

Business English Reading

商务英语 阅读

● 王吉良 / 主编



安徽大学出版社

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主 编	王吉良		
副主编	陈葵阳		
编 者	姜占好	武晓山	蒋少华
	谷志忠	李雪红	葛秋颖
	吴利琴	胡昌宇	

主 编 王吉良

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王吉良 主编

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联系电话 总编室 0551-5107719
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E-mail ahdxchps@mail.hf.ah.cn

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前 言

《商务英语阅读》是根据《大学英语教学大纲》(高等学校本科用)专业英语阅读阶段的要求编写的,供经济类院校本科三年级学生在完成了大学英语基础阶段的学习后,在应用提高阶段使用。

本教材的编写宗旨是为了使经济类院校本科高年级学生熟悉并掌握经济、贸易及管理等领域常用的英文概念和专业术语,并通过课文的学习提高其专业阅读的能力。本教材共分十章,可供两学期使用。内容涉及贸易经济基本概念、企业组织形式、管理学基础、生产与经营、人力资源、市场营销、销售与促销、金融、会计、税收、法律与国际贸易。课文内容全部选自英文原版,文字规范、概念准确、表述地道、章节间条理清楚。课后备有英汉词汇表、填空练习和英译汉练习。

本教材由王吉良负责主编,陈葵阳、姜占好、武晓山、蒋少华、谷志忠、李雪红、葛秋颖、吴利琴、胡昌宇参加编写。

由于编者水平与经验有限,教材中难免有不足之处,希望广大读者批评指正。

编者

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CHAPTER 1

BUSINESS AND ECONOMIC SYSTEMS

THE NATURE OF BUSINESS

The term business means different things to different people. In its most far-reaching sense, however, **business** is the social process that involves the assembly and use of productive resources (basic inputs) to create goods and services (basic outputs) capable of satisfying society's needs and wants. It is an organized approach to providing customers with the goods and services they want. The word business also refers to an organization that provides these goods and services. Businesses provide just about anything consumers want or need, including basic necessities such as food and housing, luxuries such as whirlpool baths and wide-screen televisions, and even personal services such as caring for children and finding companionship.

Most businesses seek to make a profit—that is, they aim to achieve revenues that exceed the costs of operating the business. Prominent examples of for-profit (profit-oriented) businesses include Mitsubishi Group, General Motors Corporation, and Royal Dutch/Shell Group. However, some businesses only seek to earn enough to cover their operating costs. Commonly called nonprofit, these businesses are primarily nongovernmental service providers. Examples of nonprofit businesses include such organizations as social service agencies, foundations, advocacy groups, and many hospitals.

Basic Inputs

Businesses make use of four productive resources (basic inputs): natural resources, labor, capital, and entrepreneurship (see Figure 1.1). These inputs, known in the study of economics as **factors of production**, are common to all productive activities in all economic systems.

- **Natural Resources** **Natural resources**, which come directly from the land, air, and sea, can satisfy people's wants directly (for example, beautiful mountain scenery or a clear lake used for fishing and swimming), or they can be used to produce goods and services that satisfy wants (such as a forest used to make lumber and furniture).

China has many natural resources. It includes vast areas of fertile land for growing

crops, extensive coastlines with many natural harbors, and several large navigable rivers and lakes on which large ships and barges carry products to and from most regions of the nation. It also has an incredible diversity of landscapes, plants, and wildlife.

- **Labor** **Labor** refers to the routine work that people do in their jobs, whether it is performing manual work, managing employees, or providing skilled professional services. A nation's labor force includes those who work for wages and salaries and those who file government tax forms for income earned through self-employment. It does not include homemakers or others who perform unpaid labor at home, such as raising, caring for, and educating children, preparing meals and maintaining the home. Nor, of course, does it include those who do not report income to avoid paying taxes, in some cases because their work involves illegal activities.

Manual Labor usually refers to physical work that requires little formal education or training, such as washing dishes or moving furniture. **Managers** include those who supervise other workers. Examples of skilled **professionals** include doctors, lawyers, accountants, academic staff, or photographers, etc. The following data shows the U.S. labor force in the nine major industry divisions.

Industry	1999 Employment
Services	36.4 million
Retail Trade	22.8 million
Government	19.4 million
Manufacturing	18.5 million
Finance, Insurance, and Real Estate	7.4 million
Wholesale Trade	6.9 million
Transportation and Public Utilities	6.6 million
Construction	6.3 million
Mining	0.5 million

- **Capital** All the manufactured aids to production are **capital**. It includes buildings, equipment, and other intermediate products that businesses use to make other goods or services. For example, an automobile company builds factories and buys machines to stamp out parts for cars; those buildings and machines are capital. Businesses have additional capital investments in their inventories of finished products, raw materials, and partially completed goods.

- **Entrepreneurship** **Entrepreneurship** is an ability some people have to accept risks

and combine factors of production in order to produce goods and services. Entrepreneurs organize the various components necessary to operate a business. They raise the necessary financial backing, acquire a physical site for the business, assemble a team of workers, and manage the overall operation of the enterprise. They accept the risk of losing the money they spend on the business in the hope that eventually they will earn a profit. If the business is successful, they receive all or some share of the profits. If the business fails, they bear some or all of the losses.

Many people mistakenly believe that anyone who manages a large company is an entrepreneur. However, many managers at large companies simply carry out decisions made by higher-ranking executives. These managers are not entrepreneurs because they do not have final control over the company and they do not make decisions that involve risking the company's resources. On the other hand, many of the nation's entrepreneurs run small businesses, including restaurants, convenience stores, and farms. These individuals are true entrepreneurs, because entrepreneurship involves not merely the organization and management of a business, but also an individual's willingness to accept risks in order to make a profit.

Throughout its history, the United States has had many notable entrepreneurs, including 18th-century statesman, inventor, and publisher Benjamin Franklin, and early-20th-century figures such as inventor Thomas Edison and automobile producer Henry Ford. More recently, internationally recognized leaders have emerged in a number of fields: Bill Gates of Microsoft Corporation and Steve Jobs of Apple Computer in the computer industry; Sam Walton of Wal-Mart in retail sales; Herb Kelleher and Rollin King of Southwest Airlines in the commercial airline business; Ray Kroc of MacDonald's, Harland Sanders of Kentucky Fried Chicken (KFC), and Dave Thomas of Wendy's in fast food; and in motion pictures, Michael Eisner of the Walt Disney Company as well as a number of entrepreneurs at smaller independent production studios that developed during the 1980s and 1990s.

Acquiring the Factors of Production

All four factors of production—natural resources, labor, capital, and entrepreneurship—are traded in markets where businesses buy these inputs or productive resources from individuals. These are called **factor markets**. Unlike a grocery market, which is a specific physical store where consumers purchase goods, the markets mentioned above comprise a wide range of locations, businesses, and individuals involved in the exchange of the goods and services needed to run a business.

Businesses turn to the factor markets to acquire the means to make goods and services, which

they then try to sell to consumers in product or output markets. For example, an agricultural firm that grows and sells wheat can buy or rent land from landowners. The firm may shop for this natural resource by consulting real estate agents and farmers throughout the Midwest. This same firm may also hire many kinds of workers. It may find some of its newly hired workers by recruiting recent graduates of high schools, colleges, or technical schools. But its market for labor may also include older workers who have decided to move to a new area, or to find a new job and employer where they currently live.

Firms often buy new factories and machines from other firms that specialize in making these kinds of capital goods. That kind of investment often requires millions of dollars, which is usually financed by loans from banks or other financial institutions.

Entrepreneurship is perhaps the most difficult resource for a firm to acquire, but there are many examples of even the largest and most well established firms seeking out new presidents and chief executive officers to lead their companies. Small firms that are just beginning to do business often succeed or fail based on the entrepreneurial skills of the people running the business, who in many cases have little or no previous experience as entrepreneurs.

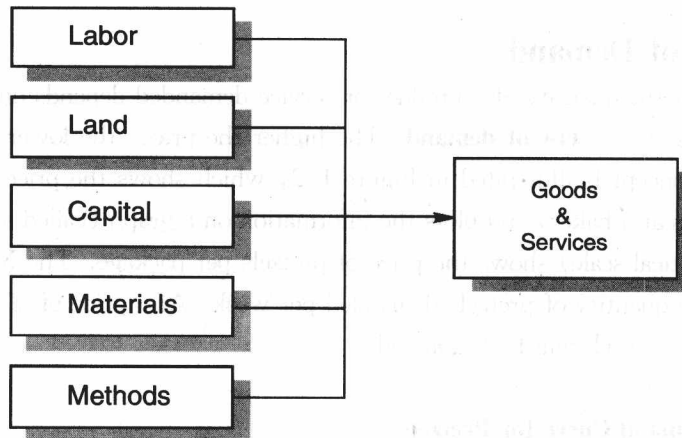
Basic Outputs

Firms use the basic inputs to produce the basic outputs desired by customers: goods and services.

- **Goods** Goods are tangible things—things you can touch—that satisfy wants. Examples of goods are cars, clothing, food, houses, and toys.
- **Services** Services are activities that people do for themselves or for other people to satisfy their needs and wants. Examples of services are cutting hair, polishing shoes, teaching school, and providing police or fire protection. Both goods and services are often referred to as products.

Business Activities

As a rule, the basic goal of business is **profit maximization**—the production of units of output for as long as the revenue from selling them is greater than the cost of producing them. To maximize the profits, firms depend on their production capabilities and their ability to exchange goods in marketplace. Of course, they are also interested in other specific goals—marketing, pricing, and helping the community, for example. However, without profit maximization, any other goals would be infeasible.

Figure 1.1 Basic Inputs and Outputs

- **Production** **Production** refers to manufacture and processing of goods or merchandise, including their design, treatment at various stages, and financial services contributed by bankers. Various economic laws, price data, and available resources are among the factors in production that must be considered by both private and governmental producers.

Examples are Xerox Corporation converting the electronic components into office machines and the service department of the local GM dealership converting parts and labor into automobile repairs.

- **Exchange** Another major business activity is **exchange**—the process by which two or more parties offer one another something of value in return for something else of value. Firms produce goods and services and exchange them for something else of value, usually money. For example, in bookstore, you exchange cash for books. The exchange may also be of certain goods and services—**barter**. Barter refers to the exchange of goods or services without the use of money. Exchanging ships for oil would be an example of barter. On an international level, there are many instances of barter today. For example, a deal between Saudi Arabia and British Aerospace involved British Aerospace exchanging fighter planes for Saudi oil.

DEMAND AND SUPPLY

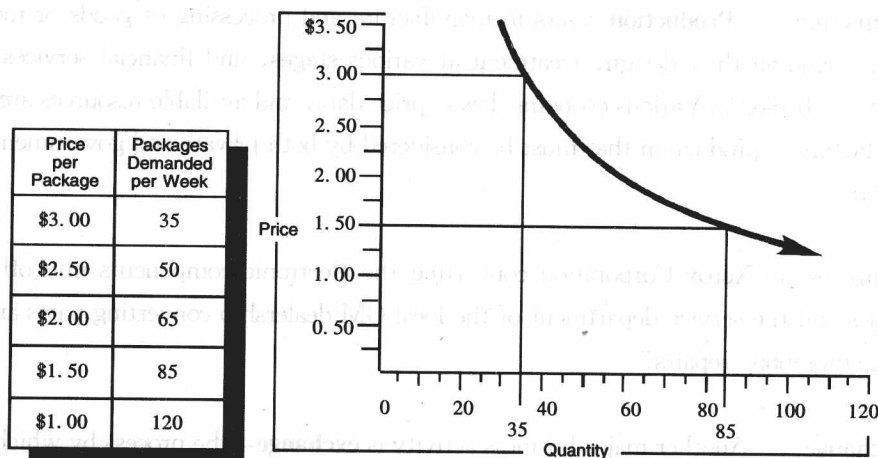
In economics, supply and demand are the basic factors determining price. **Demand** refers to how individuals or households form their demands for different goods and services. **Supply** refers to how firms decide which and how many goods or services they will supply and what

combination of factors of production they should employ in supplying them.

The Nature of Demand

The concept that the quantity of a product or service demanded depends on the price of the product or service is the **law of demand**. The higher the price, the lower the quantity demanded. This concept is illustrated in Figure 1.2, which shows the price and demand per week for pretzels at a bakery and plots the information on a graph (called a demand curve). The Y-axis (vertical scale) shows the price of pretzels per package. The X-axis (horizontal scale) shows the quantity of pretzels demanded per week. At a price of \$1.50, for example, 85 packages a week will be demanded.

Figure 1.2 Demand Curve for Pretzels



The demand curve slopes downward and to the right. The slope indicates that as the price is lowered, more of the product is demanded. The corollary of this idea is that if a large quantity of good is put on the market, the hope of selling all of it will be realized only if it is sold at a lower-than-usual price.

One reason that the goods are sold at lower prices than at higher ones is that lower prices bring in new buyers. As the price of pretzels decreases, some who don't usually eat pretzels will probably start buying them instead of potato chips (assuming that the price of potato chips stays constant). Also, with each reduction in price, regular consumers of the product may buy extra amount of it.

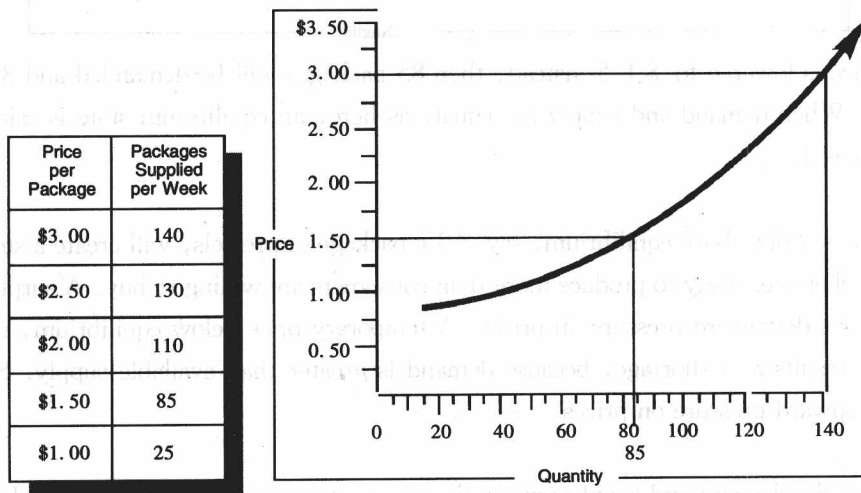
The Nature of Supply

The concept that the quantity of a product or service supplied depends on the price of the

product or service is the **law of supply**. The higher the price, the higher the quantity supplied; the lower the price, the lower the quantity supplied.

This concept is illustrated in Figure 1.3, which shows the weekly price for and supply of pretzels and plots the information on a graph (called a supply curve). The supply curve for pretzels slopes upward and to the right. This slope indicates that at higher prices, pretzels manufacturers will obtain more resources (flour, yeast, and salt, for example) and produce more pretzels. If the price the consumers are willing to accept rises, producers can afford to buy more resources. Therefore, output tends to increase at higher prices because higher quantity can be sold and greater profit can be earned.

Figure 1.3 Supply Curve For Pretzels

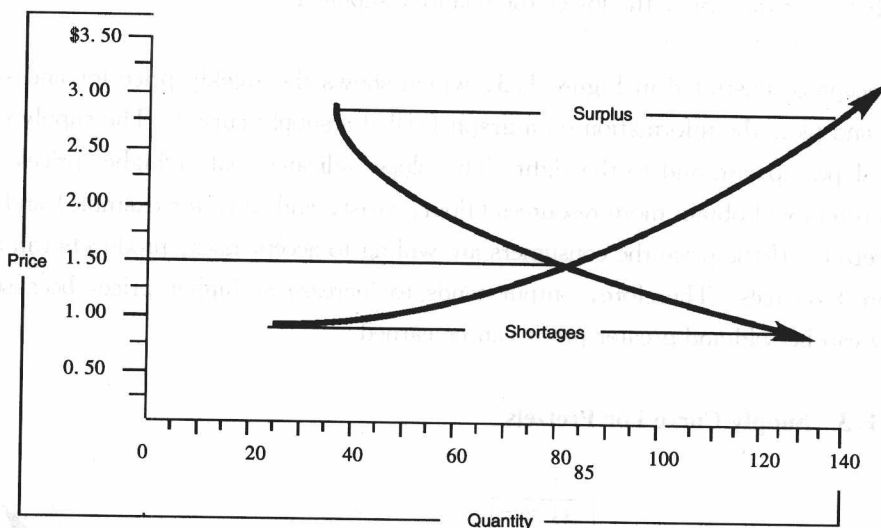


How Demand and Supply Establish Prices

How high and low the prices go in competitive markets? How many pretzels will be produced? How many will be purchased? Figure 1.4 answers these questions by revealing what happens when supply curve and demand curve for pretzels interact.

At a price of \$3, the public will demand only 35 packages of pretzels a week (see Figure 1.2). But at this price, suppliers can place 140 packages on the market (see Figure 1.3). The difference is a surplus of 105 packages of pretzels. How can a merchant get rid of the surplus pretzels? By lowering the price. If, however, the price is lowered to \$1, then 120 packages will be demanded but only 25 will be supplied, and there will be a shortage of 95 packages.

Figure 1.4 The Equilibrium Price for Pretzels



If the price is lowered to \$1.5 instead, then 85 packages will be demanded and 85 will be supplied. When demand and supply are equal, as here, an equilibrium state is said to have been achieved.

A temporary price above equilibrium, say \$3 a package of pretzels, will create a surplus because suppliers are ready to produce more than consumers are willing to buy. A surplus therefore places a downward pressure on prices. A temporary price below equilibrium, say \$1 a package, results in a shortage, because demand is greater than available supply. Shortages force an upward pressure on prices.

As long as the demand and supply remain the same, temporary price increases and decreases will tend to return equilibrium, where there is no inclination for prices to rise or fall. But an equilibrium price may not be reached all at once. There may be periods of trial and error as the market for a product or service move towards equilibrium. Yet, sooner or later, demand and supply will settle into an equilibrium state.

ECONOMIC SYSTEMS

Economics is the study of how people use scarce resources to produce and distribute goods and services. The resources of a person, firm, or nation are limited. Hence, economics is the study of choices—what people, firms, or nations choose from among the available resources. Economics has two main subareas. **Macroeconomics** is the study of the economy as a whole. It looks at aggregate data, data for large groups of people, companies, and products. In contrast, **microeconomics** focuses on individual parts of the economy, such as households and

firms.

The major economic systems today are capitalism, socialism, and communism. Economies that make use of more than one of those systems are known as mixed economies.

Capitalism

Capitalism refers to an economic system in which private individuals and business firms carry on the production and exchange of goods and services through a complex network of prices and markets. Although rooted in antiquity, capitalism is primarily European in its origins; it evolved through a number of stages, reaching its zenith in the 19th century. From Europe, and especially from England, capitalism spread throughout most parts of the world, largely unchallenged as the dominant economic and social system until World War I.

Competition is, in economics, conditions that are present in markets where buyers and sellers interact to establish prices and exchange goods and services. Economic competition is the means whereby the self-interest of buyers and sellers acts to serve the needs of society as well as those of individual market participants. Society is served when the maximum number of goods is produced at the lowest possible prices.

In pure capitalism, all the factors of production are owned privately, and the marketplace operates without government interference to set prices and coordinate economic activity. Advocates of this system believe that there is no need for government planning, intervention, or control—that individuals working in their own self-interest ultimately serve society as a whole.

The freedom within the capitalism can be summarized as the right to own the property, the right to make a profit, the right to make free choices, and the right to compete. The right to own property is part of the definition of capitalism. Profit is the major incentive in this system. Entrepreneurs are seen as being entitled to it because of their risk-taking activities. Profit is also necessary for producing goods and services, building plants, paying dividends and taxes, and create jobs. The freedom to choose whether to become an entrepreneur or to work for someone else means that the people have the right to determine what they want to do on the basis of their own drive, training, and interests. The government does not give quotas or give aptitude tests to determine what people must do.

The Role of Competition is good for businesses and consumers. It leads to better and more diverse products, keeps the price stable, and increases the efficiency of producers. Producers attempt to create their goods and services at the lowest possible cost and sell them at the

highest possible price. However, when the profits are high, more firms enter the market, and competition among firms tends to lower prices. Therefore, producers must find ways of creating their products more efficiently if they want to continue making a profit—and staying in business.

Economists acknowledge four types of competitive environments within capitalism. They are perfect (pure) competition, monopoly, monopolistic competition, and oligopoly.

- **Perfect Competition** The theoretical ideal developed by economists to establish the conditions under which competition would achieve maximum effectiveness is known as **perfect competition**. Although rarely possible, perfect competition, as a concept, provides a useful benchmark for evaluating performance in actual markets. Perfect competition exists when (1) an industry has a large number of business firms as well as buyers; (2) the firms on the average are small; and (3) buyers and sellers have complete knowledge of all transactions within the market. The practical significance of a large number of small firms and many buyers is that the power to influence the behavior of the participants in the market is thoroughly dispersed. In other words, no single person or business has the power to dictate the terms on which the exchange of goods and services takes place. Market results then are truly impersonal. Under conditions of perfect competition, goods and services would be produced as efficiently as possible—that is, at the lowest possible price and cost—and consumers would get the maximum amount of the goods and services they desire.

Firms in the perfectly competitive market sell their products at prices determined entirely by the forces in the market. Since the products are homogeneous, and since each firm contributes only a small amount to the total quantity supplied by the industry, price is determined by supply and demand. A firm that raised its price even a little above the prevailing rate would therefore lose customers. In the wheat market, for example, the product of one wheat producer is essentially the same as that of any other wheat producers. Thus none of the producers has control over the price of wheat.

- **Pure Monopoly** At the other end of the spectrum is **pure monopoly**—the domination of a market for a particular product or service by a single company, which can therefore restrict competition and keep prices high. In practice, a company can be said to have a monopoly when it controls a significant proportion of the market. This structure is characterized by the barriers to entry—factors that prevent the new firms from competing equally with existing firms. The barriers may be technical or legal conditions

that make it impossible for a new firm to enter the market. They may also be one firm's control of a natural resource, a patent, or economies of scale.

In communist countries the state itself has the overall monopoly; in capitalist ones some services, such as transport or electricity supply, may be state monopolies.

● **Monopolistic Competition** Three characteristics define the market structure known as **monopolistic competition**:

- (1) There are a large number of firms in the market.
- (2) The firms offer products that are close substitutes for one another but that are differentiated from one another.
- (3) It is relatively easy to enter the market.

Firms in a monopolistically competitive environment take advantage of product differentiation. Because of this, they use advertising to sell their products. Their objective is to distinguish—in a real or even a superficial sense—their products from others' products.

For example, Mercedes automobiles are advertised as being easier on the stomach than aspirin. Firms in monopolistically competitive environments have more control over their prices than do firms under perfect competition, but they must substantiate their product differences and justify their prices to their customers.

● **Oligopoly** **Oligopoly** is a condition in economics in which a few producers dominate a market, allowing an individual producer to significantly affect prices or supply. The laws of supply and demand operate differently in oligopolistic competition. For example, in the UK the two largest soap-powder companies, Procter & Gamble and Unilever, control over 85% of the market. In the U.S., General Motors and US Steel are major firms oligopolistic industries. In an oligopolistic market, firms may well join together in a cartel, colluding to fix high prices. This collusion, an example of a restrictive trade practice, is illegal in the UK and the European Union.

Oligopoly is characterized by competition on features other than price. Price wars, where all the large companies in the market cut prices, tend simply to lead to lower profits, leaving market shares little changed. Instead, oligopolistic firms tend to charge relatively high or premium prices but compete through advertising and other promotional means. Existing companies are safe from new companies entering the market because barriers to entry to the market are high. For example, if products are heavily promoted and producers have a number of existing successful brands, it will be very costly

and difficult for a new firm to establish its own new brand in the market.

Socialism

The economic system under which the basic industries are owned and operated by the government or owned by the private sector under strong government controls is **socialism**. The state control such large-scale industries as transportation, communication, and utilities. To varying degrees, the state also determines the goals of businesses, the prices and the selection of goods, and the rights of workers. Socialism is the economic system of many Western European countries, such as Great Britain, Denmark, and Sweden. However, it operates differently from country to country. In Denmark, for example, most businesses are privately owned and operated, but two thirds of the population are sustained by the state through government welfare programs.

Communism

Developed by Karl Marx, **communism** is the economic system under which the factors of production are to be owned collectively rather than individually and the people are to receive economic benefits according to their needs and to contribute to society according to their abilities. Marx, a German economist, developed his doctrine in the 1800's. He believed that a social revolution would occur and that would result eventually in a classless society. Government would wither away, and the people would then run the society for the good of everyone.

Today, none of the communist countries operates in the way Marx described. Instead, most of them could be described as socialist. They are characterized by central (government) planning of most business activities, considerable government ownership of the factors of production, and strict government control of prices and of incomes levels of both businesses and workers. Currently, Hungary and China are experimenting with private enterprise within the communist system. China, for example, is dropping price controls even on many essential goods. It also loosened its rigid wage system for government workers and now uses a system that reflects individual merit. A 1985 program called for virtual autonomy for state owned businesses, the levying of corporate-type taxes, and a radical cutback in central planning to allow prices to respond to market forces.

Mixed Economies

The economy that operates partly under free-market principles, in which business ownership is in private hands and prices are set by supply and demand, and partly under government ownership or control is termed as **mixed economy**. Canada, Great Britain, and Sweden,