

МИНИСТЕРСТВО ОБРАЗОВАНИЯ И НАУКИ РФ  
ФЕДЕРАЛЬНОЕ ГОСУДАРСТВЕННОЕ  
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**FINANCE AND BANKING**

Учебно-методическое пособие для вузов

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## Unit 1

### Money and Banking

In this Unit you're going to read the text about money, its functions and kinds.

#### Lead-in

**Task 1. Work in a small group. Discuss the following questions with your partner:**

1. What is money? What do people need it for?
2. What role does money play in the economy of the country?
3. Wouldn't it be better for people to live without money?
4. Where do people usually keep money?

*You may find the following expressions useful:*

The means of payment, a standard of value, the medium of exchange, payment for goods and services, repayment of debts, a store of value, issued by the central bank, currency, payment agents, to conduct checking or current accounts for customers, payment services, to borrow and lend money, to act as a depository, to regulate trade, to guarantee stability, a customer's account, to regulate industries.

**Task 2. In the text you will find the following words and word combinations (1-13). Match the words with their definitions (a-m).**

- |                             |  |
|-----------------------------|--|
| 1) a store of value         | a) a charge made for the borrowing of money;   |
| 2) deferred payment         | b) coming after or following smth else;  |
| 3) subsequently             | c) the worth of smth in money or as compared with other goods for which it might be exchanged; |
| 4) to swap                  | d) to exchange (goods or positions), usually so that each person gets what they want;          |
| 5) to hand over in exchange | e) (an example of) the happening by chance at the same time or place of two or more            |

events which are similar or related:

- |                    |  |
|--------------------|--|
| 6) coincidence     | f) to make smth smaller: to decrease;                              |
| 7) worthless       | g) of no value;  |
| 8) interest        | h) to cause a solid to become liquid;                              |
| 9) to erode        | i) to provide an additional amount that makes smth complete;       |
| 10) token money    | j) an act of placing money in a bank;                              |
| 11) to melt down   | k) pieces of metal used instead of coins for a particular purpose; |
| 12) to supplement  | l) to give into smb else's control in return;                      |
| 13) a bank deposit | m) a means of paying the debt.                                     |

### **Reading**

**Task 3. Read the text. The following sentences (1-7) have been taken out of the text. Fill in the gaps (A-G) with the appropriate sentence.**

1. To use a commodity money, society must either cut back on other uses of that commodity or devote scarce resources to producing additional quantities of the commodity.
2. Nobody would accept money as payment for goods supplied today if the money was going to be worthless when they tried to buy goods with it tomorrow.
3. Society considers it convenient to use a monetary unit to determine relative costs of different goods and services.
4. We accept money not to consume it directly but because it can subsequently be used to buy things we do wish to consume.
5. In order to see a film, you must hand over in exchange a good or service that the cinema manager wants.
6. It is usually convenient to use the units in which the medium of exchange is measured as the unit of account as well.

7. And it is usually, though not invariably, convenient to make money the unit of account and standard of deferred payment as well.

## **MONEY AND BANKING**

### **Money and its Functions**

Although the crucial feature of money is its acceptance as the means of payment or medium of exchange, money has other functions. It serves as a standard of value, a unit of account, a store of value and as a standard of deferred payment. We discuss each of the functions of money in turn.

### **The Medium of Exchange**

Money, the medium of exchange, is used in one-half of almost all exchange. Workers exchange labour services for money. People buy and sell goods in exchange for money. **A** \_\_\_\_\_ Money is the medium through, which people exchange goods and services.

To see that society benefits from a medium of exchange, imagine a barter economy. A barter economy has no medium of exchange. Goods are traded directly or swapped for other goods.

In a barter economy, the seller and the buyer each must want something the other has to offer. Each person is simultaneously a seller and a buyer. **B** \_\_\_\_\_ There has to be a double coincidence of wants. You have to find a cinema where the manager wants what you have to offer in exchange.

Trading is very expensive in a barter economy. People must spend a lot of time and effort finding others with whom they can make mutually satisfactory swaps. Since time and effort are scarce resources, a barter economy is wasteful. The use of money – any commodity generally accepted in payment for goods, services, and debts – makes the trading process simpler and more efficient.

### **Other Functions of Money**