporter.
- 9–10. One way the exporter may reduce risks in a foreign market is assigning some or all of the tasks to an export house. These firms provide export services. They may act as merchants or distributors, obtaining orders from abroad and then buying the goods from the producers in this country. The home producer simply sells its products to the merchant who will then have full responsibility for the goods. This way the manufacturer is relieved from the difficulties of exporting. Export houses, alternatively, may perform the function of an agent, too. (A distributor must not be mistaken with an agent, as he buys and sells for himself, while an agent is the representative of another party.)
11. Another way of diminishing risks in foreign trade is appointing an agent permanently based in the country to which the company is exporting. The agent is a middleman (intermediary) in commerce. His chief duty is to visit customers

and collect orders. If he secures an order, he sends it to the consignor (principal) who usually dispatches the goods directly to the customer. The agent himself does not, however, sign orders or collect invoiced amounts from the customers unless expressly authorised to do so. In addition, he must see to proper advertising of the commodity he represents, help representatives of the principal visiting his territory, submit regular market reports, help settle complaints, and intervene in case of non-payment. For his services he is paid a commission usually calculated on the basis of a percentage of the invoiced amounts after they have been fully settled.

12. In Britain, there are two types of agent: factors and brokers. A factor is employed by his principal to sell the principal's goods or services in return for a commission, which is calculated according to the amount of business done. The factor takes possession of the goods and acts in his own name in making bargains to sell them. Brokers, on the other hand, do not have possession of the products. Their role is to bring sellers and buyers together.
13. If the agent offers to his principal to guarantee the payment for the goods he sells, he is called a *del credere* agent i.e. he undertakes a credit risk. For his services this kind of agent is entitled to *del credere* commission.
14. A sole agent or exclusive agent is appointed for a particular territory to represent his principal's commodities. Such an agent usually receives a commission not only on sales he himself has secured, but also on those in which he has taken no part. The commission may, of course, be lower in the second case.
15. Exporting risks can be eliminated by licensing: the exporter (the owner of a copyright or patent) gives his official assent to a foreign producer to manufacture goods according to his design for sale in the foreign market. The producer then pays the exporter a royalty (i.e. a proportion of the money he earns on each unit he sells).
16. If the exporter has the necessary resources, he can establish a producing plant in the foreign market, by either setting up a local subsidiary or a joint venture with a local partner. To some extent it may be disadvantageous for the exporting country, as it may lose exports. However, the exporting company benefits from this solution as it can establish itself in the foreign market and, by employing local labour, it may make its products more acceptable.
17. Payment may pose two problems. One is that two different currencies may have to be used in financial transactions. The other concerns the method and time of payment. An exporter sending goods to a foreign customer, who he may not have done business with, wants to be sure of receiving payment, but the customer wants to be sure of receiving the goods before arranging payment.
18. The basic methods of payment used in international trade are the following: payment in advance; open account (cheque, banker's draft and telegraphic money transfer), bill of exchange (B/L); documents against payment (D/P); documents against acceptance (D/A); documentary letter of credit (L/C). (See details in Chapter 5/B.)

19. If the exporter wants to avoid the risk of non-payment for the goods, this is the best method of payment to choose. It is, however, the least advantageous for the buyer, so it is rarely applied, only when the goods are of high value, or are produced according to the buyer's own special wishes.
20. Payment on open account offers the greatest risk to an exporter. The goods accompanied by the necessary documents are sent to the buyer who will arrange payment within a fixed period of time after the invoice date. It is only successful if an exporter completely trusts the buyer.
21. This is a way of making a quotation by an exporter to a potential foreign buyer. It is a sample invoice, which gives the possible buyer information about prices, discounts, charges and conditions of sale if he places an order. A pro-forma invoice can be used in several ways. Government authorities may ask for it if the importer applies for import licence or the foreign exchange to pay for the products. It is a price quotation which, if accepted, can be the basis of a contract of sale and the commercial invoice. Similarly, it can also be used to tender for an export contract.
22. A commercial invoice is the usual kind of export invoice sent by the seller to the buyer, either direct or through a bank, recording a sale of goods. It also informs the buyer that the amount of the invoice has been debited in the buyer's account in the seller's ledger. In addition, it contains the description of goods, quantity, unit price and total sales price, the terms of delivery and payment.
23. A consular invoice is an export invoice, which has been formally signed by the consul of the country to which the goods are being sent. Such invoices are accepted by the customs in the buyer's country as a true basis for charging import duty. The consular invoice is also a means to help the government of the buyer's country to control the inflow of goods into the country (e.g. to prevent dumping).
24. Bonded warehouses have been established with the purpose of storing goods without payment of duty and keeping them under control of the authorities before exporting. No goods can be removed from the warehouse without paying the duty on them, the owner of the place has to offer a bond as security. By placing goods into a bonded warehouse, the importer can postpone the payment of duty.
Bonded warehouses can be set up either by importers or by independent companies. They are normally situated at ports, airports or frontiers. However, some large importers have their own bonded warehouses located at their factories.

SKETCH ANSWERS 12/A**The most important documents required in foreign trade:**

- transport documents (road consignment note, air waybill, sea waybill, shipping note, bill of lading, etc.)
- commercial documents (pro-forma invoice, commercial invoice, consular invoice, weight note, packing list, supplier's quality inspection certificate, etc.)
- insurance documents (letter of insurance or cover note, certificate of insurance, insurance policy)
- official documents required by government regulations (certificate of origin, certificate of health, quality certificate, certificate of analysis, veterinary certificate, etc.)
- financial documents (bill of exchange, etc.)

VOCABULARY LIST 12/A

- 1–2.**
expertise – szakértelem
- 3–7.**
balance of trade – kereskedelmi mérleg
visible export/import – látható export/import
invisible export/import – láthatatlan export/import
balance of payments – pénzügyi mérleg
adverse – kedvezőtlen
deficit – hiány
surplus – többlet
- 8.**
freight forwarder – szállítmányozási ügynök, szállítmányozó
currency – valuta
foreign exchange market – devizapiac
- 9–10.**
to assign(-ed) to export house – átad vkinak
merchant – kereskedő
distributor – szállítmányozó
- 11.**
to appoint(-ed) middleman/intermediary – kinevez, kijelöl
to secure(-ed) an order – közzvetítő
principal – leköt egy megrendelést
megbízó

- invoiced amount – leszámított összeg
to authorise(-d) – feljogosít
to submit(-ted) – benyújt, bemutat
market report – piaci jelentés
commission – jutalék
- 12.**
factor – bizományos
broker – közvetítő, ügynök
- 13.**
del credere agent – hitelszavatosságot vállaló, kezességi ügynök
to undertake (undertook, undertaken) a risk – kockázatot vállal
- 14.**
sole agent – kizárólagos ügynök
- 15.**
licensing – engedélyezés
copyright – szerzői jog
patent – szabadalom
royalty – jogdíj
- 16.**
producing plant – termelővállalat, gyár
subsidiary – leányvállalat
- 17.**
to arrange(-d) payment – rendezi tartozását, fizet
- 18.**
payment in advance – előre fizetés
open account/credit account – hitelszámla
banker's draft – bankintézkedés, bankári váltó
money transfer – átutalás
bill of exchange – váltó
documents against payment – okmányos inkasszó
documents against acceptance – áruokmányok váltó elfogadása ellenében
documentary letter of credit – okmányos meghitelezés
- 21.**
pro-forma invoice – előszámla
- 22.**
to debit(-ed) ledger – megterhel
– főkönyv

24.

bonded warehouse	– vámszabadraktár
bond	– kötvény, adóslévél

1.

weight note	– súlyjegyzék
packing list	– csomagolási jegyzék
quality inspection certificate	– minőségi tanúsítvány
cover note	– ideiglenes biztosítási tanúsítvány
certificate of insurance	– biztosítási bizonylat
certificate of health	– egészségügyi bizonyítvány
quality certificate	– minőségi bizonyítvány
certificate of analysis	– vegyelemzési bizonyítvány
veterinary certificate	– állatorvosi igazolás

QUESTIONS 12/B**Trade barriers**

1. What are trade barriers?
2. What is the difference between tariff barriers and non-tariff barriers?
3. What arguments are there for and against the application of trade barriers?
4. How can the government control international trade activities?
5. How can the government discourage imports?
6. How can exports be encouraged?
7. What is a tariff?
8. What are import tariffs?
9. What are export tariffs?
10. What are transit duties?
11. Define protective tariffs.
12. What is the function of revenue tariffs?
13. Define prohibitive tariffs.
14. Define preferential tariffs.
15. What are retaliatory tariffs?
16. What are ad valorem tariffs?
17. What are specific tariffs?
18. Define compound tariffs.
19. What is a subsidy?
20. What is a quota?
21. What is an embargo and why do countries impose it?
22. What is a boycott?

MODEL ANSWERS 12/B

- 1–2. Trade barriers are different government actions whose aim is to limit or prevent the free flow of goods in and out of the respective country. We can distinguish between tariff barriers and non-tariff barriers to trade. Tariff barriers affect prices while non-tariff barriers may affect either price or quantity directly.

3. Advocates of protectionism have three popular arguments for the application of trade barriers: to increase tax income, to protect home industries and to reduce unemployment.
The main argument against free trade is definitely the defence of a country's economy i.e. new, infant industries must be protected from foreign competition, which also improves a country's self-sufficiency. Protectionism, however, results in higher consumer prices and as such tends to stimulate inflation. On the other hand, subsidies given to emerging industries may not be used efficiently.
The other major argument for protection is saving jobs. Opponents of free trade insist that labour force in certain industries are in danger of losing their jobs due to foreign imports, so it is in the government's best interests to protect those industries by imposing protective tariffs or setting import quotas. However, as a result of reducing imports, the production and employment in export industries will also fall in the long run. Moreover, protection prevents companies from competition i.e. firms cannot experience how to prepare for competition.
4. The government can control international trade directly or indirectly by encouraging exports or reducing imports. Direct control is attained through administrative measures, for example via the introduction of customs duties (tariffs), taxes, quotas and a strict licence system. Indirect ways of control involve foreign exchange regulations (the devaluation of the local currency), subsidies and credits.
- 5–6. The government can encourage exports (and prevent companies or industries from declining) by subsidising prices (i.e. allowing goods to be sold at a price lower than the market price) or extending credits. The major ways of restricting imports, on the other hand, are levying duties on imported goods, setting quotas, and introducing licence systems.
7. A tariff (or customs duty) is a tax on goods coming into a country or going out of it.
8. Import tariffs are taxes on goods coming into a country collected by the importing country. These are the most common types of tariff. Import duties are aimed at raising money, or protecting the economy against foreign competition, or reducing imports to help to correct an unfavourable balance of payments. They are therefore kept as high as possible (except for commodities whose imports are inevitable to the economy).
9. Export duties are taxes charged on goods when leaving a country. They are collected by the exporting country and are kept as low as possible.
10. Transit duties are tariffs levied on goods passing through a customs area. They are collected by the country through which the goods have passed.
11. Protective tariffs are import duties levied on a certain commodity to control the amount of imports of that commodity to protect domestic producers from foreign competition.

12. The aim of revenue tariffs is to obtain revenue for a country rather than to control imports.
13. Prohibitive tariffs are extra duties charged on goods going into a country, and are kept so high that they virtually make the import of the commodities impossible.
14. Preferential tariffs are import duties aimed at encouraging trade between two (or more) countries. The rate of duties on their products is kept lower than that on the goods coming from other countries.
15. Retaliatory tariffs are punitive tariffs that are introduced because a country has done business in an illegal or unfair way.
16. Ad valorem tariffs are charged according to the value of the goods.
17. Specific tariffs are fixed duties levied according to the weight or quantity of goods.
18. Compound tariffs are a combination of ad valorem and specific tariffs. When such duties are levied, both the quantity and the value of goods are taken into account.
19. A subsidy is a grant given by the government to producers of certain goods or providers of particular services. With this, the government can ensure the competitiveness of exported products and services in foreign markets. On the other hand, subsidised products can be sold at a lower price in the domestic market, which reduces competition from imports.
20. A quota is a limit placed by the government on the amount of imports or exports of a particular article or commodity. The government first decides the total amount for a given period, and then gives licences to importers or exporters up to this amount. The application of import quotas is protectionist as they increase the price of imported commodities to shield domestic goods. Export quotas may also be introduced to ensure a sufficient supply at a low price in the home market, to increase an export price by controlling supply in overseas markets, or to protect natural resources.
21. An embargo may be regarded as a specific type of quota that forbids the import or export of certain goods. Embargoes may be imposed on whole categories of products, on particular products to particular countries, or on all products to specific countries. Governments often impose an embargo for political considerations, but it usually has economic consequences. An embargo may be almost as harmful to the country that imposes it as to the one on which it is imposed.
22. A boycott is when a business or a country refuses to do business with certain companies (or countries). Most of the time there are political considerations in the background of imposing a boycott.

SKETCH ANSWERS 12/B**1. Non-tariff barriers employed in international trade:**

- direct price influences (subsidies, fees, customs deposits, minimum price levels at which goods can be sold after they have customs clearance)
- quantity controls (quotas, embargo, boycott, voluntary export restrictions, buy local legislation)
- other (testing, labelling, certification with an unnecessary restrictive application of standards, specific permission requirements, investment barriers, administrative delays, reciprocal requirements, restrictions on services, service barriers that regulate international data flow and foreign data processing, etc.)

2. Tariffs be classified in the following ways:

According to the country that collects them:

- import
- export
- transit

According to their purpose:

- protective (protecting home production)
- revenue (obtaining income)
- prohibitive (making imports virtually impossible)
- preferential (promoting trade between countries)
- retaliatory (taking revenge on a particular trading partner)

According to their basis:

- ad valorem (according to the value of goods)
- specific (according to quantity or weight)
- compound (a combination of the previous ones)

VOCABULARY LIST 12/B**1–2.**

trade barrier
free flow of goods
tariff barrier
non-tariff barrier

– kereskedelmi korlátozás
– termékek szabad áramlása
– vámjellegű korlátozás
– nem vámjellegű korlátozás

3.

protectionism
free trade
infant industry
consumer price
to stimulate(-d) inflation
emerging industry
to impose(-d) tariffs

– protekcionizmus
– szabad kereskedelem
– kialakulóban lévő iparág
– fogyasztói ár
– ösztönzi, serkenti az inflációt
– kialakulóban lévő, feltörekvő iparág
– vámokat vet ki

protective tariff	– védővám
to set (set, set) a quota	– mennyiségi korlátozást szab ki
4.	
to control(-led) trade	– szabályozza a kereskedelmet
administrative measures	– adminisztratív intézkedések
customs duty	– vám
license system	– engedélyezési rendszer
foreign exchange regulation	– devízaszabályozás
devaluation	– leértékelés
subsidy	– állami szubvenció, ártámogatás
5–6.	
to subsidise(-d)	– szubvencionál, (pénzzel) támogat, segít
to extend(-ed) a credit	– hitelt nyújt
to restrict(-ed) imports	– korlátozza az importot
to levy(-ied) a duty	– vámot vet ki
8.	
import tariff/import duty	– behozatali vám
to raise(-d) money	– pénzt előteremt, szerez
9.	
export tariff/export duty	– kiviteli vám
10.	
transit duty	– tranzitvám
customs area	– vámterület
12.	
revenue tariff	– finansziális vámdíjszabás
13.	
prohibitive tariff	– tiltó vám
14.	
preferential tariff	– kedvezményes vámtarifa
15.	
retaliatory tariff	– büntetővám
punitive	– büntető
16.	
ad valorem tariff	– értékvám
17.	
specific tariff	– fajlagos vám

18.	
compound tariff	– vegyes vám
19.	
grant	– adomány, segély
competitiveness	– versenyképesség
20.	
quota	– mennyiségi korlátozás
to shield(-ed)	– megvéd
1.	
direct price influence	– közvetlenül az árra ható intézkedés
customs deposit	– vámelőleg
customs clearance	– vámvizsgálat
investment barrier	– befektetési korlátozás
reciprocal	– kölcsönös

QUESTIONS 12/C

Incoterms

1. Why have commercial terms been standardised in international trade?
2. What do commercial terms define?
3. What are Incoterms?
4. When were Incoterms first published and by whom?
5. What are the advantages of Incoterms?
6. How are Incoterms written in trade contracts?
7. What are the seller's and buyer's obligations with EXW?
8. How does FCA define the seller's and the buyer's responsibilities?
9. What does FAS mean for the seller and the buyer?
10. When is FOB used?
11. What is the difference between CFR and CIF?
12. Describe the seller's and the buyer's obligations with CPT.
13. To what extent does CIP differ from CPT?
14. Characterise 'D' terms.
15. What does DAF mean for the seller and the buyer?
16. How does DES define the seller's and the buyer's responsibilities?
17. What similarity can you find between CFR and DES?
18. Describe the seller's and the buyer's obligations with DEQ.
19. What does DDU mean for the seller and the buyer?
20. What similarities are there between DDU and CPT?
21. What disadvantages can the seller expect with DDU?
22. Describe DDP.
23. Under which term can you expect the price of the goods to be the lowest/highest?
24. Which Incoterm is the least advantageous for the exporter?
25. Which Incoterm is the least favourable for the importer?

MODEL ANSWERS 12/C

1. Unlike domestic trade, international sales contracts normally include commercial terms. This is because sending goods abroad can pose several risks. The legal requirements of countries and difficulties are rarely identical and differences may arise from interpretation. Damage to goods or problems of delivery may lead to disputes between the importer and the exporter. To prevent such disputes, it is usual to decide in advance who bears the costs and risks of the delivery of the goods and up to what point. These terms have been unified and cannot be interpreted in different ways.
2. They unambiguously define who pays the costs (price, packing, invoicing, freight, insurance, charges for the documents) and who bears the risks and up to what point.
3. Incoterms (International Commercial Terms) are standard international trade definitions. Incoterms 2000, the latest edition of Incoterms, contains thirteen commercial terms, the most commonly used of which are EXW (Ex Works), FOB (Free on Board), CIF (Cost, Insurance and Freight), DDU (Delivered Duty Unpaid), and CPT (Carriage Paid To).
4. The first version of Incoterms was developed and published in 1936 – Incoterms 1936 – by the International Chamber of Commerce (ICC) in Paris, France. It has been updated six times to keep pace with changes in the international trade needs. The latest version of Incoterms – Incoterms 2000 – came into force on 1 January 2000. Its authorised translations are available in 31 languages worldwide.
5. Applying Incoterms saves money for both parties. Once the exporter and the importer have decided on a commercial term like CIF, they can sell and buy at CIF without engaging in a long discussion about the conditions of each transaction. The chosen term will clearly define who bears the costs (price, packing, freight, insurance, customs duties, taxes and the necessary documents) and the risks of the delivery and up to what point.
Also, the application of Incoterms makes it possible to avoid future disputes between the buyer and seller arising from the loss or damage of goods or other risks of delivery. They unambiguously define what trade contract responsibilities and obligations the exporter and the importer have.
6. In practice, trade terms are written with either all capital letters (e.g. FOB, CFR, CIF, and FAS) or all lower case letters (e.g. fob, cfr, cif, and fas). They may be written with periods (e.g. F.O.B. and c.i.f.). ICC recommends that Incoterms 2000 be referred to specifically whenever the terms are used, together with a location. For example, the term 'Delivered at Frontier' (DAF) should always be accompanied by a reference to an exact place and the frontier to which delivery is to be made. Here are three examples of correct use of Incoterms:
FCA Kuala Lumpur Incoterms 2000
FOB Southampton Incoterms 2000
DDU Hamburg Schmidt GmbH Warehouse 6 Incoterms 2000

7. *Ex* means from. *Works* means factory, mill or warehouse, which is the seller's premises. EXW (Ex Works) represents the minimum involvement of the buyer in the movement of the goods from the point of works. Under Incoterms 2000, risk and responsibility as well as subsequent costs pass from the seller to the buyer when the cargo is made available on the ground at the works. He pays the price, bears the expenses of customs duties and taxes, of freight and insurance. He pays for the documents that he may need (certificate of origin, consular fees, etc.).
The buyer and seller should only consider EXW when the buyer can actually arrange the customs clearance prior to export and for the immediate collection of the cargo on availability. The seller should note that the export of the goods is not guaranteed under EXW and the buyer may, for example, opt to keep the goods in the country of origin.
EXW is rarely compatible with documentary credits and the term FCA often offers a more manageable alternative.
8. FCA (Free Carrier) names the place where risks and responsibilities pass from the seller to the buyer and identifies the carrier the buyer has appointed. The seller is responsible for the delivery of goods on truck, rail car or container at the specified point (depot) of departure (which is usually the seller's premises, or a named railroad station or a named cargo terminal or into the custody of the carrier). The point (depot) at origin may or may not be a customs clearance centre. The buyer is responsible for the main carriage/freight, cargo insurance and other costs and risks.
9. FAS (Free Alongside Ship) is a monomodal term as it may only be used in transactions where the main carriage is by sea freight. (The entire journey need not be by sea, but the moment of export must be.) Under this term, risk and responsibility pass from the seller to the buyer when the goods are placed alongside a named ship at a named area within a named port. FAS requires the seller to arrange export customs clearance. The buyer is responsible for the main carriage/freight, cargo insurance and other costs and risks.
10. FOB (Free on Board) is also a monomodal term as it can only be used for transactions where sea freight is the main carriage. Therefore, as an Incoterm, there is no application for FOB in road, rail or air transport.
Under Incoterms 2000, risk and responsibility pass from the seller to the buyer when the goods pass over the ship's rail at the port of loading. The seller is responsible for the delivery of goods on board the vessel at the named port of origin (loading), and he must provide a commercial invoice and arrange for any export licence for customs clearance necessary to enable the goods to be exported. The buyer is responsible for the main carriage/freight, cargo insurance, and other costs and risks.
11. Terms beginning with 'C' are 'Contracts of Dispatch'. They differ from other Incoterms as they segregate the point at which risk and responsibility pass from the point at which costs pass. Under all the other terms, the point of transferring risk and the point at which responsibility for costs is also transferred are simultaneous. With the 'C' terms this is not the case.

CFR and CIF are monomodal terms used when the main carriage is by sea and both are suited to the use of bills of lading.

With CFR (Cost and Freight) the seller arranges the delivery of goods to the named port of destination (discharge) and pays the freight charges. The buyer is responsible for the cargo insurance and other costs and risks from the time the goods have passed the vessel's rail in the port of shipment.

CIF (Cost, Insurance and Freight) has the same conditions as CFR, with the addition of insurance. The seller must pay the freight charges to bring the goods to the named destination, and is also responsible for cargo insurance. The insurance must cover 110 per cent of the contract price in the currency of the contract. The seller has to book space on the vessel and provide a negotiable bill of lading marked 'freight paid'.

12. CPT (Carriage Paid To) is the multimodal equivalent of CFR. The named place where the seller's costs end can be a point other than a seaport (as well as being a seaport), in the buyer's country. CPT may be used for airfreight, road freight, rail freight, inland waterways and sea freight when the ship's rail serves no purpose (for example if the destination is an inland point), or a combination of these. Under CPT, risk and responsibility pass when the cargo is handed to the first carrier. However, responsibility for costs only transfer when the goods arrive at the stated place where carriage is 'paid to'. The delivery of goods to the named place of destination (discharge) is at the seller's expense. The buyer assumes the cargo insurance, import customs clearance, payment of customs duties and taxes, and other costs and risks.
13. CIP (Carriage and Insurance Paid To) represents CPT with the inclusion of insurance. The seller is responsible for the delivery of goods and the cargo insurance to the named place of destination. The buyer assumes the import customs clearance, payment of customs duties and taxes, and other costs and risks.
14. Terms prefixed 'D' are 'Contracts of Arrival' involving the passing risk and responsibility at the point where costs also terminate. Caution is appropriate when using D prefixed terms with Documentary Credits as few 'documents' are geared to record the passing of risks on arrival.
15. DAF (Delivered At Frontier) is a monomodal (land) expression. The seller takes responsibility for transport costs and the corresponding risks of transit up to the specified point at the frontier. The seller must clear the cargo through customs on the export side of the border of handover, whereas the buyer must clear the goods through customs on the import side.
16. DES (Delivered Ex Ship) is monomodal. Under this term, the seller is responsible for the delivery of goods on board the vessel at the named port of destination (discharge). The buyer assumes the unloading fee, import customs clearance, payment of customs duties and taxes, cargo insurance, and other costs and risks.

Although not triggered by the use of the ship's rail, the point of handover (ship's side, arrived) will be inappropriate in a modern port. The buyer may not

be able to take control at a point in a restricted port area. An alternative D term such as DDU might be better suited to represent an achievable point of handover for both parties.

17. DES will often financially correlate to CFR. But, for the buyer DES represents CFR without the disadvantages of placing risks on the buyer, over which they have no control. From the seller's perspective, DES reserves the risk advantages of CFR, placing all risks with the seller until the cargo arrives at the named port.
18. DEQ (Delivered Ex Quay) extends the shipper's responsibility beyond the arrival of the vessel to the point where the goods are discharged. The delivery of goods to the quay (the port) at destination is at the seller's expense. The seller is also responsible for the import customs clearance as well as the payment of customs duties and taxes at the buyer's end. The buyer, on the other hand, assumes the cargo insurance and other costs and risks. Although not triggered by the use of the ship's rail, the point of handover (landside on the harbour, duty paid) is frequently inappropriate in a modern port environment. The buyer may not be able to take control at that point and an alternative D term such as DDP may be better suited to identify an achievable point of handover between the two parties.
19. DDU (Delivered Duty Unpaid) is a multimodal term. The seller has to take responsibility for the delivery of goods and the cargo insurance to the final point at destination, which is often the project site or the buyer's premises. The buyer assumes the import customs clearance and payment of customs duties and taxes. The seller may choose not to insure the goods at his/her own risks.
20. DDU will often financially correlate to CPT. But, for the buyer DDU represents CPT without the disadvantages of placing risks on the buyer, over which they have no control. From the seller's perspective, DDU reverses the risk advantages of CPT, placing all risks with the seller until the cargo arrives at the named port.
21. As with all of the D prefixed terms, this term is not easy to use in conjunction with a documentary credit and as a multimodal term, would require the use of multimodal transport documents over any traditional monomodal documents such as bills of lading or air waybills. Sellers are further cautioned that, if the intended transit is beyond the point of entry in the country of destination, then their ability to move the goods to the final destination may be dependent on the buyer's ability to first clear the goods through the customs authority. The possibility of delays in transit and any resultant storage charges (should the buyer fail to conduct clearance in good time), should be noted.
22. DDP (Delivered Duty Paid) is a multimodal term. The seller is responsible for most of the expenses, which include the cargo insurance, import customs clearance, payment of customs duties and taxes at the buyer's end, and the delivery of goods to the final point at destination, which is often the project site

or the buyer's premises. The seller may choose not to insure the goods at his/her own risks.

As with all of the D prefixed terms, this term is not easy to use in conjunction with a documentary credit and in the case of DDP this payment difficulty extends to any form of exchange document. As a multimodal term, DDP requires the use of multimodal transport documents over monomodal documents such as bills of lading or airwaybills.

23. The EXW price includes the seller's minimum obligation and all the expenses of transportation, insurance, customs clearance, etc. are to be born by the buyer. Therefore EXW prices should be the lowest.
DDP, on the other hand, means the seller's maximum obligation, so it is reasonable to expect the highest prices under this term.
24. It would be best for exporters to refrain, wherever possible, from dealing in trade terms that would hold the seller responsible for the import customs clearance and/or payment of import customs duties and taxes and/or other costs and risks at the buyer's end. So such terms as DEQ (Delivered Ex Quay) and DDP (Delivered Duty Paid) should be avoided. Quite often, the charges and expenses at the buyer's end may cost more to the seller than anticipated. To overcome losses, it is advisable to hire a reliable customs broker or freight forwarder in the importing country to handle the import routines.
25. It would be best for importers not to deal in EXW, which would hold the buyer responsible for the export customs clearance, payment of export customs charges and taxes, and other costs and risks at the seller's end.

VOCABULARY LIST AND SKETCH ANSWERS 12/C

1.
to bear (bore, born) costs and risks – viseli a költségeket és a kockázatokat
2.
unambiguously – egyértelműen
3.
Incoterms (International Commercial Terms) – Nemzetközi Kereskedelmi Szokványok
EXW (Ex Works) – gyárból
FOB (Free on Board) – költségmentesen a hajó fedélzetére
CIF (Cost, Insurance and Freight) – költség, biztosítás- és fuvardíj
DDU (Delivered Duty Unpaid) – leszállítva, vámfizetés nélkül
CPT (Carriage Paid To) – szállítás fizetve
4.
International Chamber of Commerce – Nemzetközi Kereskedelmi Kamara
to come (came, come) into force – hatályba lép

8.
FCA (Free Carrier)
custody – költségmentesen a fogyasztónak
– felügyelet, őrizet
9.
FAS (Free Alongside Ship)
monomodal term – költségmentesen a hajó oldalához
– olyan szokvány, ahol a fő szállítóeszköz (tengeri) hajó
10.
port of handling – berakodási kikötő
11.
CFR (Cost and Freight) – költség és fuvardíj
12.
multimodal term – olyan szokvány, amelynél a fő szállítóeszköz nemcsak (tengeri) hajó lehet
13.
CIP (Carriage and Insurance Paid to) – szállítás és biztosítás fizetve
15.
DAF (Delivered at Frontier) – határra szállítva
16.
DES (Delivered Ex Ship) – hajóról
18.
DEQ (Delivered Ex Quay) – rakpartról (vám fizetve)
21.
DDP (Delivered Duty Paid) – leszállítva, vám fizetve

INTERNATIONAL TRADE – ECONOMIC INTEGRATION

QUESTIONS 13/A

Worldwide organisations to encourage international trade: GATT, WTO, IBRD, IMF

1. When was the GATT drawn up?
2. What was the aim of GATT?
3. Did Hungary join the GATT?
4. What were the guiding principles of GATT?
5. What are the so-called 'rounds' and what is their main function?
6. What were the major achievements of the Kennedy Round?
7. What important results did the Tokyo Round have?
8. What were the most significant achievements of the Uruguay Round?
9. When was the WTO established and what is its main function?
10. Where are the headquarters of the WTO?
11. Who are the members of the WTO?
12. How much is the WTO different from GATT?
13. What are the main activities of the WTO?
14. When was the World Bank established?
15. What is the full name of the World Bank?
16. What is the major function of the World Bank?
17. What projects does the World Bank usually finance?
18. Where do the resources of the World Bank come from?
19. What organisations belong to the World Bank Group?
20. What is the main activity of the IDA?
21. What function does the IFC perform?
22. What are the main objectives of the MIGA?
23. Which regions were provided with the most loans from the IBRD and the IDA?
24. When was the IMF established?
25. What is the main function of the IMF?
26. Where do the resources of the IMF come from?
27. What are the SDRs?

MODEL ANSWERS 13/A

- 1–2. GATT was an international treaty, which was entered into force in 1947. The aim of the treaty was to create an international forum that promoted free trade between its members by diminishing import tariffs and quotas, eliminating state subsidies, preferential trade agreements and other discriminatory measures. It also provided a forum for handling trade disputes.
3. Yes, Hungary became a member of the GATT in 1973 and the Geneva Protocol of GATT in 1979. As a result, the Hungarian tariff system was made in line with the international regulations and customs.

4. One of the basic principles of GATT was to promote international trade by eliminating or reducing tariffs and non-tariff barriers such as import quotas and subsidies. Another principle prescribed the employment of the most-favoured-nation clause. According to this clause, if a country granted a tariff reduction to one country, it had to grant the same allowance to any other country. And last but not least, GATT was not only a set of rules, since it provided a forum where countries could discuss their trade problems, including trade disputes. GATT encouraged the settlement of such disputes by consultations and arbitration.
5. One of the major activities of GATT used to be promoting rounds, or sessions. These have resulted in multilateral agreements on reducing tariffs and non-tariff barriers between member countries.
6. The Kennedy Round took place in the US under the presidency of J.F. Kennedy. Negotiations of 1964–1967 resulted in an about 30 per cent average tariff reduction on industrial goods. Besides, considerable results were reached in the case of grains, chemical products and on the issue of anti-dumping.
7. The Tokyo Round (1973–1979) resulted in significant tariff reduction. Another important topic of the negotiations was non-tariff barriers, particularly government subsidies, standards, import licensing procedures, anti-dumping, trade in dairy products, trade in civil aircraft and so on.
8. The Uruguay Round (1986–1994) took place at Punta del Este, Uruguay. Negotiations centred round topics such as tariffs and non-tariff barriers to trade, tropical products, textiles and clothing, agriculture, intellectual property rights, and services.
The success of the negotiations was reflected by an average 37 per cent tariff reduction on industrial goods. Import quotas on textiles and clothing were to be phased out within a period of ten years. Intellectual property was to be protected by patents, copyrights, and trademarks. Non-tariff restrictions in agriculture including quotas were to be transformed into tariffs. For banking and insurance services, new regulations were employed.
However, the greatest achievement of the Uruguay Round was obviously the establishment of the World Trade Organisation (WTO) as the successor of the GATT.
- 9–10. The WTO was founded in 1994. It is an organisation whose major function is to encourage international trade by dismantling the still existing barriers to trade. The WTO has its headquarters in Geneva, Switzerland.
11. Those who were members of the GATT automatically became members of the WTO after accepting the Uruguay Round Agreements. Currently, the WTO has 146 members.
12. Unlike the GATT, which was an international treaty, the WTO is an international organisation. Second, the WTO is more global both in its membership and activities than its predecessor. It covers almost the whole world trade and, for the first time, extends its activities to such areas as trade in services, the protection of intellectual property, and investment.

- The Multilateral Trade Agreements of the Uruguay Round bind all members of the WTO. Some GATT agreements, however, for example anti-dumping measures and subsidies, were limited to a few countries. Also, the WTO has extended its scope to certain sensitive areas such the export of textile and clothing products as well as trade in agriculture, and removed certain barriers.
13. The WTO administers the 28 agreements of the Final Act of the Uruguay Round, together with other plurilateral trade agreements including government procurement and civil aircraft. It also facilitates the implementation of tariff reductions and the removal of non-tariff measures to international trade. The WTO provides a forum for further negotiations among its members concerning their multilateral trade relations, and a framework for the implementation of the results of such negotiations. It also provides a forum for the settlement of trade disputes among its members. The WTO co-operates with other international organisations such as the International Monetary Fund and the International Bank for Reconstruction and Development, and provides technical assistance and training for developing countries.
 - 14–16. The World Bank, or the International Bank for Reconstruction and Development (IBRD), was set up in 1944 at a conference convened in the town of Bretton Woods, New Hampshire, at the end of the Second World War. The original intention of its establishment was to provide low interest loans to Europe and Japan to help rebuild their infrastructure after the devastation of the war. This plan was given up when these countries opted instead to take money from the US Marshall Plan, which provided grants, for the same purpose. Over the next few decades the IBRD rewrote its original mandate to provide cheap loans to developing countries instead. The World Bank is owned by more than 125 member countries and has its headquarters in Washington, D.C.
 17. Many of the IBRD loans are for major industrial development projects like dam building, irrigation networks, power plants, general infrastructure, electrification, and mining for non-renewable resources like gold and copper. In addition, the IBRD allocates loans for social matters such as education, nutrition-improvement programmes for children and public health but these loans are often linked to strict economic policies such as Structural Adjustment Programs that have often been aggravated by local problems.
 18. It obtains money from developed countries, who subscribe in proportion to their economic weight. The bank then uses its capital to extend long-term loans to nations whose projects seem economically feasible but who cannot obtain private loans at low interest rates. It lends money either to governments or to private companies if the government provides a guarantee. Loans are to be paid back within a period of 25 years.
 19. IBRD has three major sister agencies – the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). These four and the much

- smaller International Centre for the Settlement of Investment Disputes (ICSID) make up the World Bank Group.
20. Unlike the IBRD, the IDA makes loans at almost no interest over much longer periods of time (a 0.5 per cent handling fee is charged) to the world's poorest countries. Only countries with annual per capita incomes of less than \$1,200 can borrow from the IDA. These loans are to be repaid within 35 or 40 years.
 21. The IFC and MIGA do not make loans to countries. Instead, the IFC extends loans to private corporations that have projects in developing countries and former Soviet Union bloc. This includes major multinational corporations like Shell and CocaCola. Unlike the IBRD, it does not require government guarantees. It is much more an investing rather than a lending institution. The MIGA provides political risk insurance to private companies in developing countries that are worried that their assets may be seized by local governments or destroyed in war or other civil disturbances.
 23. The region that received the most loans from the IBRD and the IDA was East Asia and the Pacific, struggling to recover from the financial crisis of 1997–1998, followed by Latin America and the Caribbean. These regions suffered several natural disasters. Europe and Central Asia came third in new commitments followed by sub-Sahara Africa and the Middle East and North Africa.
 - 24–25. Also created at the Bretton Woods Conference in 1944, the mission of the International Monetary Fund (IMF) is to supply member states with money to help them overcome short-term balance-of-payments difficulties. In addition, the IMF aims to promote international trade by stabilising rates of exchange, eliminating foreign exchange restrictions and establishing a worldwide multilateral payment system.
 26. When a country joins the IMF, she is required to contribute a particular sum of money called a quota subscription, as a kind of membership fee. Quotas create reserves from which member countries can borrow if they get into financial difficulties. The amount of the loan a particular country can borrow from the IMF depends on its contribution. Obviously, the higher the quota, the more loan it is entitled to. The voting power of a member is also determined by the amount of its quota.
 27. The Special Drawing Rights (SDR) scheme was launched in 1969. An SDR is a unit of an international reserve currency. Its value had been expressed in gold until 1974 when the IMF member countries agreed to express its value in their own currencies. Now the value of an SDR is based on the average of a basket of five currencies, weighted according to their importance in international trade. SDRs are used in financial transactions between the IMF and central banks and governments.

**VOCABULARY LIST
AND SKETCH ANSWERS 13/A**

- 1–2.**
GATT (General Agreement on Tariffs and Trade) – Általános Vámtarifa- és Kereskedelmi Egyezmény
- 3.**
Geneva Protocol – Genfi Egyezmény
to make (made, made) in line with – összhangba hoz
- 4.**
most-favoured-nation clause – legnagyobb kedvezmény záradéka
- 5.**
round – forduló, tárgyalások sorozata
session – ülés
multilateral agreements – többoldalú egyezmények
- 8.**
to phase(-d) out – fokozatosan megszüntet
WTO (World Trade Organisation) – Kereskedelmi Világszervezet
successor – utód
- 9–10.**
to dismantle(-d) – lebont
headquarters – itt: központ
- 12.**
predecessor – előd
scope – itt: tevékenységi kör
- 13.**
plurilateral – többoldalú
procurement – közbeszerzés
civil aircraft – polgári légitörlekedés
IMF (International Monetary Fund) – Nemzetközi Valutaalap
IBRD (International Bank for Reconstruction and Development) – Nemzetközi Fejlesztési és Újjáépítési Társulás
- 14–16.**
World Bank – Világbank
to convene(-d) – összehív
low interest loan – alacsony kamatozású hitel
- 17.**
dam – gát
irrigation network – öntözőcsatorna-hálózat

- electrification – villamosítás
copper – réz
Structural Adjustment Program – Strukturális Rendezési Program
to aggravate(-d) – súlyosbít
- 18.**
to subscribe(-d) – itt: tagdíjat fizet
- 19.**
sister agency – testvérgynökség
IDA (International Development Association) – Nemzetközi Fejlesztési Társulás
IFC (International Finance Corporation) – Nemzetközi Pénzügyi Társaság
MIGA (Multilateral Investment Guarantee Agency) – Multilaterális Beruházásgarancia Ügynökség
ICSID (International Centre for the Settlement of Investment Disputes) – Befektetési Viták Rendezésének Nemzetközi Központja
World Bank Group – Világbank Csoport
- 23.**
financial crisis (plural: crises) – pénzügyi válság
- 24–25.**
mission – küldetés
- 26.**
quota – itt: arányos rész, hányad
subscription – hozzájárulás, tagdíj
reserves – tartalék
- 27.**
Special Drawing Rights – Különleges Lehívási Jogok
to weight(-ed) – súlyoz

QUESTIONS 13/B

The European Union

- What are the general reasons for economic integration?
- What basic types of economic integration are there according to the degree of co-operation between countries?
- What factors played a part in European integration?
- What initiatives preceded the establishment of the EEC?
- When was the European Coal and Steel Community established?
- Which countries belonged to the ECSC?
- What was the major function of the ECSC?
- When was the European Economic Community created?
- What were the basic objectives of the EEC?
- Why was the European Atomic Energy Community created?

11. When and how was the European Community formed?
12. What is the significance of the establishment of the European Monetary System (EMS)?
13. What is the White Paper?
14. Summarise the main points of the Single European Act (SEA).
15. Summarise the main points of the Maastricht Treaty.
16. What are the three 'pillars' of the European Union?
17. What is the significance of the Schengen Agreement and Convention?
18. What does the flag of the EU symbolise?
19. Explain the concept of European Citizenship.
20. Describe the process leading to the Economic and Monetary Union (EMU).
21. When was the Euro introduced?
22. Which countries decided against the introduction of the Euro?
23. What is the significance of the introduction of the Euro?
24. What does the Euro mean?
25. What is the European Commission responsible for?
26. What is the function of the Council of the European Community (Council of Ministers)?
27. What are the main activities of the European Parliament?
28. What is the main function of the European Court of Justice?
29. Describe the role of the European Court of Auditors.
30. When did the member states make an official decision on the latest enlargement of the EU?
31. What issues emerged as regards the enlargement process?
32. What was the function of the Phare program?
33. Outline the main steps of Hungary towards EU membership.
34. When was the Referendum on Hungary's accession to the EU held?

MODAL ANSWERS 13/B

1. The twentieth century, especially the post-war period, saw the formation of several regional and international organisations and different degrees of co-operation both at corporate- and at national level.
The idea of regional economic co-operation is promoted by several factors. Neighbouring countries, who usually have a common history and share common interests, and whose consumers' tastes are likely to be similar, are more willing to co-ordinate their policies to achieve a common goal. Globalisation, which has been one of the key issues of the last and present centuries, also encouraged nations to form economic relations to fight against growing competition in foreign markets.
2. On the basis of the degree of co-operation we can differentiate between seven types of regional associations.
In a preferential zone, preferential customs tariffs are employed in trade within member countries. In a free trade area there is no internal tariff, but the members retain their own external tariffs against non-member countries. The customs union is a free trade area where all the internal tariffs have been

- abolished and the member countries have introduced a common external tariff as well as a common commercial policy towards non-member countries. The common market ensures completely free trade in goods and services as well as full internal mobility for labour and capital. In the single market even the so-called invisible barriers to trade – physical, technical and fiscal barriers – have been dismantled. The economic and monetary union means that the members' economic and monetary policies have been unified, and a single currency has been introduced.
The political union is the highest degree of co-operation, which is achieved by the harmonisation of the political activities.
- 3–4. The idea of a united Europe took shape after the Second World War when the continent was in ruins both politically and economically. In addition, new superpowers emerged, namely the Soviet Union and the United States of America.
The Marshall Plan was launched in 1948 to support the economic reconstruction of Europe. The Organisation for European Economic Cooperation (OEEC) was established in the same year to administer and organise the delivery of the Marshall Plan's massive economic aid. In 1949 the North Atlantic Treaty Organisation (NATO) was set up with the participation of several European countries plus Canada and the USA.
In the same year ten European countries (the Benelux states, Denmark, France, Ireland, Italy, Norway, Sweden and the United Kingdom) founded the Council of Europe. The objectives of the organisation involved achieving greater unity between European countries, facilitating economic and social progress, and upholding the principles of parliamentary democracy and respect for human rights.
 - 5–7. In 1951 Belgium, The Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands ('the Six') signed the Treaty of Paris and the European Coal and Steel Community (ECSC) came into existence. As a single authority for the coal and steel industries of the participating countries, it eliminated tariffs and other restrictions.
 - 8–9. The European Economic Community (EEC) was created by the Treaty of Rome in 1957 with the aim of establishing a single European market. The first step towards this was the creation of a customs union by the abolition of internal tariffs and other restrictions on trade, the introduction of a common external tariff (Common Customs Tariff – CCT). In addition, a Common Agricultural Policy (CAP) was introduced along with other measures to enable the free movement of labour, capital and services.
 10. The European Atomic Energy Commission (Euratom) was established by the second Treaty of Rome in 1957, which promoted the co-operation of member states of the EEC in nuclear research and the rapid and large-scale development of non-military nuclear energy. A common market for all nuclear materials and equipment came into effect at the beginning of 1959, with a common external tariff on imports of nuclear materials.

11. The European Community was set up in 1967 with the merging of ECSC, EEC and Euratom and included the Six plus Denmark, Ireland and the UK.
12. The aim of the European Monetary System (EMS) was to bring financial co-operation and monetary stability to Europe. It was established in 1979 in the wake of the 1974 oil crisis, which brought growing economic disruption to European economies because of floating exchange rates.
13. The so-called White Paper is a study made in 1985 by Lord Cockfield from Britain. The White Paper pointed out the still existing physical, technical and fiscal barriers to free trade and scheduled a timetable for their elimination. It also urged the establishment of a single market with the participation of the twelve member states where the free movement of goods, services, labour and capital for 320 million European citizens could be ensured.
14. In February 1986 the twelve member states signed the Single European Act (SEA), which created the single European market that the White Paper had called for – ‘an area without internal frontiers in which the free movement of goods, persons, services, and capital is ensured’. The establishment of the single internal market was completed by 1 January 1993.
The single market had the effect of removing all customs barriers and was one more step towards the creation of a genuine economic and monetary community.
15. The Maastricht Treaty or The Treaty on European Union was signed by the member states in Maastricht on 7 February 1992 and took effect on 1 November 1993, from which date the European Community became known as the European Union (EU). Among its aims the most important one was the strengthening and convergence of the economies of member states so as to establish an economic and monetary union, including a single and stable currency.
16. One is the European Community, based on the revised version of the Treaty of Rome, which contains provisions for the Economic and Monetary Union (EMU). The second pillar covers foreign and defence policy, while the third pillar is constituted by justice and home affairs
17. The Schengen Agreement and Convention signed by Belgium, France, Germany, Luxembourg and the Netherlands entered into force in 1995. It laid down the arrangements and guarantees for implementing freedom of movement for individuals. These five countries agreed on the application of common regulations concerning visas, border and customs control and the right on asylum. Since then, with the exception of the UK, all members have joined the Convention.
18. The EU flag contains twelve golden stars forming a circle against the background of blue sky. Obviously, it represents the union of the peoples of Europe. The number of stars is invariable, twelve being the symbol of perfection and entirety. It is a common mistake to think that the twelve stars represent the nations that form the EU. It is just a coincidence that between

- 1986 and 1996 twelve members belonged to the EU, which equals to the number of stars in the flag. The European flag represents both the Council of Europe and the European Communities and has now become the symbol of united Europe and European identity. It always appears together with the national flag in any national or international event.
19. European Citizenship does not replace national citizenship but complements it and confers a number of civil and political rights to European citizens. These rights include the right to live and work anywhere in the Union and to get diplomatic and consular help from any of its governments. A citizen may also vote or stand for election in the local and European elections.
20. The process was launched in 1990 as EU member states prepared for the 1992 single market. Aimed at boosting cross-border business activity, the first stage of EMU lifted restrictions on movements of capital across internal EU borders (1 July 1990). Stage two, which began in January 1994, set up the European Monetary Institute (EMI) in Frankfurt to pave the way for the European Central Bank (ECB) in the same location. The introduction of the common single currency (the Euro) began the third stage and final transition to the full Economic and Monetary Union.
- 21–23. Since 1 January 2002, the Euro has been the official legal tender of twelve of the EU countries, replacing their national currencies. Denmark, Sweden and the United Kingdom of Great Britain and Northern Ireland refused to introduce the Euro.
Already established as an accounting currency on 1 January 1999, the Euro represents the consolidation of European economic integration. Being in citizens’ pockets for use in daily transactions, the Euro is a palpable reality and contributes to a broader sense of European identity.
24. First, the Euro means stability. Member states participating in EMU are legally bound to continue the fiscal discipline required by the Maastricht Treaty to qualify for EMU. Second, the Euro consolidates and extends Europe’s single market. By removing transaction costs and completely eliminating currency transactions in the Euro-zone, trade and investment are greatly facilitated. Third, the Euro is also likely to become a major reserve currency. According to some estimates, the Euro could account for 25 per cent or more of global foreign exchange reserves in the medium term. This could help the EU and the United States share the burden of global financial stability, particularly in the wake of an economic downturn. The European Central Bank moved to reassure world markets following the 11 September 2001 terrorist attacks in the United States, and subsequently co-operated with the US Federal Reserve and other central banks to ensure sufficient liquidity for market and other economic transactions.
25. The Commission performs executive functions and is in charge of initiating EU policy proposals and laws, and supervises the implementation of community rules. Having the role of a mediator, it helps member states harmonise differences of opinion.

26. The Council of Ministers is the main decision-making body of the EU. In the Council each member state is represented by a minister who is directly responsible for the area or field being discussed.
27. The European Parliament is the parliament of the EU, which meets in Strasbourg and Brussels to comment on the legislative proposals of the European Commission. Although still not a true legislative body, it can dismiss the whole Commission and reject the whole Union budget. Its members are elected directly by the citizens of the member states for a five-year term. The European Parliament has 626 seats, apportioned on the basis of population.
28. The Court of Justice is responsible for interpreting, developing and enforcing EU law. It sits in Luxembourg with judges from the member states.
29. The primary role of the European Court of Auditors is to supervise the EU budget. Besides examining the financial transactions of the EU, it carries out an audit and prepares a budget report at the end of each financial year.
30. The Luxembourg European Council, held in December 1995, gave a favourable reception to ten countries' applications to the EU. The Council decided to carry out negotiations in two phases or waves. In March 1998, negotiations began with the six first wave countries (Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia). The second wave (Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia), were allowed to join the first wave in February 2000, as it was considered that their reforms had made quick enough progress.
31. The accession of countries with very different economic and political features has confronted the EU with unprecedented institutional and political challenges. The first challenge was to reform the EU institutions to make them efficient for a new enlarged Union. However, the real problem of these countries is their backwardness and their economic difficulties. Their integration in the EU will be an extremely delicate task, since it will obviously affect on the main community funds and policies (Structural Fund, CAP). Spain, for example, which profited more of those funds, was worried that the enlargement would damage its position. On the other hand, the richest countries in the Union started fearing a genuine avalanche of immigrants when free movement of persons was implemented after the accession of the Countries of Central and Eastern Europe (CCEE).
32. After the collapse of the communist regimes, the EU launched in 1989 the Phare program to help the CCEE reconstruct their economies. The aid (EUR 6.7bn during the period of 1995-99) covered mainly sectors as infrastructure, agriculture, restructuring, education, development of the private sector of the economy and environmental protection.
33. Hungary concluded an Association Agreement with the EU Communities in December 1991, which has been in force since 1 February 1994. The agreement covers trade-related issues, political dialogue, legal approximation and other areas of co-operation, including industry, environment, transport and customs,

and aims at progressively establishing a free-trade area between the EU and Hungary.

In March 1994, Hungary was the first country of the region to formally apply for EU membership. At the Luxembourg European Council in December 1997 it was finally decided to launch the accession negotiations with six of the applicant countries, among them Hungary. The negotiations with Hungary were launched on 30 March 1998. Since then, Hungary has participated in eight meetings of the Accession Conference at ministerial level.

The European Council in Copenhagen on 13 December 2002 eventually concluded the negotiations with the ten countries mentioned above, including Hungary.

34. The Referendum On Accession to the EU was held on 12 April 2003, four days before the Accession Treaty was signed in Athens. 45.62 per cent of the citizens went to the polls and 83.97 per cent of them said 'Yes' to accession. On 16 April Prime Minister Péter Medgyessy and Foreign Minister László Kovács signed the Treaty on Accession in Athens.

SKETCH ANSWERS 13/B

1. The main objectives of the EU:

- to promote economic and social progress
- to assert the identity of the EU on the international scene
- to introduce European citizenship
- to develop an area of freedom, security and justice
- to maintain and build on established EU law

2. The current member states of the EU and the date they joined the organisation:

- Austria (1 January 1995)
- Belgium (25 March 1957)
- Denmark (22 January 1972)
- Finland (1 January 1995)
- France (25 March 1957)
- Germany (25 March 1957)
- Greece (1 January 1981)
- Ireland (22 January 1972)
- Italy (25 March 1957)
- Luxembourg (25 March 1957)
- the Netherlands (25 March 1957)
- Portugal (1 January 1986)
- Spain (1 January 1986)
- Sweden (1 January 1995)
- the United Kingdom of Great Britain and Northern Ireland (22 January 1972)

3. The main institutions of the EU:

- European Commission
- Council of the European Community (Council of Ministers)
- European Parliament
- European Court of Justice
- European Court of Auditors
- Economic and Social Committee
- The Committee of Permanent Representatives (COREPER)
- European Central Bank (ECB)
- European System of Central Banks (ESCB)
- European Investment Bank (EIB)

VOCABULARY LIST 13/B**2.**

association	– társulás
preferential zone	– kedvezményes övezet
customs union	– vámunió
common external tariff	– közös külső vámtarifa
single market	– egységes piac
fiscal	– kincstári, adópolitikai
economic and monetary union	– gazdasági és pénzügyi unió
to unify(-ied)	– egységesít
single currency	– egységes valuta
political union	– politikai unió

3–4.

United Europe	– Egyesült Európa
reconstruction	– újjáépítés
OEEC (Organisation for European Economic Co-operation)	– Európai Gazdasági Együttműködés Szervezete
NATO (North Atlantic Treaty Organisation)	– Észak-atlanti Szerződés Szervezete
Council of Europe	– Európa Tanács

5–7.

Treaty of Paris	– Párizsi Egyezmény
ECSC (European Coal and Steel Community)	– Európai Szén- és Acélközösség

8–9.

EEC (European Economic Community)	– Európai Gazdasági Közösség
Treaty of Rome	– Római Egyezmény/Szerződés
CCT (Common Customs Tariff)	– Közös Vámtarifa
CAP (Common Agricultural Policy)	– Közös Mezőgazdasági Politika

free movement of labour, capital and services	– munkaerő, tőke és szolgáltatások szabad áramlása
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10.

Euratom (European Atomic Energy Commission)	– Európai Atomenergia Bizottság
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11.

EC (European Community)	– Európai Közösség
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12.

EMS (European Monetary System)	– Európai Monetáris Rendszer
disruption	– feldarabolódás, összeomlás
floating exchange rate	– lebegő árfolyam

13.

White Paper	– Fehér Könyv
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14.

SEA (Single European Act)	– Egységes Európai Okmány
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15.

Maastricht Treaty	– Maastricht-i Egyezmény
The Treaty on European Union	– az EU-ról Szóló Egyezmény
convergence	– egyesülés

16.

provision for EMU (Economic and Monetary Union)	– felkészülés vmire
pillar	– Gazdasági és Monetáris Unió pillér

17.

Schengen Agreement and Convention	– Schengeni Egyezmény
asylum	– menedékjog

18.

people (plural: peoples)	– nemzet, nép
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19.

European Citizenship	– Európai Állampolgárság
to confer(-red)	– adományoz
to stand (stood, stood) for election	– indul a választáson

20.

to boost(-ed)	– serkent, ösztönöz
EMI (European Monetary Institute)	– Európai Monetáris Intézet
ECB (European Central Bank)	– Európai Központi Bank
common single currency	– egységes közös valuta
transition	– átmenet

21–23.

tender	– itt: fizetőeszköz
accounting currency	– számlapénz
palpable	– kézzelfogható
European identity	– európai azonosságtudat

24.

to qualify(-ied) for	– jogosulttá válik vmire
to account(-ed) for	– kitesz (vmekkora mennyiséget)
reserve currency	– tartalékvaluta
downturn	– csökkenő tendencia
to reassure(-d)	– viszontbiztosít
US Federal Reserve	– Szövetségi Bank
liquidity	– likviditás

25.

European Commission	– Európa Bizottság
executive	– végrehajtói

26.

Council of the European Community	– Európai Közösség Tanácsa
Council of Ministers	– Minisztertanács
decision-making body	– döntéshozó testület

27.

European Parliament	– Európai Parlament
legislative proposal	– törvényjavaslat
legislative body	– törvényhozói testület
Union budget	– uniós költségvetés
to elect(-ed)	– megválaszt
to apposition(-ed)	– arányosan feloszt

28.

European Court of Justice	– Európai Bíróság
to enforce(-d)	– végrehajt

29.

European Court of Auditors	– Európai Számvevőszék
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30.

European Council	– Európai Tanács
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31.

accession	– csatlakozás
enlarged	– kibővített
backwardness	– elmaradottság
community funds	– uniós alapok
enlargement	– kibővítés

avalanche	– itt: áradat
free movement of persons	– személyek szabad áramlása
(CCEE) Countries of Central and Eastern Europe	– Közép- és Kelet-Európai Országok
collapse of the communist regimes	– kommunista rendszerek összeomlása
to reconstruct(-ed)	– újjáépít, átalakít
aid	– segély
restructuring	– szerkezeti átalakítás, átrendeződés

33.

to conclude(-d)	– megköt (szerződést)
Association Agreement	– Társulási Szerződés
legal approximation	– jogi közeledés
progressively	– fokozatosan, egyre inkább
free-trade area	– szabadkereskedelmi övezet
accession negotiations	– csatlakozási tárgyalások
ministerial level	– miniszteri szintű
to conclude(-d) negotiations	– lezárja a tárgyalásokat

34.

Referendum On Accession to the EU	– EU csatlakozásról szóló népszavazás
Accession Treaty	– Csatlakozási Egyezmény
to go (went, gone) to the polls	– szavazni megy, az urnákhoz járul
(PM) Prime Minister	– miniszterelnök
Foreign Minister	– külügyminiszter

3.

Economic and Social Committee (COREPER) The Committee of Permanent Representatives	– Gazdasági és Szociális Bizottság
(ECSB) European System of Central Banks	– Állandó Képviselők Bizottsága
(EIB) European Investment Bank	– Központi Bankok Európai Rendszere
	– Európai Befektetési Bank

BUSINESS FUNCTIONS

INTRODUCTIONS, GREETINGS, WELCOMING VISITORS, 'SMALL TALK'

- How do you do?
- Pleased/Nice to meet you. My name is...
- Hello, my name's...
- I'm sorry, I didn't catch your name.
- May I take your coat? Please, have a seat. – No thank you. I've been sitting all day.
- Would you like a biscuit? – Thank you, but no.
- Can I bring you something to drink?
- White or black?
- Could I get you another drink?
- Did you have any problems getting here?
- So, how was the weather in... (New York)?
- Is this your first visit to... (Greece)?
- How long are you here for?
- Shall I call a taxi? – That would be very kind of you.
- Would you like me to call the hotel for you? – Yes please. That would be most welcome.
- Shall we get down to business?
- As you know, I'm here, because...

STARTING AND ENDING A CONVERSATION WITH A BUSINESS PARTNER YOU ALREADY KNOW

- How are you? – Fine thanks. And you? You're looking well.
- Nice to see you again. – Nice to see you too. How are you?
- It's been a long time, hasn't it? – Yes, I think we last met a year ago in London.
- Nice weather, isn't it? – Yes, lovely. I hope it stays like this for the weekend.

BEMUTATKOZÁS, ÜDVÖZLÉSEK, LÁTOGATÓK FOGADÁSA, „TÁRSASÁGI CSEVEGÉS”

- Örvendek. / Üdvözlöm.
- Örvendek. / Üdvözlöm. A nevem...
- Üdvözlöm, a nevem...
- Elnézést, nem értettem a nevét.
- Lesegíthetem a kabátját? Kérem, foglaljon helyet. – Köszönöm, nem. Egész nap ültem.
- Kér egy kekszet / süteményt? – Köszönöm, nem.
- Hozhatok valamit inni?
- Tejjel vagy feketén kéri?
- Hozhatok még egy italt?
- Könnyen idetalált?
- Nos, milyen volt az idő... (New York-ban)?
- Először jár... (Görögországban)?
- Mennyi időre jött?
- Hívjak egy taxit? – Igen, ez nagyon kedves öntől.
- Felhívjam önnek a szállodát? – Igen. Nagyon hálás lennék érte.
- Belefogjunk az üzletbe?
- Mint tudja, azért vagyok itt, hogy...

BESZÉLGETÉS KEZDEMÉNYEZÉSE ÉS LEZÁRÁSA ISMERŐS ÜZLETI PARTNERREL

- Hogy van? – Köszönöm, jól. És ön? Remekül néz ki.
- Örülök, hogy újra látom. – Én is. Hogy van?
- Jó régen találkoztunk, ugye? – Igen, azt hiszem utoljára egy éve, Londonban.
- Szép időnk van, nemde? – Igen, kellemes. Remélem, ilyen marad a hétvégén is.

- Terrible weather, isn't it? – Yes, awful. I think it's rained every day since I arrived.
- That's a nice shirt/blouse. – Thanks. I bought it from Marks & Spencer.
- This coffee's a bit weak. – Yes, it is, isn't it? Not like the coffee you get in Turkey.
- Did you get that report I sent you? – Yes, I did, thanks. It was very useful.
- Is that the time? I guess I should be going. – Oh, so soon?
- It's been nice meeting you again. Have a good trip, and give my regards to your family. – Thanks. I'll do that. See you next month in Moscow. Bye.
- Have a good flight. – Thank you. I hope to see you soon.
- See you next week. – Yes, see you on Monday. Bye.
- It's been nice meeting you. – Likewise.
- Szörnyű ez az idő, nem? – Igen, borzasztó. Azt hiszem, minden nap esett, mióta megérkeztem.
- Szép ez az ing/blúz. – Köszönöm. A Marks & Spencerben vettem.
- Kicsit gyenge ez a kávé. – Ugye? Nem olyan, mint amelyet Törökországban kap.
- Megkapta a jelentést, amit küldtem? – Igen, köszönöm. Jó hasznát vettem.
- Már ennyi az idő? Indulnom kellene. – Máris?
- Jó volt újra látni. Jó utat, és üdvözlöm a családját. – Köszönöm, átadom. Találkozunk a jövő hónapban Moszkvában. Viszlát.
- Jó utat! – Köszönöm. Remélem, hamarosan találkozunk.
- Viszlát jövő héten. – Igen, hétfőn látjuk egymást. Szia.
- Jó volt találkozni veled. – Hasonlóképpen.

TELEPHONING

- Could I speak to Mr Andrew Logan, please? – Speaking.
- Could I have extension 4562, please?
- I think you've got the wrong extension.
- I'm sorry, the line's engaged/busy.
- Would you like to hold?
- I'll hang on.
- I'll try again later.
- How may I help you?
- I'm afraid he's not available at the moment.
- There's no reply.
- Just one moment, please. I'm just putting you through.
- Who's calling, please?
- I'm afraid we've got a bad line.
- I didn't quite catch your name. Could you repeat it, please?
- Good morning. This is Sarah Fraser speaking.
- Can I take a message?
- Do you want to leave a message?

TELEFONÁLÁS

- Andrew Logan úrral szeretnék beszélni.
- Én vagyok.
- Kérem, kapcsolja a 4562-es melléket.
- Attól tartok, rossz mellékre kapcsolták.
- Sajnálom, foglalt a vonal.
- Tartja (a vonalat)?
- Tartom.
- Később újra megpróbálom.
- Miben segíthetek?
- Sajnálom, most nem tud a telefonhoz jönni.
- Nem veszik fel.
- Azonnal kapcsolom.
- Elnézést, ki beszél?
- Elnézést, rossz a vonal.
- Nem értettem a nevét. Kérem, ismételje meg.
- Jó napot kívánok. Itt Sarah Fraser beszél.
- Hagy üzenetet?
- Kíván üzenetet hagyni?

- Could I leave a message for Mr Taylor, please?
- Thanks for calling.

RESERVING A HOTEL ROOM

- I'd like to make a room reservation.
- What dates would you like?
- A single room with private facilities, please.
- I'd like a quiet room facing the rear of the hotel, if possible.
- And how do you want to settle the bill?
- Can we pay on invoice, please?
- Have you got an account with us?
- Can you fax me the confirmation today, please?

ARRANGING APPOINTMENTS

- I'd like to make an appointment for Mr Philips to see Mrs Costner at the beginning of next week.
- Can we say three o'clock p.m. in Mr Roberts' office?
- When would suit you? How about next Monday morning?
- What time on Friday can you make/manage it?
- Let me see, I'm out of the office until lunchtime, but any time after that would be fine.
- I'm afraid I'm busy on Wednesday afternoon. What about Thursday?
- Just a moment and I'll check. Yes, Mrs Zane is free on Friday morning but only until 11 a.m.
- Would Tuesday afternoon be suitable? – Yes, that'll be fine.
- OK, I should be able to manage/make some time after two.
- That sounds fine. Can I get back to you later today to confirm it?

- Szeretnék üzenetet hagyni Taylor úr részére.
- Köszönöm a hívását.

SZÁLLODAI SZOBAFOGLALÁS

- Szobát szeretnék foglalni.
- Milyen időpontokra (szóljon a foglalás)?
- Egyágyast kérek fürdőszobával.
- Egy csendes szobát kérek, ha lehet, a szálloda hátsó részében.
- Hogyan kívánja rendezni a számlát?
- Számla alapján (átutalással).
- Van nálunk vezetett számlájuk?
- Kérem, még ma küldje át faxon a visszaigazolást.

IDŐPONTGYEZZETÉS

- Szeretnék Philips úr számára egy időpontot egyeztetni a jövő hét elejére Costner asszonnyal.
- Mondjuk délután háromkor Roberts úr irodájában?
- Mikor felelne meg önnek? Mit szólna a hétfő délelőthöz jövő héten?
- Pénteken milyen időpont felelne meg önnek?
- Lássuk csak. Ebédidőig házon kívül lesz, de utána bármilyen időpont megfelel.
- Sajnálom, szerda délután elfoglaltságom van. Mit szólna a csütörtökhöz?
- Rögtön utánanézek. Igen, Zane asszony ráér péntek délelőtt, de csak 11 óráig.
- Megfelelne a kedd délután? – Igen, megfelel.
- Rendben, két óra után valószínűleg megoldható.
- Jónak tűnik. Visszaszólhatok később, hogy megerősítem?

- I'm afraid Mrs Black won't be able to keep the appointment which we arranged earlier. Could we find an alternative time?
- I'm sorry but I can't make/manage the meeting next week.
- Would you mind/matter if we put the meeting off to the following week?
- Thanks for your help and I'm sorry for the confusion. – Don't worry. These things happen.

OFFERING, ACCEPTING AND REFUSING HELP

- My assistant must have these figures today. – If you give me his e-mail address, I'll send them for you.
- How can I get to the conference centre? – I'll show you on the map.
- Can I carry your bag for you? – Yes, please. If it's not too much trouble.
- Shall I give you a lift? – Thanks very much I'd appreciate it.
- May I help? – Yes, thank you. That's very kind.
- Do you want me to make a copy for you? – Thanks very much, but there's no need.
- Would you like me to call your office? – No thanks, it's all right.
- Do you want a hand? – That's very kind of you, but I can manage.

SHOWING INTEREST

- We're going to rent a bigger office. – Are you? A bigger office? Where? (surprise)
- Our sales rep is in hospital. He's had an accident. – An accident? It's nothing serious, I hope. I'll go and visit him. (sympathy)
- The new sales assistant has been fired. – Mhm. I'm not surprised. (no surprise)

- Sajnálom, de Black asszonynak mégsem felel meg a korábban egyeztetett időpont. Tudnánk találni egy alternatív időpontot?
- Sajnálom, de nem felel meg a jövő heti találkozói időpontja.
- Nem bánná, ha áttennék a találkozót a rákövetkező hétre?
- Köszönöm a segítségét és elnézést kérek a kavarodásért. – Semmi baj. Előfordul./Megesik az ilyesmi.

SEGÍTSÉG FELAJÁNÁLÁSA, ELFOGADÁSA ÉS VISSZAUTASÍTÁSA

- Az asszisztensnek még ma szüksége van ezekre az adatokra. – Ha megadja az e-mail címét, elküldöm neki ön helyett.
- Hogyan jutok el a konferenciaközpontba? – Megmutatom a térképen.
- Vihetem a táskáját? – Igen, köszönöm, ha nem jelent nagy gondot.
- Elvihetem? – Igen, köszönöm, nagyon hálás lennék érte.
- Segíthetek? – Igen, köszönöm. Kedves öntől.
- Készítek önnek egy másolatot? – Köszönöm, de nem szükséges.
- Felhívjam az irodáját? – Nem, köszönöm, nem szükséges.
- Szüksége van segítségre? – Nagyon kedves öntől, de boldogulok.

ÉRDEKLŐDÉS KIFEJEZÉSE

- Nagyobb irodát fogunk bérelni. – Tényleg? Nagyobb irodát? Hol? (meglepetés)
- A képviselőnk kórházban van. Volt egy balesete. – Baleset? Remélem, semmi komoly. Megyek, meglátogatom. (együttérzés)
- Kirúgták az új értékesítési asszisztent. – Hhm. Nem vagyok meglepve. (nem érte váratlanul)

- Janice, the marketing assistant has been promoted. – Really! Fantastic! Great! (pleasure)
- Emerald Bank has gone bankrupt. – No! That's strange! Good heavens! (amazement)
- The latest sales figures are disappointing. – Exactly. Absolutely. You can say that again. (agreement)

MAKING, ACCEPTING AND REJECTING SUGGESTIONS

- Shall we postpone the national launch of the Snow Show campaign until the autumn?
- Can I make a suggestion? Why don't we hire a headhunter firm to recruit the new marketing manager?
- Let's think about it for a moment, if that's OK. It seems to be feasible.
- It's just an idea, but what about placing some posters in lifts?
- Yes, that might be worth trying.
- Right. I can see what you mean.
- Yes, I think that would work really well.
- OK, let's do that.
- Do you think so?
- I'm not really sure about that, to be honest.
- I can see some problems with that idea.
- That sounds like a good idea, but I don't think it would work.

MAKING A PERSONAL COMMENT

- Does your new product sell well? – Actually, / To be honest, it hasn't reached our target yet.
- What about your new boss? – It seems that... / Presumably,... / Apparently, she is not as confident as she was at the beginning. But she's just learning the ropes.
- How did the manager react when you arrived late at the meeting this morning? – Franky, he seemed quite angry.

- Janicet, az új marketing asszisztenst előléptették. – Nahát! Remek! Nagyszerű! (öröm)
- Az Emerald Bank csődbe ment. – Nem mondom! Ez különös! Te jó ég! (meglepetés)
- A legújabb eladási adatok kiábrándítóak. – Pontosan. Teljesen. Egyetértek. (egyetértés)

JAVASLATOK, AZOK ELFOGADÁSA ÉS VISSZAUTASÍTÁSA

- Elhalasztjuk a Hó-Show országos indítását őszig?
- Tehetek egy javaslatot? Bízunk meg egy fejedelmű céget az új marketing vezető kiválasztásával.
- Megengeded, hogy elmélázzak ezen egy pillanatig? Kivitelezhetőnek tűnik.
- Csak egy ötlet, de próbálkozhatsz plakátok elhelyezésével a liftekben.
- Igen, lehet, hogy érdemes megpróbálni.
- Rendben. Értem, mire gondolsz.
- Igen, azt hiszem, remekül működne.
- Rendben, csináljuk.
- Gondolod?
- Hogy őszinte legyek, nem vagyok benne teljesen biztos.
- Felvet néhány problémát ez az ötlet.
- Jól hangzik, de nem hiszem, hogy működne.

SZEMÉLYES MEGJEGYZÉS

- Jól megy az új termékek? – Ami azt illeti, / Őszintén szólva, elmarad a várakozásainktól.
- Milyen az új főnök? – Úgy tűnik, hogy... / Feltételezhetően... / Szemléltetőmást nem olyan magabiztos, mint az elején. De még csak most kezd beletanulni a dolgokba.
- Hogy reagált az igazgató, mikor ma reggel késve érkezett a megbeszélésre? – Őszintén szólva, elég dühösnek látszott.

- Will you accept the job? – Clearly, I will.
- Do you know why Susan had left the company? – Between you and me, she was offered a better position at Microsoft.
- Was the CEO satisfied with our performance this year? – I'm pleased to say that he was.

AGREEING, DISAGREEING

- We're considering opening a new store in the plaza. We'll have more customers then. – I totally agree.
- I agree entirely with Joe.
- I quite agree.
- I couldn't agree more.
- Absolutely! / Precisely! / Exactly!
- I think you're right.
- That's true.
- Mmm, maybe you're right.
- I suppose so.
- I know what you mean, but won't you have to pay a very high rent then?
- To be honest, I don't think it's a good idea.
- Well, I suppose so, but let's think it over again.
- I can see what you're saying, but will it really be profitable?
- Don't you think it's too risky?
- Actually, I've heard that Reno and Humanic are considering that too.
- Really? Do you think so?

ASKING FOR CLARIFICATION

- I'm sorry, I didn't catch that.
- What exactly do you mean?
- Sorry, could you say that again, please?
- Sorry, could you repeat it, please?
- Could you be a little more specific?
- Could you explain that in more detail?
- I don't understand what you mean when...

- Elfogadod az állást? – Naná, hogy el. / Még szép, hogy igen.
- Tudod, miért vált meg Susan a cégtől? – Maradjon köztünk, de ajánlottak neki egy jobb helyet a Microsoftnál.
- Elégedett volt a vezérigazgató az idei teljesítményeddel? – Örömmel mondhatom, hogy igen.

EGYETÉRTÉS, EGYET NEM ÉRTÉS

- Tervezzük, hogy új üzletet nyitunk a plázában. Akkor nagyobb lenne a vevőkörünk. – Teljesen egyetértek veled.
- Teljesen osztom Joe véleményét.
- Egyetértek.
- Támogatom.
- Tökéletesen! / Pontosan!
- Szerintem igazad van.
- Így van.
- Hmm, lehet, hogy igazad van.
- Gondolom, igen. / Én is így gondolom.
- Értem, mire gondolsz, de nem kellene akkor túl magas bérleti díjat fizetnetek?
- Őszintén szólva, nem hiszem, hogy ez jó ötlet.
- Nos, valószínűleg igen, de azért gondoljuk át újra.
- Értem, amit mondasz, de tényleg nyereséges lesz?
- Nem gondolod, hogy túl kockázatos?
- Ami azt illeti, hallottam, hogy a Reno és a Humanic ugyanezt fontolgatja.
- Tényleg? Így gondolod?

EGYÉRTÉLMŰSÍTÉS

- Bocsánat, nem értettem.
- Mire gondol pontosan?
- Elnézést, elmondaná újra?
- Bocsánat, megismételné?
- Lehetne kicsit egyértelműsíteni?
- Elmagyarázná ezt részletesebben?
- Nem igazán értem, mire gondol, amikor...

- What exactly are you referring to?
- So, in other words, you felt intimidated. Is that right?
- In other words you are saying ...
- Are you saying...?
- Am I right in thinking that ...
- So what you are suggesting is...
- No, sorry, that's not really what I meant.
- Perhaps I didn't explain very well. Let me put it another way.
- *Mire céloz pontosan?*
- *Tehát, másképpen kifejezve, megfélemlítve érezte magát. Így van?*
- *Más szóval úgy érti, hogy...*
- *Azt akarja mondani, hogy...*
- *Igazam van, amikor azt gondolom, hogy...*
- *Tehát arra céloz, hogy...*
- *Nem, bocsánat, nem pont erre gondoltam.*
- *Talán nem igazán jól magyaráztam. Hadd mondjam el másképp.*

DIPLOMATIC LANGUAGE

- Could I just go back to the point about the extended working hours?
- Could you let us have the exact figures for Monday?
- I think there's a bit of a problem with that.
- It seems we have a slight problem.
- To be honest, I'm not quite sure we could do that.
- I guess that could be a little difficult.
- There seems to be a slight misunderstanding.
- It's a bit cold in here, isn't it?
- There might be a small delay.
- Could I just interrupt you for a moment?
- That might be quite expensive.
- Won't that be a bit expensive?
- The freight costs are a bit expensive, aren't they?
- Wouldn't it be better to use documentary credit?
- Perhaps we could go back to this matter again next week?

MAKING AND DEALING WITH COMPLAINTS

- We regret to say but your last shipment is not up to your usual standard.
- We found that parts of the consignment were missing.

DIPLOMATIKUS NYELVHASZNÁLAT

- *Szeretnék visszatérni a munkaidő meghosszabbításáról szóló pontra.*
- *Szeretném hétfőre megkapni a pontos adatokat.*
- *Azt hiszem, van ezzel egy kis probléma.*
- *Úgy tűnik, van egy kis gondunk.*
- *Az igazat megvallva, nem vagyok abban egészen biztos, hogy kivitelezhető a dolog.*
- *Azt gyanítom, lehetnek nehézségeink ezzel kapcsolatban.*
- *Úgy tűnik, adódott egy kis félreértés.*
- *Kicsit hideg van itt, nem?*
- *Felmerülhet egy kis késés lehetősége.*
- *Félbeszakíthatnám egy pillanatra?*
- *Lehet, hogy egy kicsit költséges lesz.*
- *Nem lesz az egy kicsit drága?*
- *A fuvarköltségek kicsit magasak, nemde?*
- *Nem lenne ésszerűbb okmányos megjelölést választani?*
- *Talán visszatérhetnék erre a dologra a jövő héten.*

REKLAMÁCIÓK ÉS KEZELÉSÜK

- *Nagyon sajnáljuk, de az utolsó szállítmányuk nem felel meg a szokásos minőségi színvonaluknak.*
- *Felfedeztük, hogy a szállítmány egy része hiányzik.*

- Unfortunately, we find that you have sent us the wrong goods.
- I would like to inform you that the contents of some cases have been badly damaged.
- I'm sorry to say but neither the design nor the quality of your sofas has come up to our expectations.
- I'm sorry, it's not our responsibility. The problem must be due to bad handling.
- Is it still under guarantee?
- Can you leave it with me? I'll look into it and get back to you.
- It must be an isolated case, we have a very good record for quality.
- I'm sorry again for any inconvenience we have caused.
- I can assure you we're doing everything we can.
- Could you send me a sample of the faulty product?
- We can't really help you, I'm afraid. Have you tried contacting the insurance company?
- If you return it, we'll send a replacement immediately or give you a credit note.
- The machine isn't working properly.
- This machine has a fault. How long will it take to repair it?
- Really? Right, I see. I'm very sorry. This has never happened before. It's probably just a computer error.
- If you have any more problems, please let me know.
- All these products have the same problem. They all come from the same batch.
- I'm just calling to let you know that our Production Manager is looking into the matter at the moment, and he'll call you tomorrow.
- I really am very sorry. Our Accounts Department made a small mistake when they processed your order.
- *Sajnos nem a megrendelt árut szállították le.*
- *Szeretném tudatni önökkel, hogy néhány láda tartalma súlyosan megrongálódott.*
- *Sajnálom, hogy ezt kell mondanom, de sem a kanapék kidolgozása, sem a minősége nem felel meg az elvárásainknak.*
- *Elnézést, de ez nem a mi hibánk. A problémát bizonyára a hanyag kezelés okozta.*
- *Még garanciális?*
- *Nálam tudja hagyni? Utánanézek és visszahívom.*
- *Ez bizonyára egyedülálló eset, nagyon jó a minőségi mutatónk/statisztikánk.*
- *Még egyszer szeretnék elnézést kérni az okozott esetleges kellemetlenségeikért.*
- *Biztosíthatom, hogy meg fogunk tenni minden tőlünk telhetőt.*
- *Tudna küldeni mintát a hibás termékből?*
- *Sajnálom, de nem igazán tudunk segíteni. Próbált már kapcsolatba lépni a biztosítótársasággal?*
- *Ha visszaküldi, azonnal gondoskodunk a cseréről vagy visszautaljuk az értékét.*
- *A berendezés nem működik megfelelően.*
- *Ez a berendezés hibás. Mennyi időt vesz igénybe a javítása?*
- *Valóban? Rendben, értem, és igazán sajnálom. Ilyen eset még nem fordult elő korábban. Valószínűleg csak számítógépes hiba.*
- *Ha bármilyen további gond merül fel, kérem, értesítsen.*
- *Az összes termékkel ez a gond. Azonos széria.*
- *Csak azért telefonálok, hogy tájékoztassam, a termelési igazgató most vizsgálja az ügyet, és holnap felhívja önt.*
- *Igazán nagyon sajnálom. A könyvelés vétett egy kis hibát a rendelése feldolgozása közben.*

TALKING ABOUT THE ECONOMIC SITUATION AND THE STATE OF THE MARKET

- So what are your main industries?
- We have a strong production industry, although it will have problems in the next few years because of difficulties in the supply of raw materials.
- Older industries like agriculture and fishing are being replaced by new areas like tourism and catering.
- The service sector is getting bigger.
- The manufacturing base is getting smaller.
- Do you have a problem with inflation?
- The rate of inflation is going up/down.
- What's the unemployment situation at the moment?
- Unemployment is high/low.
- Unemployment fell significantly.
- How is your company doing?
- We're changing our product range and we're moving more into producing wooden toys.
- Well, we're branching out into a new line and try our luck in the software market.
- We're in a difficult market situation because...
- We're responding to the competition by...
- How's your stock market doing?
- What's happening in your market at the moment?
- What are the main factors that affect your market?
- Shell profits reached record high.
- Microsoft has a good cause to celebrate.
- Slider plc. cuts jobs in drive to rescue falling profits.

A GAZDASÁG ÉS A PIACI HELYZET MEGVITATÁSA

- *Tehát önöknél melyek a főbb ágazatok?*
- *Erős a feldolgozóiparunk, bár az elkövetkezendő néhány évben gondokkal kell számolnunk a nyersanyag utánpótlás miatt.*
- *A régebbi ágazatokat, mint amilyenek például a mezőgazdaság és a halászat, kezdik felváltani új területek, mint például a turizmus és a vendéglátás.*
- *Növekvőben van a szolgáltatás szektor.*
- *A gyártó szektor csökkenőben van.*
- *Okoz valamilyen gondot az infláció?*
- *Az inflációs ráta növekszik/csökken.*
- *Milyen a munkanélküliségi helyzet pillanatnyilag?*
- *A munkanélküliség magas/alacsony.*
- *Jelentősen csökkent a munkanélküliek száma.*
- *Milyen a vállalata helyzete? / Hogy megy a cégének mostanában?*
- *Megváltoztatjuk a termékválasztékunkat és nagyobb hangsúlyt kap a fajtágyártás.*
- *Nos, belevágunk valami új dologba és szerencsét próbálunk a szoftver piacon.*
- *Nehéz piaci helyzetben vagyunk, mert...*
- *Úgy reagálunk a versenyhelyzetre, hogy...*
- *Hogy áll a tőzsde?*
- *Mi történik a piacon mostanában?*
- *Milyen tényezők befolyásolják leginkább a piacot?*
- *A Shell nyeresége rekordmagasságokat ért el.*
- *A Microsoftnak jó oka van az ünneplésre.*
- *A Slider Rt. munkaerő-csökkentést hajtott végre, hogy ellensúlyozza zuhanó nyereségét.*

- British Telecom face disastrous year if sales continue to slide.
- MOL reports slight losses.
- What's the current economic situation like?
- There are signs that the recession is coming to an end and that economic recovery is on the way.
- The cost of living is high.
- People are worried about the future of the welfare state.

- *A British Telecom katasztrofális évvel néz elébe, ha tovább csökkennek a bevételek.*
- *A MOL csekély veszteségekről számolhat be.*
- *Milyen a jelenlegi gazdasági helyzet?*
- *Bizonyos jelek arra engednek következtetni, hogy a recesszió megáll és talán áll a gazdaság.*
- *Magasak a megélhetési költségek.*
- *Az emberek aggodnak a jóléti állam jövőjéért.*

DESCRIBING CHANGES AND TRENDS

- In the bar chart/graph the vertical axis shows sales in millions of units. The horizontal axis represents time in months.
- Sales reached a peak of 11,000 in November.
- Our new sales campaign led to/resulted in an increase in profits last month.
- We'll improve/recover/increase our market share.
- We'll raise/maintain her salary.
- If you look at the pie chart you can see that in spite of the fall in sales in France and Germany, we did quite well in the rest of Europe.
- At the moment our new product is making an important contribution to our profits.
- As you can see from the graph, there was a dramatic/sharp increase in June.
- The rise continued but more gradually than in February.
- Sales grew slowly, by 3 per cent.
- There was a slight growth in inflation.

VÁLTOZÁSOK ÉS TENDENCIÁK LEÍRÁSA

- *Az oszlopdiagram függőleges tengelye az értékesítés nagyságát mutatja milliós egységekben. A vízszintes tengely az időt adja meg havi bontásban.*
- *Az értékesítés novemberben érte el a csúcstól 11.000 eladott terméknel.*
- *Az új értékesítési kampány nyereség-növekedéshez vezetett az előző hónapban.*
- *Növelni fogjuk piaci részesedésünket.*
- *Emelni fogjuk / Szinten tartjuk a fizetést.*
- *Ha vetnek egy pillantást a tortadiagramra, láthatják, hogy a francia és német piacokon bekövetkezett visszaesés ellenére egészen jó a helyzetünk Európa többi részén.*
- *Új termékünk jelentős mértékben járul hozzá nyereségünkhöz.*
- *Amint az látszik az ábrán, hatalmas növekedés volt tapasztalható júniusban.*
- *A növekedés folytatódott, de a februárinál kisebb mértékben.*
- *Az értékesítés lassan nőtt, kb. három százalékkal.*
- *Kis mértékben nőtt az infláció.*

- Things improved and there was a steady increase in the middle of the period.
 - We saw a steady improvement.
 - Our profits rose sharply.
 - We had a considerable decrease in our market share.
 - Then we saw sales falling rapidly in December, ending at 1,000 pieces once again.
 - April was a bad month with a sharp fall to 1,000 pieces.
 - Last year our profits fell slightly because of/due to difficult market conditions.
 - From July to October, sales figures fluctuated slightly then levelled off in November.
 - We have sold as many as/nearly 450 units.
 - We have sold only/barely 150 pieces.
- *Javuló tendenciát mutatott a helyzet és növekedést tapasztalhattunk az időszak közepén.*
 - *Kitartó növekedést / fejlődést tapasztalhattunk.*
 - *Kiugróan megnőtt a nyereségünk.*
 - *Piaci részesedésünk jelentősen csökkent.*
 - *Ezt követően decemberben gyorsan csökkentek az eladások, míg végül újra 1000-nél álltak meg.*
 - *Április kedvezőtlen hónap volt, az értékek visszazuhanak 1000 darabra.*
 - *Tavaly a kedvezőtlen piaci feltételek következtében kis mértékben csökkent a nyereségünk.*
 - *Az októbertől júliusig terjedő időszakban értékesítési adataink kis mértékben ingadoztak, majd novemberben kiegyenlítődték.*
 - *Összesen / Közel 450 darabot értékesítettünk.*
 - *Mindössze / Alig 150 darabot adtunk el.*

PRESENTATIONS

- My name is...
- I'm the...
- I'm very grateful that you could all come today.
- The subject of my presentation today is...
- During my presentation I'll be talking about...
- I want to talk to you today about...
- I'm going to talk about...
- First, I'll tell you a little about..., second..., ...
- My talk will be in four main parts.
- Please interrupt if you have anything you'd like to ask.
- If anyone has any questions, please feel free to interrupt.
- If there is anything you would like to ask me, please would you wait until the end of the presentation.

ELŐADÁSOK

- *A nevem...*
- *Én vagyok a...*
- *Nagyon hálás vagyok, hogy mindannyian el tudtak ma jönni.*
- *Mai előadásom témája...*
- *Előadásomon a ...-ról fogok beszélni.*
- *Ma a ...-ról szeretnék beszélni.*
- *A ...-ról szeretnék beszélni.*
- *Először a ...-ról beszélek egy kicsit, majd a ...-ról.*
- *Előadásom négy fő részből áll.*
- *Kérem, szakítsanak félbe, ha van kérdéseik.*
- *Ha bárkinek kérdése van, nyugodtan szakítson félbe.*
- *Ha kérdéseik van, kérem, szíveskedjenek várni vele az előadás végéig.*

BUSINESS FUNCTIONS

- So, first of all, let's take a look at...
 - So let's start with some background information to explain...
 - I'm going to talk about this because...
 - I plan to show you some slides and a short video during my presentation.
 - Let's now move on the option which I personally...
 - Now I'd like to move on to the choices we face today.
 - As you can see, the results are...
 - If you look at the transparency...
 - To sum up, ...
 - Before I finish, let me just summarise the main points again.
 - That's all I want to say about ...
 - Does anyone have anything to ask or to comment on?
 - Could you be a little more specific?
 - Well, it depends what you mean by...
 - That's a very interesting question. Could I ask you what your own view is?
 - Anyone like to comment on that?
 - That's a good question, but I'm afraid it's not really my field.
 - OK, we only have a few minutes left. Is there one last question?
 - I'm afraid that's all we have time to. Thank you all very much for your attention.
- *Nos, először is vessünk egy pillantást a ...-re.*
 - *Nos, engedjék meg, hogy némi magyarázattal kezdjem...*
 - *Erről szeretnék beszélni, mert...*
 - *Előadásom során mutatni fogok néhány diát és levetíték egy rövid filmet.*
 - *Térjünk rá arra lehetőségre, amelyet én személy szerint...*
 - *Most szeretnék rátérni azokra a választási lehetőségekre, melyekkel manapság szembesülünk.*
 - *Mint láthatják, az eredmények...*
 - *Ha ránéznek a képre /az írásvevítőre,...*
 - *Összegezve,...*
 - *Mielőtt befejezem, engedjék meg, hogy ismét összefoglaljam a főbb pontokat.*
 - *Ez minden, amit mondani szeretnék a ...-ról.*
 - *Van valakinek kérdése vagy hozzáfűzni valója?*
 - *Kifejtené ezt kicsit részletesebben?*
 - *Nos, ez attól függ, mit ért ön ...-on.*
 - *Ez nagyon érdekes kérdés. Megkérdezhetem, mi az ön saját véleménye?*
 - *Szeretne valaki reagálni erre? / Van valakinek hozzáfűznivalója?*
 - *Ez egy jó kérdés, de sajnos nem az én (szak)területem.*
 - *Rendben, már csak néhány percünk maradt. Még egy utolsó kérdés?*
 - *Sajnálom, ennyire futotta az időnkből. Mindannyiuk figyelmét nagyon köszönöm.*

MEETINGS

- Thanks to everyone for coming. I hope you didn't have too much trouble getting here.
- Right, is everyone here? Good. I think we can start.
- OK, let's make a start?

MEGBESZÉLÉSEK, TALÁLKOZÓK

- *Mindannyiuknak köszönöm, hogy eljöttek. Remélem, könnyen idetaláltak.*
- *Rendben, itt van mindenki? Jó, akkor azt hiszem, elkezdhetjük.*
- *Rendben, kezdjük?*

- Well, good morning everyone. Do you all have a copy of the agenda? I'd like to thank you all for being here at such short notice.
- This meeting is scheduled to finish at...
- Could you take the minutes?
- The reason we're all here today is to...
- First of all, I'd like to introduce Professor Mark Spencer from our Cambridge institute.
- Let me just go over the main points.
- The main purpose of this meeting is to...
- The problem we are facing is that...
- You can see from the agenda that we have a lot to get through.
- I've prepared some figures to help us compare the two options. I'll distribute them now.
- OK, let's move straight to the first item.
- Joe, would you like to kick off?
- Bella, would you like to begin by explaining the background?
- It's an absolutely great idea. I couldn't agree more.
- Yes, but I've got another idea.
- What's your view on that?
- What's your reaction to this?
- Could I just say something? – Let me finish.
- I don't understand. Can you be a little more specific?
- I'm sorry, what do you mean by a 'small problem'?
- Let me see if I understand. Are you saying...?
- If I understand you correctly, you're saying...
- Sorry, do you mean that...?
- So, can I just summarise what we've discussed so far?
- Bill, can we just go over your objections again?
- We're running short of time.
- *Nos, üdvözlök mindenkit. Mindenkinek van egy példánya a napirendből? Szeretném megköszönni mindannyiuknak, hogy ilyen rövid idő alatt összegyűltetek.*
- *A találkozó a tervek szerint ...-ig tart.*
- *Vezetné a jegyzőkönyvet?*
- *Az ok, amiért ma mindannyian itt vagyunk az, hogy...*
- *Először is, szeretném bemutatni Mark Spencer professzort cambridge-i intézetünkéből.*
- *Engedjék meg, hogy végigfussak a főbb pontokon.*
- *E megbeszélés fő célja az, hogy...*
- *Az előttiünk álló probléma az, hogy...*
- *Láthatják a napirenden, hogy sok dolgunk lesz ma.*
- *Készültem néhány adattal, hogy összehasonlíthassuk a két lehetőséget. Most szétosztom ezeket.*
- *Rendben, kezdjük rögtön az első napirendi ponttal.*
- *Joe, légy szíves, kezd el.*
- *Bella, légy szíves kezd el a háttér-magyarázattal.*
- *Ez egy kiváló ötlet. Támogatom.*
- *Igen, de van egy jobb ötletem.*
- *Ön mit gondol erről?*
- *Mi a véleménye erről?*
- *Mondhatok valamit? – Hadd fejezzem be.*
- *Nem értem. Kifejtené kicsit bővebben?*
- *Elnézést, mit ért „kis problémán”?*
- *Nézzük, hogy jól értem-e. Azt mondja, hogy...*
- *Ha jól értem, azt mondja...*
- *Bocsánat, úgy érti, hogy...*
- *Nos, összefoglalhatom, ami idáig elhangzott?*
- *Bill, végigvehetném újra a kifogásait?*
- *Kifutunk az időből.*

- I think we're in danger of getting side-tracked.
- I think this is a bit of a side-track. Can we get back to the main point?
- One at a time, please. First Joe, then Alex.
- Let's go on to the next item.
- Now, can we move on to discuss...
- Is there anything else we should consider?
- What other ways are there to approach this?
- Does everyone agree?
- Can we go round the table to see if everyone agrees?
- All those in favour?
- And all those against?
- I'm grateful to you all for your time.
- That's all for today.
- *Attól tartok, eltérünk a tárgytól.*
- *Azt hiszem, ez nem igazán tartozik a tárgyhoz. Visszatérhetnénk az eredeti fő témánkhoz?*
- *Egyszerre csak egyvalaki (beszéljen), kérem. Előbb Joe, aztán Alex.*
- *Térjünk rá a következő témára.*
- *Rendben, folytathatnánk a ... megvitatását?*
- *Van még valami, amiről nem esett szó?*
- *Milyen más megközelítési módja van ennek a dolognak?*
- *Mindenki egyetért?*
- *Akkor lássuk egyenként, mindenki egyetért-e.*
- *Ki van mellette?*
- *És ellene?*
- *Hálásan köszönöm mindannyiuknak, hogy szakítottak rám időt.*
- *Ennyi volt mára.*

BUSINESS SITUATIONS

INTERNATIONAL HOUSE, EUROPRO NYELVVIZSGA

1. What do you think the main characteristics of a good manager are?

Although it is commonly believed that leaders are born not made, there are many things they can acquire to become successful leaders. A manager has to perform various tasks including planning, organising, integrating, measuring, and developing people. That is why they have to manage time and use it effectively. Quite often, they are required to make quick decisions, so they have to have a logical, rational and analytical attitude. Excellent communication skills, creativity, openness and the ability to keep up with changes are also inevitable features of a person at this level.

Apart from having professional knowledge and expertise, a good manager must have certain personal qualities that make him suitable for this position. A lot depends on the way managers treat their staff. They have to be able to motivate, inspire and lead their subordinates. They must exploit the strengths, not weaknesses, of their people. Also, a good manager has to be objective and judge on merit, not driven by his personal feelings, when evaluating his subordinates' performance. Both discrimination and favouritism may lead to tension among staff and hinder smooth running of the business. Great managers praise their staff. If they simply comment when they are not satisfied with one's work, it is common to take it as a sign of personal dislike. But managers who regularly give praise are in a much stronger position to criticise or reprimand poor performance. And finally, good leaders must be willing to delegate some of their responsibility by passing on tasks as well as skills, to share experience and useful information with their people to help them be creative and gain more independence.

2. The success of a conference may depend on many factors. Could you mention some of them?

Organising a conference requires careful preparation and the consideration of various physical and technical factors as well as factors related to the subject and the participants of the talks.

Considerable attention must be paid to physical and technical requirements, which ensure the participants' comfort and security. The choice of location may depend on the subject and the participants of the negotiations. If it's an intergovernmental conference with the participation of heads of states and ministers and other prominent people, a centrally located specialised conference centre must be chosen which provides excellent facilities and meets all the necessary security requirements. For lower-level international conferences and corporate-level meetings resorts and city or business hotels may also be selected.

It is a common requirement that these places be within easy reach, have good parking facilities, and provide easy access to buildings and rooms even for the disabled. Conference rooms must be spacious, light (preferably with natural light) and have good ventilation and/or air-conditioning. They must be equipped with devices necessary for making a presentation, delivering a lecture or conducting a discussion, such as microphones, overhead projectors, computers, television sets, whiteboards, photocopiers,

and so on. Obviously, they must be checked in advance to make sure they operate correctly. In a multilingual environment, interpreters and translators will also be needed. People attending the event must be served with light snacks and refreshments as well. Everybody must be provided in advance with an agenda that contains all the items to be discussed so that participants can prepare for and contribute to the meeting. The conference will be productive if it has a clear purpose that all the people attending are aware of. A chairperson should be appointed to manage and control the proceedings. However, the success of the conference will highly depend on the participants themselves and their ability and willingness to reach a compromise.

BUDAPESTI KÖZGAZDASÁGTUDOMÁNYI ÉS ÁLLAMIGAZGÁZÁSI EGYETEM, „OECONOM” VIZSGA

3. Your lower level managers suffer from the results of ineffective time management. What advice would you give to help them overcome this problem?

Well, as you all know, we have had to ask for an extension of the deadline in several cases recently, and once it has also happened that we were not able to fulfil an order according to schedule. We have almost lost one of our important business partners as a result. To avoid such situations in the future, we must revise our time management. I cannot but emphasise that time is the most valuable and important resource we have, and it is up to us to use this resource fully. Time is also the most limited resource we have: the only one we cannot obtain more of. Time is life (and also money) so it must be utilised well, not wasted.

Well, we have two choices. We can either extend the working hours or try to be more efficient. I think the first possibility is not in our best interest so let us consider the other one. I have worked out a set of advice that may help overcome our 'timing problem'. By acquiring certain skills and developing our faculties, we can utilise our time more fully – and thus make our work more productive.

The first step towards managing your time better is recording everything in a diary you do at work. Then work out how much time you devoted to each thing. It will help you realise how much time you waste.

The second step should be putting your tasks into three categories every morning: 1) important and urgent; 2) important but not urgent; 3) has to be done, but is not of too much importance. Decide on a reasonable time frame for each task and try to keep to it. Deal with your priorities first, and delegate as much work as you can. (Let your subordinates take responsibility.) Do not let others steal your time. Be able to say 'No' when necessary.

4. The leader of your PR department has retired. How would you specify the qualities and skills the applicant for the post should have?

For the position of the PR manager, which is an executive position, we are looking for a person with a university degree in Public Relations, marketing or economics. The applicant must have sound knowledge and competence, and at least five years' experience as an executive in this field. He or she must also be fluent in English, and have good computer skills (especially Word, PowerPoint, Excel) and a driving licence. Speaking another European language is an asset.

Apart from having professional knowledge and expertise, the candidate must have a bright and dynamic personality. Being the head of a department with ten people, the applicant must be a team-player with excellent interpersonal skills. The position requires excellent oral and written skills, too, as his responsibilities will involve establishing and maintaining good relationships with the media and sponsors. The organisation and implementation of national PR events and campaigns assumes creativity, imagination and capability of hard work. We are looking for somebody who is able to learn the ropes quickly and can become an efficient, steady and reliable member of our staff.

5. If you are involved in insurance, what factors would you consider in deciding upon the amount of the insurance premium to be paid by a customer looking for motor car insurance?

When speaking about motor car insurance, we must differentiate between liability car insurance and comprehensive motor insurance. Liability car insurance provides cover against the insured person's own liability to pay compensation for injury, death, or for damage to property. Comprehensive motor insurance covers several kinds of risk, including theft, or fire, third-party liability, accidental damage or injury, and so on. Taking out a comprehensive motor insurance policy is voluntary, but each motorist has to own a liability car insurance policy.

When deciding on the amount of insurance premium in the case of liability car insurance, the following factors must be considered: the model of the car; the cylinder capacity of the engine; the age and residence of the owner; the number of years he or she has been driving without accidents; and the method of payment. Very young drivers, or motorists who have a bad accident record must pay a higher premium. Also, those who live in an area where the number of accidents is high according to statistics, for example in Budapest, or pay by postal order instead of bank transfer, are also charged a higher price. The premium charged for comprehensive motor insurance is calculated on the basis of the model of the car and the number of extras it contains. The amount of the premium is made up by two sums of money attached to one's own risk and collision damage.

6. A production plant is going to be set up in a small town near Budapest. The managers of the company are planning a meeting with the local authorities. What strategy do you think they will use to meet approval for their project?

In a discussion like this you have to convince the local authorities about the positive points of establishing a new plant. If a company is going to set up a production plant, it is extremely advantageous for the town as the new production plant provides new work places consequently the inhabitants of the town can get to new jobs so the rate of unemployment reduces in the region. Secondly, infrastructure has to be improved or even developed by for example building new roads or roundabouts. As new production plants are mainly built in the outskirts of the town (because of the empty place) the land has to be supplied with public services or utilities as well. Each new plant must pay tax to the local authorities from which the local authorities gain profit and finally new plants can attract other new firms from which the local authorities can benefit.

7. Your company cannot promote the employees of the lower management levels, which has a negative effect on the labour morale, and head-hunters as well as rivals are showing increasing interest in them. What would you do to keep your vital staff?

In this problem you have to use incentives not to lose the vital staff. Firstly if you cannot promote them you can offer a higher salary, company car or mobile phone, you can urge them to do PR work. You can even organise inner competitions through which the performance can be increased and the winner can be granted with a nice trip to somewhere. If the agents do their work properly and perfectly then they can also be granted with a trip. You can offer individual payment according to performance.

8. What are the benefits and drawbacks of flexitime for the workers and for the company?

Flexitime can be workable only in production plants or in accounting offices but not in customer service facilities. The advantages of it for the workers are that the workers can manage their time, they can take and fetch their children from school and do not have to pay for a baby-sitter. On the other hand there are some negative points, for example they feel that they spend their whole day working and secondly their biorhythm changes which can affect them negatively. The benefits for the company are that the workers do their best as they work whenever they want consequently their performance is higher too. On the other hand if the workers work late the company has to pay high electricity bills or has to provide doorman service in two shifts which is also expensive.

9. How would a takeover by another company influence the labour force of the acquired firm?

Firstly lots of people are dismissed which involves an increasing unemployment rate. The company has to pay lump sum settlements to the workers. The company has to reorganise its departments and Board of Directors. There can be promotions and it can provide reallocation of manpower.

10. What problems does a company meet if it decides to operate without a strategic plan?

Strategic planning is made at several hierarchical levels, at company, divisional and functional level where goals are set. Lacking strategic plan means that a company cannot realise the company goals. As at each level and in each working stage different practices occur, a company without a strategic plan cannot see through the whole working procedure and it can happen that similar exercises are done which are superfluous. In a company like this only short-term plans are operating consequently it cannot react to the changes of the market later. If it does not make long-term calculations it will not know how the future sales will change and cannot determine the trend of the market demand. Furthermore as for the expenditure the company cannot operate efficiently, it cannot allocate the resources well and increase the production sufficiently.

- 11. You have recently started a business as a soft drink producer but cannot utilise your assets to their full capacity because you are short of money to open another outlet. What can be done to make better use of your machinery?**

If you do not want to take up a loan to be able to open another outlet you can find an investor who provides the funds needed or form a partnership with someone who brings capital and joins in the running of your enterprise. Leasing is another way to utilise the machinery but it will not increase sales. You could also do outwork, that is to find another soft drink producer and draw up a contract to sell them for example bottles thus making full capacity of the machinery without opening new outlets.

- 12. Your company has staffing problems: well-qualified, efficient workers leave the company because of low pay, poor career development, etc. You intend to introduce performance related pay. What are its implications and what new problems would it bring?**

First of all a clear concept for evaluation has to be thought up. Then you can consult on further practicalities such as an acceptable feedback system and quality control, how to train assessors and manage appeals. Providing financial incentives can improve performance but can also demotivate and put more stress on workers. People who have not worked in such a competitive atmosphere before may have problems of managing this change. In certain jobs performance can be difficult to measure and the introduction of the new remuneration system raises costs as well.

- 13. The production plant is going to be refitted and your department has been asked to order all the equipment. You are looking for a supplier to install the new lighting.**

Our plant equipment is going to be refitted and now we are looking for a lighting supplier. We wondered if you could give us a quotation for standard fluorescent tubes. We would also like to know the following details: the price of each item, the guaranteed working life of the tubes and whether you can offer us a discount on bulk orders. When you send us a fax could you specify the method of payment and the period of delivery, please?

- 14. How are employees affected when the company they work for is moved to another location?**

If the new location is not too far from the present premises, the employees can commute, which means extra travel costs. In an ideal case the employer covers these costs or organises transport facilities. The company can operate regular bus service collecting workers from neighbouring towns and villages. It is convenient for workers because the bus timetable is usually adjusted to working hours. Managers can get company cars or even share one car among some of them. Spending more time travelling to and from work is still better than having to change jobs. If the company moves to a remoter location which does not allow commuting, unskilled workers are more likely to lose their jobs because the company can easily recruit workers in the new area. On the other hand companies often want to retain experienced, well-qualified personnel and try to encourage them to move, too. It is a decision that affects the whole family of the employee and raises a series of problems: moving house, leaving family and friends behind, children changing schools and the spouse has to give up his or her job and find employment in the new

place. The employer can compensate employees by raising salaries and/or giving housing allowances.

- 15. Your company's sales are high but you find out that a foreign company intends to enter the domestic market. What can you do to prevent a considerable drop in sales?**

You can try to achieve better market penetration which means being present in a large number of outlets to maximise your clientele. At the same time you can make framework agreements with buyers and retailers to ensure sales for a fixed term. Paying commission to retailers is another way to make them interested in the sales of your product. When the foreign competitor appears on the market, you can compare the products and perhaps try to offer the same quality at a lower price or better quality at the same price. If production costs are fixed and prices cannot go any lower, providing extra services or prolonged guarantees with the goods can attract more customers.

- 16. You work for the public transport company in a big city and have been asked to come up with schemes to cut costs. Discuss what ideas can arise and what problems would each pose.**

If the company decides to lay off people, it usually affects employees at the lowest level of the company hierarchy. But having fewer people to do the same jobs will lead to less efficient service. Employing fewer inspectors for instance can encourage fare-dodging and finally lead to a decline in revenues. Downsizing or restructuring in the middle management may seem a good idea but it can increase the distance between workers and the higher management. If there is less supervision and poor information flow, managers will be detached from actual problems. To avoid direct wage cut, the company can decide to reorganise the remuneration system and introduce payment by performance but even that can make employees leave the company. Spending less on maintenance or leaving maintenance to contractors can temporarily save time but incurs higher expenditures in the long run.

BUDAPESTI GAZDASÁGI FŐISKOLA, ÜZLETI NYELVVIZSGA

- 17. You sent an order to O'Sullivan's Machinery, Cork for spare parts and suggested that in order to avoid unnecessary delays they should accept payment by banker's transfer instead of the usual letter of credit. The spare parts are to be supplied from stock, i.e. promptly, but you have not heard from O'Sullivan's though two weeks have passed since you placed the order. Ring up Mr. O'Sullivan to enquire about the date of dispatch, and whether they would accept your suggestion of payment by banker's transfer instead of L/C.**

Good morning, Mr. O'Sullivan. The reason I am phoning is our order for spare parts for Emmet harvesters that we sent to your company on 21 April 2003, under the reference number 18496. To eliminate unnecessary delays we suggested payment by banker's transfer instead of the usual letter of credit. We hoped that you could fulfil our order from stock and dispatch the shipment immediately otherwise we would not be able to meet the deadline set by our partners. Could you kindly inform me about the date of dispatch and whether you would accept payment by bank transfer?

- 18. The representative of Jack&Jill Ltd. phones your company and complains that of the five shipments of honey they have taken so far this year two were delivered late, one contained the wrong goods and had to be sent back, and now an order has just been received with so many broken jars that it will be necessary to reorder. He says that unless they receive their next order in time and without damage they will seek another supplier.**

Good morning. This is ... speaking from Mézesmackó Ltd. I am really sorry for the inconvenience we have caused. Unfortunately, the sudden tremendous demand for our products has caused difficulties in the delivery services. We will send a full replacement of your last order immediately. I can assure you we will do everything we can to avoid such problem in the future. Thank you very much for your understanding.

- 19. You are Mr. Szabó from Fűzfő Papermill Plc. Two days after placing an order for 50 tons of wood pulp, you receive a circular from your Finnish supplier offering you a special quantity discount on orders of 80 tons. Now you immediately give a ring to the Finnish company and modify your original order so that you can qualify for the discount.**

Hello. This is Mr. Szabó speaking from Fűzfő Papermill Plc. I have just received your circular offering a special volume discount on orders of 80 tons. I sent you an order for 50 tons of wood pulp two days ago. May I possibly modify that order? I would like to increase the quantity by 30 tons, if possible, so that I can qualify for the discount. Is it OK? Thank you very much. I will certainly confirm the modification in writing later today.

- 20. A Danish agency offered to act as your agent in the Scandinavian market in textiles. As you really need an agent in the region, you sent them a positive answer right away. Their answer arrived yesterday, in which they ask for price lists, samples, etc. You realise from the date of the letter that it travelled for three weeks due to a postal strike in Denmark. Ring up the agency and assure them that you will provide them with the material they asked for. Give them the name of a contact person at the Hungarian Embassy. Mention that you find their bank references satisfactory.**

Good morning. This is ... speaking from ... Ltd. Thank you for your letter of Unfortunately, I received it only yesterday because of a postal strike in Denmark. To save time, a traveller from the Sales Department of my company is leaving by plane today taking all the material with him. I hope that you will find the quality and design of our products satisfactory and our prices favourable. For carrying out the legal and other administrative procedures, please contact Mr. Bácskay at the Commercial Section of the Hungarian Embassy tomorrow or any time after that. Let me inform you that the bank references we have obtained in the meantime are entirely to our satisfaction. Finally, could you be so kind as to phone about the results as the strike is still going on? We hope that this will be a start of a fruitful co-operation between our companies.

- 21. You work for a company in the UK that furnishes restaurants and hotels. You have ordered luxury dining suites (tables, chairs and settees) from Balaton Furniture, Hungary. The shipment was damaged on board of the ship. Six chairs in cases 5 and 6 and two settees in case 9 were badly smashed. It was a CIF shipment. Balaton Furniture arranged the shipment and hold the policy. Telephone the company to inform them about the damage.**

Good morning. This is ... speaking. I would like to inform you that in your last shipment the contents of some cases have been badly damaged. The shipment got damaged due to bad handling on board of the ship. Six chairs in cases 5 and 6 and two settees in case 9 were badly smashed. I will post you the Surveyor's Report today. As it was a CIF shipment, could I ask you to make a claim on the insurance company? We would also appreciate if you arranged for replacements as soon as possible. Thank you.

- 22. The representative of Goldring Plc., wine importers in Hastings, England visits Balaton Vineyard and asks for their export terms CIF Hastings on an order for 500 cases of Badacsony 'Grey Friar'. He also wants a list of products for export. You are the Sales Manager of Balaton Vineyard. You meet the representative in your office and brief him about your export terms.**

Please take our current price list. Here you are. As you can see, our prices are quoted FOB Dover. We can certainly calculate prices CIF Hastings within a few days provided we can expect regular orders from your firm. I have made up another list for you – it contains our best selling lines. Well, I hope you have not scheduled any programs for this afternoon yet? I have arranged a visit to our most famous wine cellars in the Badacsony region. Would you like to join me for a wine-tasting trip?

- 23. You are Mr. Jones from Garden Master Co. You have sent out a circular to Kiskertész Ltd. announcing your new lawnmower. You also mention that a demonstration team will call on them within two weeks. A month later Mr. Fekete from Kiskertész Ltd. rings you up saying that they have not had the visit yet and are afraid they will not be able to have the lawnmower in time for Garden Expo. Answer the phone.**

We are terribly sorry for the delay, but the demonstration team had to go to Austria first. Now they are already on their way to Hungary and will arrive within a week. When exactly is the Expo due to open? Well, that is in three weeks. I am sure the lawnmower will have been delivered by that time.

- 24. You work for the Import Department of Rocket Batteries. You have placed an order with Duracell for 50,000 LR6 batteries for delivery at the end of August. However, due to unforeseen events you need the consignment of batteries earlier. Ring up Duracell and enquire about earlier shipping possibilities.**

Hello. This is ... speaking from Rocket Batteries. We placed an order for 50,000 LR6 batteries last month. When placing the order our stocks seemed to last until the end of August. However, due to unforeseen events we need the consignment as soon as possible. We have had very good business connections with you for a long time and you have never let us down. Even an early part-shipment would be a great help. To gain time, we can pay by banker's transfer for the first lot.

- 25. You are Mrs Keller from a bookshop and you ordered 50 volumes of Oxford Student's Dictionary but you got 50 volumes of Oxford Business Dictionary. Telephone the bookshop in London and ask the manager to send the right volumes.**

This is Mrs Keller speaking from Libro bookshop. In my order of 14 April, No. 245 I ordered 50 volumes of Oxford Student's Dictionary but we got 50 volumes of Oxford Business Dictionary instead. I am very disappointed as I sent the order by fax so everything I needed was written down. You must understand that I am in a difficult financial situation and can only keep the business dictionaries provided you can offer price reduction on the other volumes. Moreover, we can pay only in the next quarter of the year as we have run out of foreign quotas for this quarter.

- 26. Black Purple Ltd. in Birmingham have ordered five 400Z type pumps from your company. They call you because they got three 400ZX and two 400X pumps. They argue that they need the pumps very urgently and ask you to exchange the pumps right now. You talk to the manager of Black Purple Ltd.**

I really am very sorry for the mistake. You see, the pumps are packed in the same boxes so it is very easy to mix them up. In addition, some new workers have been employed at the packing department, and as they are being taught there is a bit of confusion there. We will certainly replace the pumps immediately by sending the right ones from stock and an agent will collect the wrong pumps.

- 27. You are Mrs. Kőrös from Complex Ltd. You have sent out a circular and a leaflet about the brand new suitcase of your firm to Trip Travel Co., Brighton. They are very interested in the suitcase but do not want to place an order until they have had a look at it. Call them up and explain that there is a showroom in Budapest where they can see the new suitcase.**

Well, I got the information that your commercial travellers will be on a tour in Central Europe to create new lines and connections. Is that right? Yes? Great! I would like to invite them to our showroom in Budapest. Any weekday in the next two weeks would be fine for us, so feel free to choose the date that suits you the best. We can ensure them accommodation in a nice hotel so they can stay here for a few days to get acquainted with our latest innovations. I am pleased to say that the new suitcases sell very well and there is an increasing number of orders because of the illustrated leaflet and circular we posted to our most important business partners.

- 28. You are Signor Cunico representing Hungarian toys in Italy. Mrs. Kovács from Micimackó Ltd. visits you in Padova complaining that sales have been unfavourable in the three years during which you have represented them. Give an explanation to Mrs. Kovács.**

I must admit that our sales figures have shown a slight decrease in the past couple of years. The main reason, I think, is that new toy manufacturers from abroad came into the market and there is fierce competition for the different toyshops, which involves price competition as well. These manufacturers support their agents and give very high commission to them. To be honest, I would find some marketing advice and advertising materials really useful so that we can increase the sales. We should also organise a special sale on Children's Day and give free samples from the toys to the kids.

- 29. Zepter Ltd., an English firm has been in the Hungarian market with its kitchenware for the past 10 years. They are planning to expand here, so they send a representative to Hungary to get to know more about buying habits.**

The representative can study this situation through market research or even they can create a questionnaire and get the customers or housewives to fill it in. From the results the representatives can acquire lots of useful information. It can happen that housewives are more price-conscious and though Zepter Ltd. produces high quality goods the customers may prefer low-priced products. So a fierce price competition can occur between the different firms to be able to sell as many goods as they can.

- 30. Your company has sent a consignment of porcelain goods for an exhibition and sale but many of the plates arrived chipped. You are trying to settle the complaint over the phone.**

I am phoning because I have just been told that many of the plates we shipped arrived chipped. We are terribly sorry about the damage and all the inconvenience it caused. In fact, it may have happened because of the new packaging material we were trying out for the first time and unfortunately it hasn't proven a good choice. Luckily, we still have time to replace the damaged pieces until the opening of the exhibition and our agent is going to collect them tomorrow.

VOCABULARY LIST

- | | |
|----------------------------|--|
| 1. | |
| expertise | – szakértelem |
| subordinates | – beosztottak |
| to exploit(-ed) | – kiaknáz |
| to judge(-d) on merit | – érdemei alapján ítéli meg |
| favouritism | – kivételezés |
| to hinder(-ed) | – akadályoz |
| running of the business | – üzletvezetés, üzletmenet |
| smooth | – itt: sima, olajozott |
| to reprimand(-ed) | – megszid, megféd |
| to delegate(-d) | – átruház (munkát, felelősséget) |
| to pass(-ed) on | – átad, átruház (munkát, felelősséget) |
| 2. | |
| intergovernmental | – kormányközi |
| head of state | – államfő |
| prominent | – fontos (személyiség) |
| corporate-level | – vállalati szintű |
| overhead projector | – írásvetítő |
| agenda | – napirend |
| to reach(-ed) a compromise | – egyezségre jut, kompromisszumot köt |
| 3. | |
| deadline | – határidő |
| according to schedule | – határidőre |
| time management | – időbeosztás |