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# **ENGLISH FOR FINANCE STUDENTS - PART 1**

**ALİ TƏHSİL MÜƏSSISƏLƏRİNDƏ MALİYYƏ İXTİSASI ÜZRƏ TƏHSİL ALAN  
TƏLƏBƏLƏR ÜÇÜN DƏRS VƏSƏİTİ**

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## PREFACE

In the ever-evolving and interconnected world of global finance, the mastery of English language skills has become as crucial as financial acumen. “English for Finance Students” has been crafted with this realization, aiming to bridge the gap between linguistic proficiency and financial expertise for students embarking on careers in finance.

As a lecturer at Nakhchivan State University with a deep-rooted passion for languages and finance, I have designed this book to serve as a comprehensive guide for students. It is particularly tailored for those for whom English is a second language, equipping them with the necessary linguistic tools to navigate the complex terminologies and nuanced communication of the financial world.

Each chapter in this book is structured to not only impart theoretical knowledge of finance but also to develop practical language skills through diverse tasks such as essays, reports, and scenario-based exercises. The goal is to make students not just theoretically sound but also effective communicators in professional financial environments.

“English for Finance Students” is more than a textbook; it is a pathway to fluency in the language of finance, integrating language learning with essential financial concepts. The insights provided here are the culmination of my experiences as an educator, enriched by interactions with colleagues, students, and professionals in both finance and language education.

I extend my sincere thanks to all who have contributed their knowledge and experiences, making this book a valuable resource for aspiring finance professionals. It is my hope that “English for Finance Students” will serve as a foundational tool in their academic journey and professional growth.

## LESSON 1: Introduction to Finance: Definitions and Concepts

Finance is an important field that influences almost all aspects of modern life. It is the science of money management and involves everything from personal saving strategies to investment banking. In a general sense, finance is the study of how people, companies, and governments raise, allocate, and use resources over time.

Finance can be broken down into three main categories: personal finance, corporate finance, and public finance. Personal finance focuses on how individuals or families gain, save, and spend money. It can also involve future plans like retirement or college education.

Corporate finance, on the other hand, deals with how companies raise and use money. Companies need money to grow and expand their business. This money can be gained in different ways, such as selling shares or borrowing from banks.

Public finance is about how the government manages the money of a country. This includes how money is raised through taxes and how it is spent on public services like schools and hospitals.

Each category of finance involves different skills and knowledge. For example, someone working in personal finance might need to understand how to help individuals plan for retirement, while someone in corporate finance might need to know how to decide whether it's better for a company to borrow money or sell shares.

Finance is often studied in business schools and universities. It is a popular area of study because of its importance in the modern world. People who study finance can end up working in many different fields, such as banking, investment, insurance, or even government.

To work in finance, it is important to have a strong understanding of numbers and mathematics. But it's also important to understand people and their behavior. After all, finance is about how people make choices about money.

In conclusion, finance is a broad field that covers many different areas. It's about how money is managed, whether it's by individuals, companies, or governments. By studying finance, students can gain important skills and knowledge that can help them in many different careers.

## COMPREHENSION QUESTIONS

1. What is finance in a general sense?
2. Name three main categories of finance.
3. What does personal finance focus on?
4. Explain what corporate finance deals with.
5. What is public finance about?
6. Why might someone in personal finance need to understand retirement plans?
7. Why might someone in corporate finance need to know about borrowing money and selling shares?
8. What types of jobs might people who study finance end up working in?
9. Why is understanding people and their behavior important in finance?
10. Why is studying finance considered valuable?

## NEW WORDS

1. Finance: The management of large amounts of money, especially by governments or large companies.
2. Allocate: Distribute (resources or duties) for a particular purpose.
3. Personal Finance: All financial decisions and activities of an individual or household.
4. Corporate Finance: The area of finance dealing with the sources of funding and the capital structure of corporations.
5. Public Finance: Finance related to government revenue, expenditures, and debt load.
6. Shares: One of the equal parts into which a company's capital is divided, entitling the holder to a proportion of the profits.
7. Borrow: Take and use (money) from a person or bank under an agreement to pay it back later.

## Fill in the gaps

1. Finance is an important field that influences almost all aspects of modern life and is the science of money \_\_\_\_\_.

2. Finance can be broken down into three main categories: personal finance, corporate finance, and public \_\_\_\_\_.
3. Personal finance focuses on how individuals or families gain, save, and spend money, as well as future plans like retirement or college \_\_\_\_\_.
4. Corporate finance deals with how companies raise and use money, which can be gained in different ways such as selling shares or borrowing from \_\_\_\_\_.
5. Public finance is about how the government manages the money of a country, including how money is raised through taxes and how it is spent on public services like schools and \_\_\_\_\_.
6. Each category of finance involves different skills and knowledge, such as understanding how to help individuals plan for retirement in personal finance or deciding whether it's better for a company to borrow money or sell shares in corporate \_\_\_\_\_.
7. Finance is often studied in business schools and universities because of its importance in the modern world, with students who study finance able to work in many different fields such as banking, investment, insurance, or even \_\_\_\_\_.
8. To work in finance, it is important to have a strong understanding of numbers and mathematics, as well as an understanding of people and their \_\_\_\_\_.
9. Finance is about how people make choices about money, whether it's by individuals, companies, or \_\_\_\_\_.
10. By studying finance, students can gain important skills and knowledge that can help them in many different careers related to money \_\_\_\_\_.

## **WRITING TASKS**

1. Imagine you have to advise a friend on managing their personal finances. Write a letter explaining the importance of financial planning and give them some basic tips based on what you have learned.
  
2. Choose a company that you are familiar with and write a brief report about how you think it could raise more money to expand. Discuss whether you think it would be better for the company to borrow money, sell shares, or use another method.

## LESSON 2: The Role of Finance in Society

Finance plays a critical role in society. It is a tool that helps us make decisions about how to best use our resources. It helps us plan for the future, whether we are thinking about our own personal finances or the finances of a large business.

One of the key roles of finance is to manage risk. When a person or a business makes a decision to spend money, there is always a risk involved. This could be the risk of not getting a good return on an investment, or the risk of losing money entirely. By understanding financial concepts, we can make better decisions about these risks.

Finance also helps us to make decisions about saving and investing. By understanding how interest rates and investment returns work, we can make informed decisions about where to put our money. This can help us to achieve our financial goals, whether that is buying a house, starting a business, or saving for retirement.

At the larger level, finance helps societies to allocate resources. Governments use financial tools to decide how to collect taxes and how to spend money on public services. Financial institutions like banks and investment firms play a key role in this process, by lending money and investing in businesses.

Furthermore, finance helps to promote economic growth. When businesses have access to finance, they can invest in new projects, create jobs, and drive innovation. This can lead to increased wealth and prosperity for society as a whole.

In the modern world, financial systems have become increasingly complex. This makes financial literacy more important than ever. By understanding finance, individuals can make better decisions about their money and avoid financial pitfalls.

However, finance can also create challenges. For example, the global financial crisis in 2008 was caused by risky financial practices. It is therefore important that finance is managed responsibly, and that individuals, businesses, and governments understand the risks involved.

In conclusion, finance plays a crucial role in our society. It helps us manage risk, make decisions about saving and investing, and allocate resources. It can also drive economic growth. However, it is important that we use finance responsibly and understand the risks involved.

## COMPREHENSION QUESTIONS

1. What is one of the key roles of finance?
2. How does finance help individuals and businesses manage risk?
3. How can understanding finance aid in decisions about saving and investing?
4. How does finance help in resource allocation at a societal level?
5. In what way does finance promote economic growth?
6. Why is financial literacy increasingly important in the modern world?
7. Can finance create challenges? Provide an example from the text.
8. What caused the global financial crisis in 2008?
9. Why is it important to manage finance responsibly?
10. What are the benefits and potential risks of using finance according to the text?

## NEW WORDS

1. Risk: The chance or possibility of loss, injury, or other adverse consequences.
2. Interest Rates: The cost of borrowing money, expressed as a percentage of the loan amount.
3. Allocate: Distribute resources or duties for a particular purpose.
4. Economic Growth: An increase in the capacity of an economy to produce goods and services.
5. Financial Literacy: The ability to understand and use various financial skills, including personal financial management, budgeting, and investing.
6. Financial Crisis: A situation in which the value of financial institutions or assets drops rapidly.

## Fill in the gaps

1. Finance plays a critical role in society as a tool that helps us make decisions about how to best use our \_\_\_\_\_.
2. One of the key roles of finance is to manage risk, allowing us to make better decisions about the risks involved when spending \_\_\_\_\_.

3. Finance also helps us to make decisions about saving and investing, by understanding how interest rates and investment returns work, we can make informed decisions about where to put our \_\_\_\_\_.
4. At the larger level, finance helps societies to allocate resources, with governments using financial tools to decide how to collect taxes and spend money on public \_\_\_\_\_.
5. Financial institutions like banks and investment firms play a key role in this process, by lending money and investing in \_\_\_\_\_.
6. Furthermore, finance helps to promote economic growth by allowing businesses to invest in new projects, create jobs, and drive \_\_\_\_\_.
7. In the modern world, financial systems have become increasingly complex, making financial literacy more important than \_\_\_\_\_.
8. By understanding finance, individuals can make better decisions about their money and avoid financial \_\_\_\_\_.
9. However, finance can also create challenges, such as the global financial crisis in 2008 caused by risky financial \_\_\_\_\_.
10. It is therefore important that finance is managed responsibly, and that individuals, businesses, and governments understand the risks \_\_\_\_\_.
11. In conclusion, finance plays a crucial role in our society by helping us manage risk, make decisions about saving and investing, and allocate \_\_\_\_\_.
12. Finance can also drive economic growth but it is important that we use finance responsibly and understand the risks \_\_\_\_\_.

#### **4. WRITING TASKS**

1. Write an essay on the importance of financial literacy in the modern world, discussing how it can benefit individuals and society as a whole.
  
2. Imagine you are the finance minister of a small country. Write a brief report on how you would use financial tools to promote economic growth and manage risks in your country.

## LESSON 3: Types of Financial Markets

Financial markets are places where buyers and sellers meet to trade assets like shares, bonds, currencies, and other financial instruments. These markets play a vital role in the functioning of a modern economy by providing a platform for raising capital, transferring risk, and promoting economic efficiency.

One type of financial market is the stock market, where shares of public companies are bought and sold. When a company decides to sell shares to raise money, this is often done through an Initial Public Offering (IPO). Once these shares are on the market, they can be bought and sold by investors.

Another type of financial market is the bond market. Bonds are like loans that are bought and sold between investors. When an organization such as a company or a government needs to borrow money, they can issue bonds. Investors who buy these bonds are lending money to the organization and are paid back with interest.

Foreign exchange markets, also known as forex markets, are where different currencies are traded. This is important for international trade and investment. For example, if a company in Azerbaijan wants to buy goods from a company in the United States, they may need to exchange Azerbaijani manats for US dollars.

Commodity markets are another type of financial market. These are places where raw materials or primary products are traded. This includes things like oil, gold, and agricultural products. Commodity markets are important for producers and consumers of these goods.

Finally, derivatives markets are where derivatives are traded. Derivatives are complex financial instruments that derive their value from underlying assets like shares, bonds, or commodities. They can be used to manage risk or for speculative purposes.

Each of these markets operates in a different way and serves a unique function in the economy. They enable businesses to raise capital, governments to fund public projects, and investors to grow their wealth and manage risk. Understanding these markets is a fundamental part of financial literacy.

Despite their benefits, financial markets can also create risks. For example, price fluctuations can lead to financial losses, and high levels of speculation can

create instability. It is therefore important for investors to understand these risks and for markets to be effectively regulated.

In conclusion, financial markets play a key role in the modern economy. They provide a platform for raising capital, managing risk, and promoting economic growth. By understanding the different types of financial markets, we can better navigate the financial landscape and make more informed financial decisions.

## **COMPREHENSION QUESTIONS**

1. What are financial markets?
2. What role do financial markets play in the economy?
3. What is the stock market?
4. What is an Initial Public Offering (IPO)?
5. Describe what the bond market is.
6. What are foreign exchange markets and why are they important?
7. What are commodity markets?
8. Can you explain what derivatives markets are?
9. What functions do these markets serve in the economy?
10. What potential risks can financial markets create?

## **NEW WORDS**

1. Financial Markets: A market in which people trade financial securities and derivatives at low transaction costs.
2. Stock Market: A place where shares of public companies are traded.
3. Initial Public Offering (IPO): The process of offering shares of a private corporation to the public in a new stock issuance.
4. Bond Market: The environment in which the issuance and trading of debt securities occur.
5. Foreign Exchange Markets: A global online network where traders buy and sell currencies.

6. Commodity Markets: A physical or virtual marketplace for buying, selling, and trading raw or primary products.
7. Derivatives Markets: The financial marketplace for derivatives, financial instruments like futures contracts or options.

**Fill in the gaps:**

1. Financial markets are places where buyers and sellers meet to trade assets like shares, bonds, currencies, and other financial instruments, providing a platform for raising capital, transferring risk, and promoting economic \_\_\_\_\_.
2. One type of financial market is the stock market, where shares of public companies are bought and sold through an Initial Public Offering (IPO) or by \_\_\_\_\_.
3. Another type of financial market is the bond market, where bonds are like loans that are bought and sold between investors, allowing organizations such as companies or governments to borrow money by issuing \_\_\_\_\_.
4. Foreign exchange markets, also known as forex markets, are where different currencies are traded, facilitating international trade and \_\_\_\_\_.
5. Commodity markets are places where raw materials or primary products are traded, including things like oil, gold, and agricultural \_\_\_\_\_.
6. Derivatives markets are where derivatives are traded, complex financial instruments that derive their value from underlying assets like shares, bonds, or commodities and can be used to manage risk or for speculative \_\_\_\_\_.
7. Each of these markets operates in a different way and serves a unique function in the economy, enabling businesses to raise capital, governments to fund public projects, and investors to grow their wealth and manage \_\_\_\_\_.
8. Understanding these markets is a fundamental part of financial literacy but despite their benefits, financial markets can also create risks such as price fluctuations leading to financial losses or high levels of speculation creating \_\_\_\_\_.
9. It is therefore important for investors to understand these risks and for markets to be effectively regulated to ensure their continued contribution to the functioning of a modern \_\_\_\_\_.

10. In conclusion, financial markets play a key role in the modern economy by providing a platform for raising capital, managing risk, and promoting economic growth through the trade of assets like shares, bonds, currencies, and other financial \_\_\_\_\_.

11. By understanding the different types of financial markets and their unique functions in the economy, we can better navigate the financial landscape and make more informed financial decisions about how to best use our \_\_\_\_\_.

12. Financial markets provide opportunities for individuals, businesses, and governments to raise capital, transfer risk, and promote economic efficiency but it is important that we use them responsibly and understand the risks involved in order to fully realize their potential benefits.

## **WRITING TASKS**

1. Write a brief report comparing the stock market and the bond market, discussing how they function and their importance in the economy.

2. Imagine you are an investor with a diverse portfolio. Write a short essay on how understanding the different types of financial markets helps you in making investment decisions.

## LESSON 4: Understanding Banks and Their Functions

Banks play a crucial role in every country's economy, including Azerbaijan. They are financial institutions that hold money for individuals and businesses, providing a safe place to keep savings.

One primary function of a bank is to accept deposits. When you put your money in a bank, you are making a deposit. The bank keeps your money safe until you need to use it. This can be a safer option than keeping large amounts of money at home or in a business.

Another key function of a bank is to provide loans. When individuals or businesses need money to make a large purchase or investment, they can borrow from the bank. This money is often repaid over a set period, with interest added on top. The interest is how banks make a profit from loans.

Banks also help with the transfer of money from one place to another. This is known as remittance. For example, if a person in Azerbaijan wants to send money to a relative in another country, they can do this through a bank.

Banks offer many other services as well, including providing credit cards, offering investment services, and selling insurance. These services can help individuals and businesses manage their finances more effectively.

At a larger level, banks play a key role in the economy by facilitating trade and commerce. They do this by providing a means of payment, extending credit to businesses, and helping to finance public projects.

Moreover, banks contribute to the stability of a country's financial system. By keeping deposits safe and providing a stable source of credit, banks can help to prevent financial crises and promote economic growth.

However, banks also need to manage risks carefully. If they lend too much money and borrowers cannot repay, this can lead to problems. This was one of the causes of the global financial crisis in 2008. Therefore, it's essential for banks to have strong risk management practices in place.

In conclusion, banks play a fundamental role in our financial system. They keep our money safe, provide loans, facilitate payments, offer a range of financial services, and contribute to economic stability and growth. Understanding how banks work is a key aspect of financial literacy.

## **COMPREHENSION QUESTIONS**

1. What is a bank?
2. What is the primary function of a bank?
3. How do banks keep your money safe?
4. What is one way that banks make a profit?
5. How do banks help with the transfer of money?
6. What other services do banks offer?
7. How do banks facilitate trade and commerce?
8. In what way do banks contribute to the stability of a country's financial system?
9. What can happen if banks do not manage risks carefully?
10. Why is it important to understand how banks work?

## **NEW WORDS**

1. Bank: A financial institution licensed to receive deposits and make loans.
2. Deposit: Money placed into a banking institution for safekeeping.
3. Loan: A thing that is borrowed, especially a sum of money that is expected to be paid back with interest.
4. Interest: Money paid regularly at a particular rate for the use of money lent, or for delaying the repayment of a debt.
5. Remittance: A transfer of money by a foreign worker to an individual in their home country.
6. Credit Card: A small plastic card issued by a bank, business, etc., allowing the holder to purchase goods or services on credit.
7. Commerce: The activity of buying and selling, especially on a large scale.
8. Financial Crisis: A situation where the value of financial institutions or assets drops rapidly.
9. Risk Management: The forecasting and evaluation of financial risks together with the identification of procedures to avoid or minimize their impact.
10. Financial Literacy: The ability to understand and use various financial skills, including personal financial management, budgeting, and investing.

### Fill in the gaps

1. Banks play a crucial role in every country's economy, including \_\_\_\_\_. They are financial institutions that hold money for individuals and businesses, providing a safe place to keep savings.
2. One primary function of a bank is to \_\_\_\_\_. When you put your money in a bank, you are making a deposit. The bank keeps your money safe until you need to use it.
3. This can be a \_\_\_\_\_ option than keeping large amounts of money at home or in a business.
4. Another key function of a bank is to provide \_\_\_\_\_. When individuals or businesses need money to make a large purchase or investment, they can borrow from the bank.
5. This money is often repaid over a \_\_\_\_\_ period, with interest added on top. The interest is how banks make a profit from loans.
6. Banks also help with the transfer of money from one place to another. This is known as \_\_\_\_\_. For example, if a person in Azerbaijan wants to send money to a relative in another country, they can do this through a bank.
7. At a larger level, banks play a key role in the economy by facilitating \_\_\_\_\_ and commerce.
8. Moreover, banks contribute to the stability of a country's financial system. By keeping deposits safe and providing a stable source of \_\_\_\_\_, banks can help to prevent financial crises and promote economic growth.
9. However, banks also need to manage risks carefully. If they lend too much money and borrowers cannot repay, this can lead to \_\_\_\_\_.
10. In conclusion, banks play a fundamental role in our financial system. They keep our money safe, provide loans, facilitate payments, offer a range of financial services, and contribute to economic stability and \_\_\_\_\_. Understanding how banks work is a key aspect of financial literacy.

## **WRITING TASKS**

1. Write a short essay on the importance of banks in the economy, discussing their key functions and how they contribute to economic stability and growth.
2. Imagine you are the manager of a bank. Write a brief report on how you would ensure that your bank manages risks effectively to avoid problems like those that led to the global financial crisis in 2008.

## LESSON 5: The Stock Market: An Overview

The stock market is a vital part of the financial system. It is a place where people buy and sell shares in companies. When you buy a share, you are buying a small piece of that company.

Companies use the stock market to raise money. They do this by selling shares in an event called an Initial Public Offering, or IPO. Once a company's shares are on the market, anyone can buy or sell them.

People buy shares in the hope that the company will do well and the price of the shares will go up. If this happens, they can sell their shares for a profit. This is known as capital gain. However, if the company does not do well and the price of the shares goes down, they can lose money.

The price of shares is determined by supply and demand. If many people want to buy a company's shares, the price will go up. If many people want to sell a company's shares, the price will go down.

Trading on the stock market is usually done through a stock exchange. This is a place where buyers and sellers meet to trade shares. The largest stock exchange in the world is the New York Stock Exchange.

There are also different types of shares. Common shares give the holder the right to vote at company meetings and to receive any dividends the company pays. Preferred shares give the holder the right to receive dividends before common shareholders but usually do not have voting rights.

Investing in the stock market can be risky. Prices can go up and down quickly, and it is possible to lose all the money you invest. However, it can also be very profitable if you make the right decisions.

It's also important to remember that the stock market is regulated by the government. This is to protect investors and ensure that the market is fair and transparent.

In conclusion, the stock market plays a key role in the global economy. It provides companies with a way to raise capital and gives individuals the opportunity to invest in these companies.

## **COMPREHENSION QUESTIONS**

1. What is the stock market?
2. How do companies use the stock market to raise money?
3. What is an Initial Public Offering (IPO)?
4. What is capital gain?
5. How is the price of shares determined?
6. What is a stock exchange?
7. What is the difference between common shares and preferred shares?
8. What are the risks of investing in the stock market?
9. How is the stock market regulated?
10. Why is the stock market important in the global economy?

## **NEW WORDS**

1. Stock Market: A place where shares of public companies are traded.
2. Share: A unit of ownership interest in a corporation or financial asset.
3. Initial Public Offering (IPO): The process of offering shares of a private corporation to the public in a new stock issuance.
4. Capital Gain: A profit from the sale of property or an investment.
5. Supply and Demand: The amount of a commodity, product, or service available and the desire of buyers for it.
6. Stock Exchange: A place where shares in corporations are bought and sold through an organized system.
7. Common Shares: Shares entitling their holder to dividends that vary in amount and may even be missed, depending on the fortunes of the company.
8. Preferred Shares: Stock whose holders are guaranteed priority in the payment of dividends but whose holders have no voting rights.
9. Investment: The action or process of investing money for profit or material result.
10. Regulation: A rule or directive made and maintained by an authority.

### Fill in the Gaps:

1. The stock market is a vital part of the financial system. It is a place where people buy and sell \_\_\_\_\_ in companies. When you buy a share, you are buying a small piece of that company.
2. Companies use the stock market to raise money. They do this by selling shares in an event called an Initial Public Offering, or \_\_\_\_\_. Once a company's shares are on the market, anyone can buy or sell them.
3. People buy shares in the hope that the company will do well and the price of the shares will go \_\_\_\_\_. If this happens, they can sell their shares for a profit.
4. The price of shares is determined by supply and \_\_\_\_\_. If many people want to buy a company's shares, the price will go up. If many people want to sell a company's shares, the price will go down.
5. Trading on the stock market is usually done through a stock \_\_\_\_\_. This is a place where buyers and sellers meet to trade shares.
6. There are also different types of shares. \_\_\_\_\_ shares give the holder the right to vote at company meetings and to receive any dividends the company pays.
7. \_\_\_\_\_ shares give the holder the right to receive dividends before common shareholders but usually do not have voting rights.
8. Investing in the stock market can be risky. Prices can go up and down quickly, and it is possible to lose all the money you \_\_\_\_\_.
9. It's also important to remember that the stock market is regulated by the \_\_\_\_\_. This is to protect investors and ensure that the market is fair and transparent.
10. In conclusion, the stock market plays a key role in the global economy. It provides companies with a way to raise capital and gives individuals the opportunity to \_\_\_\_\_ in these companies.

## **WRITING TASKS**

1. Write a short essay explaining how the stock market operates and why it is important for a country's economy.
2. Imagine you are advising a friend who wants to invest in the stock market. Write a letter explaining the potential benefits and risks of investing in the stock market.

## LESSON 6: Understanding Taxes: Income, Sales, and Property

In every country, including Azerbaijan, taxes are a fundamental part of the financial landscape. They are payments made by individuals and businesses to the government. The government uses this money to provide public services like schools, hospitals, and roads.

Income tax is a tax on the money that individuals and businesses make. For individuals, this is often from wages or salaries. For businesses, it's from their profits. In many countries, income tax is progressive, which means that people with higher incomes pay a higher rate of tax.

Sales tax is a tax on goods and services that are sold. This tax is usually included in the price that customers pay for things. For example, if you buy a pair of shoes in a store, the price will include the sales tax.

Property tax is a tax on property, like houses and land. The amount of tax is often based on the value of the property. If you own a house, you will usually need to pay property tax every year.

Taxes can be complex and can change from year to year. This is because the government can change tax laws in order to raise more money or to influence the economy. For example, it might increase sales tax to discourage people from buying certain things.

It's also important to know that not paying your taxes is illegal. If you don't pay your taxes, you can face fines or even prison. Therefore, it's essential to understand how taxes work and to make sure you pay them on time.

In conclusion, taxes play a vital role in supporting the functioning of a society. They provide the government with the funds necessary to maintain infrastructure, provide public services, and support economic stability.

### COMPREHENSION QUESTIONS

1. What are taxes?
2. What is income tax?
3. Who pays income tax?
4. What is sales tax?

5. What goods and services might be subject to sales tax?
6. What is property tax?
7. On what basis is property tax usually determined?
8. Why can taxes be complex?
9. What can happen if you don't pay your taxes?
10. What role do taxes play in society?

## **NEW WORDS**

1. Taxes: Mandatory financial charges imposed by a government to fund various public expenditures.
2. Income Tax: A tax imposed on individuals or entities (taxpayers) in respect of the income or profits earned by them.
3. Progressive: (In the context of taxes) Increasing gradually as the taxable amount increases.
4. Sales Tax: A tax paid to a governing body for the sales of certain goods and services.
5. Property Tax: A levy on property that the owner is required to pay.
6. Tax Laws: Laws that prescribe the rules and regulations governing the levy of taxes by the government.
7. Fines: A sum of money imposed as a penalty by a court of law or other authority.
8. Infrastructure: The basic physical and organizational structures and facilities (e.g., buildings, roads, power supplies) needed for the operation of a society or enterprise.
9. Public Services: Services offered by the government to provide security and protection for citizens and businesses.
10. Economic Stability: The absence of excessive fluctuations in the macroeconomy.

## Fill in the Gaps:

1. In every country, including Azerbaijan, \_\_\_\_\_ are a fundamental part of the financial landscape. They are payments made by individuals and businesses to the government.
2. Income tax is a tax on the money that individuals and businesses make. For individuals, this is often from wages or \_\_\_\_\_. For businesses, it's from their profits.
3. \_\_\_\_\_ tax is a tax on goods and services that are sold. This tax is usually included in the price that customers pay for things.
4. Property tax is a tax on property, like houses and land. The amount of tax is often based on the value of the \_\_\_\_\_. If you own a house, you will usually need to pay property tax every year.
5. Taxes can be complex and can change from year to year. This is because the government can change tax laws in order to raise more money or to influence the \_\_\_\_\_.
6. It's also important to know that not paying your taxes is \_\_\_\_\_. If you don't pay your taxes, you can face fines or even prison.
7. Therefore, it's essential to understand how taxes work and to make sure you pay them on \_\_\_\_\_.
8. In conclusion, taxes play a vital role in supporting the functioning of a society. They provide the government with the funds necessary to maintain \_\_\_\_\_, provide public services, and support economic stability.

## WRITING TASKS

1. Write a short essay on the importance of taxes, explaining the purpose of income tax, sales tax, and property tax.
2. Imagine you are a financial advisor. Write a letter to a client explaining why it's important to understand their tax obligations and the consequences of not paying taxes.

## LESSON 7: Role of Central Banks

The Central Bank is a powerful institution that plays a vital role in a country's economy. It's like the heart of the financial system, pumping money around the economy.

One of the key tasks of a Central Bank is to control the amount of money in the economy. It does this by changing the interest rate. If the Central Bank wants to increase the amount of money in the economy, it can lower the interest rate. If it wants to reduce the amount of money, it can raise the interest rate.

The Central Bank also acts as a bank to other banks. It can lend money to them if they need it. This is important because it helps to keep the banking system stable. If a bank is in trouble, the Central Bank can step in and provide support.

Another task of the Central Bank is to manage the country's money supply. It can print new money or take old money out of circulation. This helps to control inflation, which is the rate at which prices increase.

The Central Bank also controls the country's foreign exchange reserves. These are the foreign currencies that the country has. The Central Bank can use these reserves to influence the value of the country's currency.

The Central Bank is also responsible for maintaining financial stability. It monitors the financial system and can take action if it thinks there is a risk to stability. For example, it might impose rules on banks to make sure they do not take too much risk.

The Central Bank is usually independent of the government. This means that it can make decisions based on what is best for the economy, not what is best for the government.

Finally, it's important to understand that the Central Bank has a huge influence on the economy. Its decisions can affect everything from the cost of borrowing money to the price of goods and services.

### COMPREHENSION QUESTIONS

1. What is the role of a Central Bank in a country's economy?

2. How does a Central Bank control the amount of money in the economy?
3. How does the Central Bank act as a bank to other banks?
4. How does the Central Bank manage the country's money supply?
5. How does the Central Bank control inflation?
6. What are foreign exchange reserves and how does the Central Bank use them?
7. How does the Central Bank maintain financial stability?
8. What does it mean that the Central Bank is usually independent of the government?
9. How can the Central Bank's decisions influence the economy?
10. What is the importance of the Central Bank in the financial system?

## **NEW WORDS**

1. Central Bank: The institution responsible for managing a country's money supply and currency.
2. Interest Rate: The proportion of a loan that is charged as interest to the borrower.
3. Banking System: The network of banking institutions and their interactions in the economy.
4. Money Supply: The total amount of money in circulation in a country.
5. Inflation: The rate at which the general level of prices for goods and services is rising.
6. Foreign Exchange Reserves: The foreign currencies owned by a central bank.
7. Financial Stability: The condition in which the financial system is able to withstand shocks without significantly harming economic and financial performance.
8. Independent: Free from outside control; not depending on another's authority.
9. Borrowing: The process of getting and using something with the intention of returning it.
10. Goods and Services: The output of individuals, firms, or governments that are consumed by others.

## Fill in the gaps

1. The Central Bank is a \_\_\_\_\_ institution that plays a vital role in a country's economy. It's like the heart of the financial system, pumping money around the economy.
2. One of the key tasks of a Central Bank is to \_\_\_\_\_ the amount of money in the economy. It does this by changing the \_\_\_\_\_ rate. If the Central Bank wants to increase the amount of money in the economy, it can lower the interest rate. If it wants to reduce the amount of money, it can raise the interest rate.
3. The Central Bank also acts as a bank to \_\_\_\_\_ banks. It can lend money to them if they need it. This is important because it helps to keep the banking system stable. If a bank is in trouble, the Central Bank can step in and provide \_\_\_\_\_.
4. Another task of the Central Bank is to manage the country's \_\_\_\_\_ supply. It can print new money or take old money out of circulation. This helps to control inflation, which is the rate at which prices increase.
5. The Central Bank also controls the country's foreign \_\_\_\_\_ reserves. These are the foreign currencies that the country has. The Central Bank can use these reserves to influence the value of the country's currency.
6. The Central Bank is also responsible for maintaining \_\_\_\_\_ stability. It monitors the financial system and can take action if it thinks there is a risk to stability. For example, it might impose rules on banks to make sure they do not take too much risk.
7. The Central Bank is usually \_\_\_\_\_ of the government. This means that it can make decisions based on what is best for the economy, not what is best for the government.
8. Finally, it's important to understand that the Central Bank has a huge influence on the economy. Its decisions can affect everything from the cost of \_\_\_\_\_ money to the price of goods and services.

## **WRITING TASKS**

1. Write a short essay on the role and importance of Central Banks in the economy.
2. Imagine you are explaining the role of the Central Bank to a high school student. Write a letter using simple language and examples to explain its function and impact on the economy.

## LESSON 8: Importance of Savings and Investments

Saving money is like putting some of your money aside for the future. It's like planting seeds today to have trees tomorrow. One of the main reasons we save money is to be ready for unexpected expenses. If your car breaks down or you get sick, having savings can help you pay for these things.

Investing money, on the other hand, is like buying a little piece of a business or lending your money to a business or a government. When you invest, you hope to get more money back in the future.

There is a big difference between saving and investing. When you save, your money stays the same. When you invest, your money can grow but it can also go down. This is because investments can be risky.

It's important to both save and invest. Savings can help you in the short term, like if you need to buy something soon or if you have an emergency. Investments can help you in the long term, like if you want to buy a house in the future or retire comfortably.

How much you should save or invest depends on your needs, your age, and your goals. A young person might want to save for a car or a trip. An older person might want to invest for retirement.

Banks can help you save and invest. They offer savings accounts, where you can keep your money safe and earn a little interest. They also offer investment products, like stocks and bonds, where you can potentially earn more money.

Remember, it's always a good idea to have some savings. This is like a safety net that can protect you if something unexpected happens. It's also a good idea to invest if you want to build wealth over time.

The key is to start early. The earlier you start saving and investing, the more time your money has to grow. This is because of something called compound interest, which is like a snowball rolling down a hill, getting bigger and bigger.

### COMPREHENSION QUESTIONS

1. What is the concept of saving money?

2. How is investing money different from saving?
3. What is the risk involved in investments?
4. Why is it important to both save and invest money?
5. How can savings and investments help in the short term and long term?
6. How does age and goals affect your saving and investment strategy?
7. How can banks assist you in saving and investing?
8. Why is it considered a good idea to have savings?
9. What is the benefit of starting to save and invest early?
10. What is compound interest and how does it work?

## **NEW WORDS**

1. Saving: The act of putting money aside for future use.
2. Investment: The action or process of investing money for profit.
3. Unexpected Expenses: Costs that arise out of the blue and are not planned.
4. Risky: Involving the possibility of something bad happening.
5. Short Term: Occurring over or relating to a short period of time.
6. Long Term: Occurring over or relating to a long period of time.
7. Savings Account: A bank account that earns interest.
8. Stocks and Bonds: Types of investments where you can potentially earn more money.
9. Safety Net: A safeguard against possible hardship or adversity.
10. Compound Interest: The addition of interest to the principal sum of a loan or deposit, so that the interest also earns interest.

## **Fill in the Gaps:**

Certainly, here is a "fill in the blanks" exercise based on the paraphrased sentences:

1. Setting money aside for the future is similar to \_\_\_\_\_ a portion of your earnings. This practice can be likened to sowing seeds now to reap the benefits of \_\_\_\_\_ in the future.
2. Conversely, \_\_\_\_\_ funds is akin to purchasing a minor share in a company or extending a loan to an enterprise or a governing body. The objective when you invest is to garner a larger \_\_\_\_\_ over time.
3. There's a substantial difference between accumulating savings and making \_\_\_\_\_. While savings generally maintain their value, investments offer the potential for your funds to \_\_\_\_\_, although they can also depreciate.
4. It's crucial to incorporate both savings and \_\_\_\_\_ into your financial strategy. Savings can provide immediate relief, such as when you're planning a short-term purchase or in the event of an \_\_\_\_\_.
5. The amount to save or invest is contingent on individual \_\_\_\_\_, age, and financial objectives. A younger individual may aim to save for a vehicle or a vacation, while an older person may prefer to invest with \_\_\_\_\_ in mind.
6. Financial institutions, such as banks, provide services to facilitate both saving and \_\_\_\_\_. They provide savings accounts where your money can be safely stored while accumulating modest \_\_\_\_\_.
7. Bear in mind, it's always prudent to maintain a reserve of \_\_\_\_\_. This fund acts like a safety net, offering financial protection when unforeseen situations arise.
8. The key strategy is to initiate savings and investments \_\_\_\_\_. The sooner you start, the longer your money has to proliferate. This is due to the principle of \_\_\_\_\_, which functions much like a snowball rolling downhill, growing increasingly larger over time.

## **WRITING TASKS**

1. Write an essay explaining the importance of both savings and investments in personal financial planning.

2. Imagine you are giving financial advice to a young person who has just started their first job. Write a letter explaining the importance of savings and investments, and provide some basic tips on how to get started.

## LESSON 9: Financial Planning for Young Adults

When you are young, you might feel that you have all the time in the world to start thinking about money. But the truth is, the sooner you start planning your finances, the better. This is because it gives your money more time to grow.

The first step to financial planning is setting goals. What do you want to achieve with your money? Maybe you want to travel, buy a car, or buy a house. Maybe you want to start a business or retire early. Whatever your goals are, knowing them can help you make a plan.

The second step is budgeting. This means knowing how much money you earn and where it goes. You can write down all your expenses and see where you can save money. Maybe you can eat out less or buy fewer clothes.

The third step is saving. It's important to save a part of your salary every month. Even a small amount can add up over time. You can keep your savings in a bank where it can earn interest.

The fourth step is investing. Investing can make your money grow faster than saving. But remember, investing can also be risky. It's important to learn about different types of investments and to only invest money that you can afford to lose.

The fifth step is protecting your money. This can be done by buying insurance. Insurance can protect you from big losses, like if you get sick or if your car gets into an accident.

Finally, it's important to keep learning about money. The world of finance can be confusing, but there are many resources available to help you. You can read books, attend workshops, or speak to a financial advisor.

Remember, financial planning is not just about money. It's about making your dreams come true. It's about having peace of mind and living a life of freedom. So start today, and take control of your future.

### COMPREHENSION QUESTIONS

1. Why is it important to start financial planning at a young age?
2. What is the first step to financial planning and why is it important?

3. What does budgeting involve and how can it help save money?
4. Why is saving a part of your salary every month important?
5. How is investing different from saving and why is it considered risky?
6. How can insurance protect your money?
7. Why is it important to keep learning about money and finance?
8. What are some resources available for learning about finance?
9. How does financial planning relate to making your dreams come true?
10. What does financial planning ultimately offer beyond money management?

## **NEW WORDS**

1. Financial Planning: A process of setting goals, developing a plan to achieve them, and putting the plan into action.
2. Goals: Things you aim to achieve in the future.
3. Budgeting: The process of creating a plan to spend your money.
4. Expenses: The cost required for something; the money spent on something.
5. Interest: Money paid regularly at a particular rate for the use of money lent, or for delaying the repayment of a debt.
6. Investing: Putting money into financial schemes, shares, property, or a commercial venture with the expectation of achieving a profit.
7. Insurance: An arrangement by which a company gives customers financial protection against loss or harm such as illness or theft.
8. Financial Advisor: A professional who gives advice about financial matters.
9. Freedom: The power to act, speak, or think as one wants.
10. Peace of Mind: A mental state of calmness or tranquility, a freedom from worry and anxiety.

## **Fill in the Gaps:**

1. During your youth, you may perceive that there's ample time to ponder about \_\_\_\_\_. However, in reality, the earlier you commence your financial \_\_\_\_\_, the more advantageous it is.

2. The initiation of financial planning requires setting \_\_\_\_\_. No matter your objectives, being aware of them aids in devising a \_\_\_\_\_.
  3. The subsequent step entails \_\_\_\_\_, which involves understanding your earnings and expenditures. By documenting all your outflows, you can identify areas to \_\_\_\_\_.
  4. The next stage is \_\_\_\_\_. It's crucial to regularly allocate a portion of your income towards savings. These savings can be deposited in a bank to \_\_\_\_\_ interest.
  5. The fourth stage is to \_\_\_\_\_. However, bear in mind that investments come with risk. It's vital to acquaint yourself with various investment avenues and only allocate funds that you can afford to \_\_\_\_\_.
  6. The final step is safeguarding your finances, which can be achieved through \_\_\_\_\_. Insurance can shield you from substantial losses.
  7. Lastly, continual learning about \_\_\_\_\_ is essential. You can educate yourself by reading books, participating in workshops, or consulting a \_\_\_\_\_ advisor.
  8. Bear in mind, financial planning isn't solely about wealth. It's about realizing your dreams, achieving \_\_\_\_\_ of mind, and leading a life of \_\_\_\_\_.
- Therefore, start today and take charge of your \_\_\_\_\_.

## **WRITING TASKS**

1. Write a short guide on how to start financial planning as a young adult, highlighting the importance of each step. Consider the financial environment and opportunities in Azerbaijan.
2. Imagine that you are advising a group of high school students in Azerbaijan about the importance of financial planning. Write a persuasive speech encouraging them to start thinking about their financial futures now, and provide practical tips they can use.

## LESSON 10: The Role of Government in Financial Regulation

Financial regulation is important for a healthy economy. It is the way governments control finance to make sure it works well and is fair. They make rules and laws that banks and other financial businesses must follow.

The government's role in financial regulation is to protect people. It wants to make sure that banks and other businesses do not cheat or trick people. For example, they make sure that banks give clear information about fees and interest rates.

The government also wants to keep the economy stable. It does not want banks to take too many risks and lose a lot of money. This could cause a lot of problems, like in 2008 when many banks failed and there was a big financial crisis.

To avoid such crises, the government keeps an eye on the banks. They check the banks' books and make sure they have enough money to cover their risks. This is called regulation.

There are different ways that governments regulate finance. For example, they may require banks to have a certain amount of money in reserve. They may also limit the amount of money that banks can lend.

The government also helps keep markets fair. It makes sure that companies give true and clear information to investors. This helps investors make good decisions and keeps the economy healthy.

But financial regulation is not perfect. Sometimes, the rules can be too strict and make it hard for businesses to grow. Or the rules can be too loose and let businesses take too many risks.

So, the government must find the right balance. It must make rules that protect people and keep the economy stable, but also let businesses grow and innovate.

This is not easy. But it is important for a healthy and fair financial system. And it is a key role of government in our economy.

## COMPREHENSION QUESTIONS

1. What is the purpose of financial regulation?
2. How does the government protect people through financial regulation?
3. Why does the government want to keep the economy stable, and how does financial regulation help achieve this?
4. What happened in 2008, and how does it relate to financial regulation?
5. What does it mean when the government regulates a bank?
6. Can you give examples of ways the government regulates finance?
7. How does the government help keep markets fair?
8. What are the potential downsides of financial regulation?
9. Why is finding the right balance in financial regulation important?
10. How does financial regulation contribute to a healthy and fair financial system?

## NEW WORDS

1. Financial Regulation: A form of regulation or supervision that subjects financial institutions to certain requirements, restrictions, and guidelines.
2. Economy: The wealth and resources of a country or region.
3. Interest Rates: The proportion of a loan that is charged as interest to the borrower.
4. Financial Crisis: Any of a broad variety of situations in which some financial assets suddenly lose a large part of their nominal value.
5. Risk: A situation involving exposure to danger.
6. Reserve: A portion of profits that a company retains for future use.
7. Investors: A person or organization that puts money into financial schemes with the hope of achieving a profit.
8. Innovate: Make changes in something established, especially by introducing new methods, ideas, or products.
9. Financial System: The system that allows the transfer of money between savers and borrowers.
10. Supervision: The action of overseeing something.

## Fill in the Gaps:

1. The regulation of finances is \_\_\_\_\_ for the economic health of a nation. This process involves governments managing the financial sector to ensure its efficient functioning and \_\_\_\_\_, achieved through enforcing rules and regulations that financial institutions must adhere to.
2. The primary responsibility of governments in financial regulation is to \_\_\_\_\_ the interests of the populace. This includes enforcing transparency about \_\_\_\_\_ and interest rates from banks.
3. Moreover, governments strive to maintain economic \_\_\_\_\_, preventing banks from indulging in excessive risk-taking, which could result in significant losses.
4. To avert such crises, governments closely monitor banks, scrutinizing their accounts and verifying that they possess sufficient funds to mitigate \_\_\_\_\_. This oversight is referred to as regulation.
5. There are various mechanisms by which governments control finances. For instance, they might mandate banks to maintain a specific \_\_\_\_\_ of money or restrict the amount they can lend.
6. The government also ensures fair market practices by verifying that companies provide accurate and \_\_\_\_\_ information to investors.
7. Nevertheless, financial regulation isn't flawless. At times, the rules might be overly \_\_\_\_\_, hindering business growth, or excessively lax, permitting risky behavior from businesses.
8. Consequently, governments must strike a delicate balance. They need to devise regulations that protect \_\_\_\_\_ and ensure economic stability, while simultaneously fostering business growth and \_\_\_\_\_.
9. Achieving this balance isn't straightforward. However, it's vital for maintaining a healthy, fair \_\_\_\_\_ system, and constitutes a critical function of government in our economy.

## **WRITING TASKS**

1. Write a letter to a local bank in Azerbaijan, expressing your concerns about the importance of transparency and clear information for the public. Use your understanding of government regulations to support your points.
2. Consider a hypothetical scenario where the government in Azerbaijan is planning to implement stricter financial regulations. Write an article expressing your opinion on this matter, explaining how it could affect both businesses and individuals.
3. Create a plan for a workshop aimed at teaching young adults in Azerbaijan about financial regulations and their impact on everyday financial transactions. Describe what topics would be covered and why they are important.

## LESSON 11: Introduction to International Trade

International trade is about buying and selling goods and services between different countries. It is very important for the economy of a country and for the world economy.

Why is international trade important? First, it helps a country to get things it does not have or cannot make itself. For example, a country might not have oil but can buy it from another country.

Second, international trade helps a country to sell what it makes or grows best. For example, if a country grows a lot of cotton, it can sell it to other countries and make money.

International trade also helps to create jobs. When a company sells its goods to other countries, it often needs more workers. This can help to reduce unemployment in a country.

But international trade can also create challenges. Sometimes, a country might rely too much on trade with one or a few countries. If something goes wrong in these countries, it could hurt the economy.

There are also rules for international trade. These are made by organizations like the World Trade Organization. The rules help to make trade fair and equal between countries. They also try to solve problems that can come up in trade.

Sometimes, countries argue about trade. They might not agree on the rules or they might want to protect their own businesses. These arguments can lead to trade wars, where countries put taxes on each other's goods.

It is important for countries to work together on trade. They need to make good rules and solve problems. This can help to make international trade a win-win situation, where all countries benefit.

International trade can be complex, but it is very important. It can help countries to grow, create jobs, and improve people's lives.

### COMPREHENSION QUESTIONS

1. What is international trade?

2. Why is international trade important for a country's economy?
3. How does international trade help countries to get goods and services they need?
4. How can international trade create jobs?
5. What are some of the challenges related to international trade?
6. What is the role of the World Trade Organization in international trade?
7. What is a trade war, and how can it start?
8. Why is it important for countries to cooperate on trade?
9. How can international trade be a win-win situation for countries?
10. In what ways can international trade improve people's lives?

## **NEW WORDS**

1. International Trade: The exchange of goods and services between countries.
2. Economy: The system of production, distribution, and consumption of goods and services.
3. Unemployment: The state of being without a paid job.
4. World Trade Organization (WTO): An international body that deals with the rules of trade between nations.
5. Trade Wars: A situation in which countries try to damage each other's trade, usually by the imposition of tariffs or quota restrictions.
6. Tariffs: A tax or duty to be paid on a particular class of imports or exports.
7. Import: To bring goods or services into a country from abroad for the purpose of selling.
8. Export: Send goods or services to another country for sale.
9. Goods: Merchandise or possessions.
10. Services: The action of helping or doing work for someone.

## Fill in the Gaps:

1. International trade involves the exchange of goods and services among various nations and holds significant importance for both the domestic and \_\_\_\_\_ economy.
2. Firstly, it allows a nation to obtain resources or commodities that it \_\_\_\_\_ or is unable to produce. For instance, a country devoid of oil reserves can procure it through trade with another country.
3. Secondly, international trade enables a nation to capitalize on its strengths by exporting its primary \_\_\_\_\_ or commodities. A country with abundant cotton crops, for example, can export it to foreign markets and generate revenue.
4. Moreover, international trade facilitates \_\_\_\_\_ creation. When companies export their products overseas, they often require additional manpower, which can alleviate the unemployment rate.
5. However, international trade can present certain difficulties. A nation might become overly \_\_\_\_\_ on trading with a single country or a small group of countries, making it vulnerable to economic disruptions in these countries.
6. There are regulations governing international trade, established by entities such as the \_\_\_\_\_. These rules aim to ensure fair and equitable trade among nations and address potential trade disputes.
7. Occasionally, countries may have \_\_\_\_\_ over trade. They may dispute the rules or aim to safeguard their domestic industries. These disputes can escalate into trade wars, characterized by the imposition of tariffs on each other's goods.
8. It is crucial for nations to \_\_\_\_\_ in matters of trade, establishing fair rules and resolving disagreements. This cooperation can lead to a mutually beneficial trading environment where all involved parties prosper.
9. While international trade can be intricate, its \_\_\_\_\_ cannot be overstated. It has the potential to drive economic growth, generate employment, and enhance the quality of life for people.

## **WRITING TASKS**

1. Write an essay discussing the importance of international trade for Azerbaijan. Consider its major exports and imports and how international trade impacts its economy.
2. Imagine that a major trading partner of Azerbaijan imposes tariffs on imports. Write a letter to a news editor expressing your views on the situation and its potential impact.
3. Create a brief plan for a seminar that aims to teach young adults in Azerbaijan about the role and impact of international trade. Explain what topics would be covered and why they are important.

## LESSON 12: Understanding Financial Risks and Rewards

In finance, we often talk about risks and rewards. These are two key parts of any financial decision. Understanding them can help you make smart choices about your money.

Risk is about the chance of losing money. All investments have some risk. For example, if you buy shares in a company, the company might not do well, and you could lose money.

Rewards are the potential benefits you get from an investment. If the company you invest in does well, the value of your shares could go up. This could make you money.

It's important to understand that risk and reward often go together. Investments with higher potential rewards often come with higher risks. This means that you could make a lot of money, but you could also lose a lot of money.

So how can you manage risks and rewards? One way is through diversification. This means spreading your investments across different areas. If one investment does badly, you might still make money from your other investments.

Another way to manage risk is to understand your risk tolerance. This is about how much risk you are comfortable with. If you are not comfortable with a lot of risk, you might choose safer investments, like bonds or savings accounts.

There are also tools to help you understand risks and rewards. These include financial advisors and financial analysis software. These tools can help you make informed decisions about your investments.

Remember, it's important to do your own research and understand the risks and rewards of any financial decision. Don't be afraid to ask questions and seek advice.

Understanding risks and rewards is a key part of financial literacy. It can help you make smart decisions about your money and your future.

### COMPREHENSION QUESTIONS

1. What are financial risks and rewards?

2. How can investing in a company be a risk?
3. What are potential rewards of an investment?
4. How are risk and reward related in finance?
5. What is diversification and how can it help manage financial risks?
6. What does 'risk tolerance' mean and why is it important?
7. What tools can help you understand and manage financial risks and rewards?
8. Why is it important to do your own research before making financial decisions?
9. What is the significance of asking questions and seeking advice in managing financial risks and rewards?
10. How can understanding financial risks and rewards help you in the future?

## **NEW WORDS**

1. Financial Risk: The possibility of losing money on an investment.
2. Rewards: The benefits or returns gained from an investment.
3. Investment: The act of putting money into something, such as a business or shares, with the expectation of making a profit.
4. Shares: Units of ownership interest in a corporation or financial asset.
5. Diversification: The strategy of investing in a variety of different investments to reduce risk.
6. Risk Tolerance: An individual's willingness to take on risk with the hope of a greater reward.
7. Bonds: A type of investment where you lend money to a company or government for a certain period of time, in exchange for regular interest payments.
8. Financial Advisors: Professionals who provide advice about how to manage finances and make investment decisions.
9. Financial Analysis Software: Computer programs used to assess an individual's or a business's financial status and make financial planning decisions.
10. Financial Literacy: The ability to understand and use various financial skills, including personal financial management, budgeting, and investing.

## Fill in the Gaps:

1. In the finance, risk and reward are two crucial aspects of any \_\_\_\_\_ decision. Gaining insight into these elements can aid you in making wise decisions about your finances.
2. Risk pertains to the probability of experiencing a \_\_\_\_\_. Every investment encompasses some degree of risk. For instance, purchasing stocks of a company carries the risk that the company may underperform, leading to potential losses.
3. Rewards refer to the possible \_\_\_\_\_ acquired from an investment. If the company you've invested in performs well, your stock value may increase, resulting in a financial profit.
4. It's pivotal to comprehend that risk and \_\_\_\_\_ usually go hand in hand. Higher potential returns often come with increased risks, indicating that while there's a possibility of significant profits, substantial losses could also occur.
5. One strategy is diversification, distributing your investments across various \_\_\_\_\_. This approach ensures that even if one investment fares poorly, other investments might still yield returns.
6. Another method to manage risk is by understanding your \_\_\_\_\_, which reflects your comfort level with risk. If you're uncomfortable with high risk, you might opt for safer investments, such as bonds or savings accounts.
7. There are also resources available to help you comprehend risks and rewards, including \_\_\_\_\_ advisors and financial analysis software. These tools can guide you to make well-informed decisions regarding your investments.
8. It's crucial to remember to conduct your own \_\_\_\_\_ and understand the risks and rewards associated with any financial decision. Don't hesitate to inquire and seek advice.
9. Grasping the concepts of risk and reward is a fundamental aspect of \_\_\_\_\_. It can enable you to make sound decisions regarding your finances and your future.

## **WRITING TASKS**

1. Write a short essay discussing the concept of risk and reward in finance. Include your personal opinion on how much risk is acceptable when looking for potential rewards.
2. Imagine you are a financial advisor. Write a letter to a new client in Azerbaijan explaining the importance of understanding financial risks and rewards.
3. Create a brief plan for a presentation that aims to teach Azerbaijani university students about financial risks, rewards, and diversification. Describe what topics would be covered and why they are important.

## LESSON 13: Overview of Financial Institutions

Financial institutions play a crucial role in the economy. They are organizations that deal with financial transactions like investments, loans, deposits, and currency exchange.

Banks are perhaps the most common type of financial institution. They offer a place for people and businesses to keep their money safe. Banks also provide loans to individuals and companies. This allows for purchases such as homes or business expansion.

Another type of financial institution is an investment firm. These firms offer a way for individuals and companies to invest their money. They can help with buying stocks, bonds, or other types of investments.

Insurance companies are also important financial institutions. They provide protection against financial losses. For example, if a person's house is damaged by a storm, their insurance company may pay for the repairs.

Pension funds are another type of financial institution. They manage the money that employees save for retirement. The fund invests this money, and the returns help to provide income when the employees retire.

Central banks also play a significant role. They control the country's money supply and interest rates. Central banks can help keep the economy stable.

Each of these financial institutions serves a different purpose. But they all help to make the financial system work smoothly. They allow people and companies to save, invest, and protect their money.

Whether you are looking to borrow money, save for retirement, or insure against risk, financial institutions are there to help. Understanding the different types of financial institutions can help you make the best financial decisions for your needs.

### COMPREHENSION QUESTIONS

1. What is the role of financial institutions in the economy?
2. What services do banks provide?

3. What is the purpose of an investment firm?
4. How do insurance companies protect against financial losses?
5. What is the function of pension funds?
6. What role do central banks play in the economy?
7. How do different financial institutions contribute to the smooth functioning of the financial system?
8. How do financial institutions assist individuals and companies in saving, investing, and protecting their money?
9. Why is understanding different types of financial institutions important for making financial decisions?
10. How can the different types of financial institutions help if you want to borrow money, save for retirement, or insure against risk?

## **NEW WORDS**

1. Financial Institutions: Organizations that conduct financial transactions like investments, loans, deposits, and currency exchanges.
2. Banks: Institutions that provide a safe place to store money and offer loans.
3. Investment Firm: An organization that assists individuals and companies in making investments.
4. Stocks: Shares in the ownership of a company.
5. Bonds: A form of investment where an investor loans money to an entity (corporate or governmental) for a defined period of time.
6. Insurance Companies: Institutions that provide insurance to protect against financial loss.
7. Pension Funds: Financial institutions that manage the money that employees save for retirement.
8. Central Banks: The institution that controls a country's money supply and interest rates.
9. Interest Rates: The proportion of a loan that is charged as interest to the borrower.

10. Financial System: The system that allows the exchange of funds between lenders, investors, and borrowers.

**Fill in the Gaps:**

1. Financial institutions serve a pivotal role in \_\_\_\_\_ activities. They are entities that handle transactions related to finance such as investments, loans, deposits, and foreign exchange.

2. Banks, arguably the most widespread type of \_\_\_\_\_ institution, offer a secure place for individuals and businesses to store their money. In addition, banks extend loans to both individuals and corporate entities, facilitating purchases like residential properties or business expansion.

3. \_\_\_\_\_ companies represent another category of financial institutions. These organizations provide avenues for individuals and corporations to invest their capital. They assist in purchasing assets like stocks, bonds, or other forms of investments.

4. Insurance firms are yet another critical type of financial institution. They offer coverage against potential financial \_\_\_\_\_. For instance, if a homeowner's property incurs damage due to a storm, the respective insurance company may cover the repair expenses.

5. \_\_\_\_\_ funds form another class of financial institutions. They are responsible for managing the capital that employees set aside for their retirement. These funds invest the money, and the subsequent returns contribute to the income when employees retire.

6. Central banks also play an integral role. They regulate the nation's money supply and \_\_\_\_\_ rates, contributing to the economy's stability.

7. Each of these financial institutions serves a unique purpose. Collectively, however, they ensure the smooth functioning of the \_\_\_\_\_ system, enabling individuals and companies to save, invest, and safeguard their finances.

8. Whether you aim to secure a loan, plan for retirement, or mitigate risk, \_\_\_\_\_ institutions are available to assist. Understanding the diverse types of financial

institutions can guide you in making optimal financial decisions based on your needs.

## **WRITING TASKS**

1. Write an essay comparing two different types of financial institutions, highlighting their roles, services, and importance in the financial system.
2. Imagine you are a finance consultant. Write a letter to a new company in Azerbaijan advising them on which financial institutions they should work with and why.
3. Write a short article for a finance blog aimed at young adults in Azerbaijan, explaining the different types of financial institutions and how they can help with financial planning.

## **LESSON 14: Personal Finance: Budgeting and Saving**

Personal finance is about how you manage your money. It covers how you earn, spend, save, and invest. An important part of personal finance is making a budget.

A budget is a plan for how to spend your money. It is based on how much money you earn and what your expenses are. The first step in making a budget is to figure out how much money you earn each month. This could be from a job, allowances, or other sources of income.

Next, you need to list your expenses. These are things you spend money on. They might include rent, food, transportation, and entertainment. Some expenses, like rent, are the same each month. Others, like food or entertainment, can change.

Once you know your income and expenses, you can create a plan. You should aim to spend less than you earn. This will allow you to save money. You might also decide to cut back on some expenses. For example, you might eat out less often to save money.

Saving money is an important part of personal finance. When you save, you put money aside for future use. You might save for a big purchase, like a car or a house. Or you might save for an emergency, like a sudden job loss.

There are many ways to save money. One is to put money in a savings account at a bank. Another is to invest in stocks or bonds. These can earn more money over time.

Personal finance also includes planning for the long term. This might mean saving for retirement or for a child's education. It's never too early to start saving for the future.

In summary, personal finance is all about making choices. You have to decide how to earn, spend, save, and invest your money. A good budget can help you make these decisions. And saving money can help you achieve your financial goals.

### **COMPREHENSION QUESTIONS**

1. What is personal finance about?
2. What is a budget and what is its importance?

3. How do you create a budget?
4. What should you aim for in terms of spending and earning?
5. Why is saving money an important part of personal finance?
6. What are some ways to save money?
7. How does personal finance include planning for the long term?
8. Why is it important to start saving for the future early?
9. In terms of personal finance, what kind of choices do you have to make?
10. How can a good budget help with these decisions?

## **NEW WORDS**

1. Personal Finance: The way in which individuals or families earn, budget, save, and spend money over time.
2. Budget: A financial plan for a defined period, often one year.
3. Income: Money received, especially on a regular basis, for work or through investments.
4. Expenses: The cost required for something; the money spent on something.
5. Savings: Money set aside for future use.
6. Savings Account: A bank account that earns interest.
7. Investments: The action or process of investing money for profit.
8. Stocks: A type of investment that signifies ownership in a corporation.
9. Bonds: A type of investment where an investor loans money to an entity for a defined period at a variable or fixed interest rate.
10. Retirement: The action or fact of leaving one's job and ceasing to work after reaching a certain age.

## **Fill in the Gaps:**

1. Personal finance revolves around the administration of your \_\_\_\_\_. It involves earning, spending, saving, and investment practices.
2. A budget is essentially a strategy for your \_\_\_\_\_ based on your earnings and outgoings.

3. Saving is a significant element of personal finance. Saving involves setting \_\_\_\_\_ money for future usage.
4. Long-term planning also comes under personal finance. This could entail saving for \_\_\_\_\_ or a child's education.
5. Personal finance necessitates making \_\_\_\_\_. It requires you to decide how to earn, spend, save, and invest your money.

## **WRITING TASKS**

1. Write an essay on the importance of budgeting and saving in personal finance, using examples to illustrate your points.
2. Write a letter to a friend in Azerbaijan who just started his first job, giving him advice on how to manage his personal finance, focusing on budgeting and saving.
3. Write a guide on how to create a simple budget for a student living in Azerbaijan, considering the common expenses and possible sources of income for students in this country.

## LESSON 15: Understanding Interest Rates and Their Impact

Interest rates play a key role in the world of finance. They influence how much it costs to borrow money, and how much you can earn when you save or invest.

An interest rate is a percentage of the amount of money you borrow or save. For example, if you borrow money at an interest rate of 5%, you will need to pay back the amount you borrowed plus an additional 5%.

Banks often set interest rates. They charge higher rates when you borrow money, and pay lower rates when you save or deposit money. This is how banks make a profit.

Interest rates can rise or fall based on many factors. The central bank often sets a key rate, which can influence other rates. Economic conditions also affect interest rates. If the economy is strong, rates might go up. If it is weak, rates might go down.

High interest rates can make it expensive to borrow money. This can slow down spending and investment. On the other hand, low interest rates make it cheaper to borrow, which can boost spending and investment.

For savers, high interest rates are often good news. They mean you can earn more on your savings or investments. But low rates can mean you earn less.

Interest rates also affect the cost of mortgages, which are loans for houses. High rates make mortgages more expensive, while low rates can make them more affordable.

In conclusion, understanding interest rates can help you make smart financial decisions. Whether you're borrowing, saving, or investing, it's important to know how rates work and what they mean for you.

### COMPREHENSION QUESTIONS

1. What is the role of interest rates in finance?
2. How are interest rates determined?
3. What factors can influence the rise or fall of interest rates?

4. How do high interest rates affect borrowing and spending?
5. How do low interest rates affect borrowing and spending?
6. Why are high interest rates good for savers?
7. How do interest rates affect the cost of mortgages?
8. What can understanding interest rates help you with?
9. What is the importance of knowing how interest rates work in personal finance?
10. Can you explain the relationship between banks, interest rates, and their profit?

## **NEW WORDS**

1. Interest Rate: The proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage of the loan outstanding.
2. Borrow: To take and use (money) from a person or bank under an agreement to pay it back later.
3. Deposit: A sum payable as a first installment on the purchase of something or as a pledge for a contract, the balance being payable later.
4. Central Bank: A national bank that provides financial and banking services for its country's government and commercial banking system.
5. Economic Conditions: The state of the economy at a certain time, including the level of economic activity, the level of employment, the rate of inflation, and the phase of the business cycle.
6. Investment: The action or process of investing money for profit.
7. Mortgage: A legal agreement by which a bank lends money at interest in exchange for taking the title of the debtor's property.
8. Affordable: Something that is inexpensive; a cost that is not too high.
9. Profit: A financial gain, especially the difference between the amount earned and the amount spent in buying, operating, or producing something.
10. Financial Decision: Choices made about money and finance, often relating to the use, saving, investing, or borrowing of money.

### Fill in the Gaps:

1. Interest rates are \_\_\_\_\_ in the financial realm, determining the cost of borrowing and the potential earnings from saving or investing.
2. Banks are usually the entities that establish \_\_\_\_\_. They impose higher rates when you take loans and offer lower rates for savings or deposits.
3. The central bank often prescribes a benchmark rate which influences other \_\_\_\_\_. Moreover, the state of the economy can impact interest rates.
4. High interest rates make borrowing costly, which can curb \_\_\_\_\_ and investments.
5. For those who save, high interest rates are usually favorable as they lead to higher \_\_\_\_\_ on savings or investments.
6. Interest rates significantly influence \_\_\_\_\_ costs, which are home loans.
7. Higher rates can increase the cost of mortgages, while \_\_\_\_\_ rates may render them more affordable.
8. In summary, comprehending how interest rates function can aid in making \_\_\_\_\_ financial choices.
9. Regardless of whether you're \_\_\_\_\_, saving, or investing, understanding the implications of interest rates is vital.
10. If you take out a loan at a 5% interest rate, you'll be obliged to repay the borrowed amount plus an \_\_\_\_\_ 5%.

### WRITING TASKS

1. Write a short essay explaining how interest rates can affect an individual's personal finance decisions.
2. Imagine you are working in a bank in Azerbaijan. Write a letter to a customer explaining the current interest rates and their impact on saving and borrowing.

3. Create a simple guide for students to understand the concept of interest rates and their impact on personal finance, including tips on how to make the most of different interest rate situations.

## LESSON 16: Fundamentals of Insurance: Concepts and Applications

Insurance is a key part of finance that helps us manage risks. It's an agreement where a company promises to provide a guarantee of compensation for specific loss, damage, illness, or death in return for payment.

The person who buys insurance is called a policyholder. They pay a fee, known as a premium, to the insurance company. The company then agrees to pay for certain costs if the policyholder suffers a loss.

There are many types of insurance. Health insurance helps cover the cost of medical care. Car insurance pays for damage to your car or other cars in an accident. Life insurance pays a sum of money to your family if you die.

Insurance policies have a deductible, which is the amount you must pay before the insurance company starts to pay. If your deductible is high, your premium is often low, and vice versa.

Insurance companies assess risk to determine the cost of insurance. They look at factors like your health, your driving record, or the safety of your home. If you are a high risk, you will likely pay a higher premium.

Insurance is important because it helps protect you and your family from unexpected costs. It can provide financial security and peace of mind.

But it's important to understand your insurance policy. You need to know what is covered and what isn't. Not all policies cover all risks. It's also important to shop around and compare policies to get the best deal.

In conclusion, insurance is a crucial financial tool. It helps us manage risks and protect ourselves from unexpected costs. Understanding insurance can help you make smart financial decisions.

### COMPREHENSION QUESTIONS

1. What is insurance and why is it important?
2. Who is a policyholder and what is a premium?
3. What are some types of insurance and what do they cover?
4. What is a deductible in insurance terms?
5. How do insurance companies assess risk and determine the cost of insurance?

6. Why is it important to understand your insurance policy?
7. What factors should you consider when choosing an insurance policy?
8. How can insurance provide financial security?
9. How does the premium relate to the deductible?
10. What are some factors that might cause a person's insurance premium to be higher?

## **NEW WORDS**

1. Insurance: A contract in which an individual or entity receives financial protection or reimbursement against losses from an insurance company.
2. Policyholder: A person or group in whose name an insurance policy is held.
3. Premium: An amount to be paid for an insurance policy.
4. Deductible: A specified amount of money that the insured must pay before an insurance company will pay a claim.
5. Risk: A situation involving exposure to danger or harm.
6. Health Insurance: A type of insurance coverage that pays for medical and surgical expenses incurred by the insured.
7. Car Insurance: A type of insurance policy that covers damage to your vehicle, damages to other vehicles, or property damage.
8. Life Insurance: A contract between an insurer and a policyholder in which the insurer guarantees payment of a death benefit to named beneficiaries upon the death of the insured.
9. Financial Security: The peace of mind you feel when you aren't worried about your income being enough to cover your expenses.
10. Policy: A contract or document detailing an agreement or course of action.

## **Fill in the Gaps:**

1. Insurance is a financial tool that helps us \_\_\_\_\_ risks.
2. A policyholder is someone who \_\_\_\_\_ insurance.
3. The fee paid to an insurance company by a policyholder is called a \_\_\_\_\_.

4. Health insurance helps cover the cost of \_\_\_\_\_ care.
5. Car insurance pays for damage to your car or other cars in an \_\_\_\_\_.
6. Life insurance pays a sum of money to your family if you \_\_\_\_\_.
7. Insurance policies have a deductible, which is the amount you must pay before the insurance company starts to \_\_\_\_\_.
8. Insurance companies assess risk to determine the cost of \_\_\_\_\_.
9. Insurance is important because it helps protect you and your family from unexpected \_\_\_\_\_.
10. It's important to understand your insurance policy and know what is covered and what isn't, as not all policies cover all \_\_\_\_\_.

## **WRITING TASKS**

1. Write an essay explaining the role of insurance in personal finance, using examples from real life.
2. Imagine you are an insurance agent in Azerbaijan. Write a letter to a potential client explaining the benefits of a certain insurance policy.
3. Create a brochure aimed at young adults in Azerbaijan, explaining the importance of different types of insurance and offering advice on choosing the right policy.

## LESSON 17: Basics of Bonds: Buying, Selling, and Trading

Bonds are a type of investment that allows an individual or company to borrow money from investors. The borrower, called the issuer, promises to pay back the borrowed money plus interest over a certain period.

Bonds are sold by different types of organizations. These can include companies, cities, and governments. When you buy a bond, you are lending money to the issuer.

The interest paid on a bond is called the coupon rate. This is often a fixed rate that doesn't change over the life of the bond. The issuer pays the interest regularly until the bond matures. When it matures, the issuer repays the bond's face value to the bondholder.

Bonds are often considered safer investments than stocks. This is because the issuer has a legal obligation to pay back the bondholders. But bonds can still carry risks. For example, if the issuer can't make payments, the bond could default.

Investors can buy and sell bonds on the bond market, much like stocks are bought and sold on the stock market. The price of a bond can go up and down based on factors like interest rates and the financial health of the issuer.

In conclusion, bonds are a key part of the world of finance. They provide a way for organizations to borrow money and for investors to earn interest. Understanding how bonds work can help you make informed investment decisions.

### COMPREHENSION QUESTIONS

1. What is a bond in finance?
2. Who are the issuers of bonds and what is the role of the bondholder?
3. What is the coupon rate in terms of bonds?
4. What does the maturity of a bond mean?
5. Why are bonds often considered safer investments than stocks?
6. What risks can be associated with bonds?
7. How are bonds bought and sold?
8. What factors can influence the price of a bond on the bond market?

9. How do bonds provide a way for organizations to borrow money?
10. Why is understanding how bonds work important for making investment decisions?

## **NEW WORDS**

1. **Bond:** A type of investment where an investor lends money to an entity, which borrows the funds for a defined period at a fixed interest rate.
2. **Issuer:** An entity that issues and is obligated to pay principal and interest on a debt security.
3. **Coupon Rate:** The annual interest rate paid on a bond.
4. **Maturity:** The time at which payment to a bondholder is due.
5. **Default:** Failure to pay interest or principal when due.
6. **Bond Market:** A financial market where participants can issue new debt or buy and sell existing debt securities.
7. **Interest Rate:** The proportion of a loan that is charged as interest to the borrower.
8. **Face Value:** The nominal value or dollar value of a security stated by the issuer.
9. **Investment:** The action or process of investing money for profit.
10. **Financial Health:** The state of one's personal monetary affairs.

## **Fill in the Gaps:**

1. Bonds are a type of investment that allows an individual or company to \_\_\_\_\_ money from investors.
2. The borrower of a bond is called the \_\_\_\_\_.
3. Bonds can be sold by different types of organizations, including companies, cities, and \_\_\_\_\_.
4. When you buy a bond, you are \_\_\_\_\_ money to the issuer.
5. The interest paid on a bond is called the \_\_\_\_\_ rate.
6. The issuer pays the interest regularly until the bond \_\_\_\_\_.

7. Bonds are often considered safer investments than stocks because the issuer has a legal obligation to pay back the \_\_\_\_\_.
8. If the issuer can't make payments, the bond could \_\_\_\_\_.
9. Investors can buy and sell bonds on the bond market, much like stocks are bought and sold on the stock \_\_\_\_\_.
10. The price of a bond can go up and down based on factors like interest rates and the financial health of the \_\_\_\_\_.

## **WRITING TASKS**

1. Write a letter to a friend explaining the basics of bonds and why they might be a good addition to their investment portfolio.
2. Write a brief report comparing the risks and rewards of investing in bonds versus stocks.
3. Create a guide for young adults in Azerbaijan about how to start investing in bonds, highlighting the key points they need to understand.

## LESSON 18: Role of Finance in Economic Development

Finance is a vital part of every economy. It plays a huge role in the growth and improvement of a country. Money management, which is what finance is about, is the backbone of all economic activity. It moves the gears that push economies forward.

The banks and financial institutions have a significant role. These entities lend money to people and businesses. This money is used to purchase goods, invest in new ventures, and stimulate economic activity. Banks, in essence, distribute money from those who save to those who wish to spend or invest.

A key function of finance is capital formation. This involves gathering funds from various sources for productive use. This collected money can be used to start new businesses, build infrastructure like roads and bridges, or fund innovative ideas.

Finance also facilitates the mobilization and distribution of savings. When people save money in a bank, the bank can then lend these savings to businesses. This activity circulates money in the economy and keeps it vibrant.

Risk management is another area where finance plays an essential role. Financial markets and instruments allow individuals and businesses to insure against various risks. This activity promotes stability in the economy and encourages economic activity.

On a larger scale, finance promotes economic development by attracting foreign investment. Money from other countries can help boost a nation's economy. This funds can be used to improve infrastructure, start new projects, or increase the level of trade.

In conclusion, finance acts as a catalyst for economic development. It creates opportunities, promotes growth, and maintains stability in an economy. Without finance, economies would struggle to grow and develop.

### COMPREHENSION QUESTIONS

1. How does finance aid economic growth?

2. What role do banks and financial institutions play in economic development?
3. What does capital formation involve and how does it contribute to economic development?
4. How does finance facilitate the distribution of savings?
5. How does finance contribute to risk management?
6. How does finance attract foreign investment and how does this impact economic development?
7. How does finance act as a catalyst for economic development?
8. Why are stability and growth important outcomes of finance in an economy?
9. What impact can finance have on trade within an economy?
10. What might happen to an economy without effective finance systems?

## **NEW WORDS**

1. Finance: The management of large amounts of money, especially by governments or large companies.
2. Economic Development: The process of improving the well-being and quality of life for a nation, region, or local community.
3. Banks: Institutions where people save money and from where they can borrow.
4. Capital Formation: The process of gathering money from different sources for productive use.
5. Savings: Money that people have saved and stored, usually in a bank, rather than spending it.
6. Risk Management: The process of identifying, assessing, and controlling threats.
7. Financial Markets: The spaces or channels through which buying and selling of financial products take place.
8. Infrastructure: The fundamental systems and services that a country or organization needs to function smoothly.
9. Stability: The state of being steady and not changing or getting worse.
10. Foreign Investment: Investment originating from other countries intended to boost the host nation's economy.

### **Fill in the Gaps:**

1. Finance is a vital part of every economy and plays a huge role in the growth and \_\_\_\_\_ of a country.
2. Banks and financial institutions have a significant role in lending money to people and \_\_\_\_\_.
3. A key function of finance is capital formation, which involves gathering funds from various sources for \_\_\_\_\_ use.
4. Finance facilitates the mobilization and distribution of \_\_\_\_\_.
5. Risk management is an area where finance plays an essential role, allowing individuals and businesses to insure against various \_\_\_\_\_.
6. On a larger scale, finance promotes economic development by attracting foreign \_\_\_\_\_.
7. Money from other countries can help boost a nation's economy and be used to improve infrastructure, start new projects, or increase the level of \_\_\_\_\_.
8. Finance acts as a catalyst for economic development, creating opportunities, promoting growth, and maintaining stability in an \_\_\_\_\_.
9. Without finance, economies would struggle to grow and \_\_\_\_\_.
10. Money management is the backbone of all economic activity and moves the gears that push \_\_\_\_\_ forward.

### **WRITING TASKS**

1. Write an essay on how finance has impacted the economy of Azerbaijan in the past decade.
2. Write a short report on the importance of understanding personal finance for contributing to economic development.
3. Discuss a recent economic development in Azerbaijan and how finance played a role in it. Consider how this development has influenced the youth and general population in the country.

## LESSON 19: Understanding Loans: Types and Terms

A loan is an amount of money borrowed that is expected to be paid back with interest. The lender is the one who gives the loan and the borrower is the one who receives it. Loans come in various types and with different terms, depending on the needs of the borrower.

Personal loans are common and can be used for many purposes, such as paying for medical expenses or consolidating debt. These loans are usually unsecured, meaning they do not require any collateral. The borrower simply needs to demonstrate the ability to repay the loan.

Mortgages are loans used to purchase real estate. The property itself serves as collateral for the loan. If the borrower fails to repay the loan, the lender can take the property.

Auto loans are used to purchase vehicles. Similar to a mortgage, the vehicle itself serves as collateral. If the borrower can't repay, the lender may take the car.

Student loans are intended to cover the costs of education, such as tuition fees and living expenses. These loans typically offer lower interest rates and flexible repayment terms, recognizing the value of education for future earning potential.

The terms of a loan include the principal amount, the interest rate, the term or duration of the loan, and the repayment schedule. It's important for borrowers to understand these terms before agreeing to a loan.

Repayment of a loan usually occurs over a fixed period of time. The repayment period could be short, like a few months, or long, like 30 years in the case of some mortgages.

Understanding the types of loans and their terms can help individuals make informed decisions about borrowing money. This knowledge can lead to healthier financial situations and can contribute to the overall stability of the economy.

### COMPREHENSION QUESTIONS

1. What is a loan and who are the parties involved?
2. What is a personal loan and when is it used?
3. How is a mortgage loan different from a personal loan?

4. What is the purpose of a student loan and how is it unique?
5. What does an auto loan involve and how is it similar to a mortgage?
6. What are the typical terms of a loan that borrowers need to understand?
7. How does the repayment of a loan usually occur?
8. How does understanding loans contribute to individual financial health and the overall economy?
9. What is collateral and how does it relate to certain types of loans?
10. Why is it crucial for borrowers to understand the terms before agreeing to a loan?

## **NEW WORDS**

1. Loan: An amount of money borrowed that is expected to be paid back with interest.
2. Lender: The one who gives the loan.
3. Borrower: The one who receives the loan.
4. Personal Loan: A loan that can be used for many purposes and usually does not require collateral.
5. Mortgage: A loan used to purchase real estate, where the property serves as collateral.
6. Auto Loan: A loan used to purchase a vehicle, where the car serves as collateral.
7. Student Loan: A loan intended to cover education costs, typically with lower interest rates and flexible repayment terms.
8. Principal: The original amount of money borrowed, not including interest.
9. Interest Rate: The proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage.
10. Repayment Schedule: The plan for paying back borrowed money.

### Fill in the Gaps:

1. A loan is an amount of money borrowed that is expected to be paid back with \_\_\_\_\_.
2. The lender is the one who gives the loan and the borrower is the one who \_\_\_\_\_ it.
3. Loans come in various types and with different terms, depending on the needs of the \_\_\_\_\_.
4. Personal loans are common and can be used for many purposes, such as paying for medical expenses or consolidating \_\_\_\_\_.
5. Mortgages are loans used to purchase \_\_\_\_\_ estate.
6. Auto loans are used to purchase \_\_\_\_\_.
7. Student loans are intended to cover the costs of education, such as tuition fees and living \_\_\_\_\_.
8. The terms of a loan include the principal amount, the interest rate, the term or duration of the loan, and the repayment \_\_\_\_\_.
9. Repayment of a loan usually occurs over a fixed period of time, which could be short or long depending on the type of \_\_\_\_\_.
10. Understanding the types of loans and their terms can help individuals make informed decisions about borrowing money and contribute to the overall stability of the \_\_\_\_\_.

### WRITING TASKS

1. Write an essay describing the advantages and disadvantages of each type of loan discussed in this lesson.
2. Consider a hypothetical situation where you need to take out a loan. Which type would you choose and why? Write a report explaining your choice.
3. In the context of Azerbaijan's economy, discuss how the use of loans by individuals and businesses can impact economic development.

## LESSON 20: Corporate Finance: An Overview

Corporate finance is an area of finance that deals with sources of funding, the capital structure of corporations, and the decisions that managers make to increase the value of the firm to the shareholders. It is a very important part of a company's operations and is a primary focus for many business owners and managers.

The first concept in corporate finance is investment decisions, also known as capital budgeting. This involves deciding which projects a company should invest in, based on expected future cash flows compared to the initial outlay.

Then comes the financing decision, where managers must decide how to fund the company's investments. There are two main types of funding: debt and equity. Debt involves borrowing money to be repaid over time with interest. Equity involves selling a portion of the company to investors in exchange for cash.

The dividend decision is another important part of corporate finance. This involves deciding how much of the company's profits to return to shareholders in the form of dividends, and how much to reinvest in the company.

Risk management is also a crucial part of corporate finance. Managers must identify and plan for various risks that could negatively affect the company's financial performance.

Moreover, corporate finance involves working capital management. This includes managing short-term assets and liabilities to ensure the company has sufficient liquidity to carry out its operations.

In all these areas, the main goal of corporate finance is to maximize shareholder value. This means making decisions that increase the worth of the company to those who own its shares.

In summary, corporate finance is a vital aspect of running a business. It guides investment decisions, financing strategies, dividend policies, risk management, and working capital management, all with the aim of increasing shareholder value.

### COMPREHENSION QUESTIONS

1. What is the primary focus of corporate finance?

2. What are investment decisions and how do they fit into corporate finance?
3. Can you describe the two main types of funding in corporate finance?
4. What does the dividend decision involve in corporate finance?
5. How does risk management play a role in corporate finance?
6. What does working capital management entail?
7. What is the main goal of corporate finance?
8. Why is corporate finance a vital aspect of running a business?
9. How does corporate finance guide strategies within a company?
10. What does it mean to maximize shareholder value and why is it important?

### **NEW WORDS**

1. Corporate Finance: The area of finance dealing with sources of funding and the capital structure of corporations.
2. Investment Decision: The decision of which projects a company should invest in.
3. Financing Decision: The decision of how to fund the company's investments.
4. Debt: Borrowing money to be repaid over time with interest.
5. Equity: Selling a portion of the company to investors in exchange for cash.
6. Dividend Decision: The decision of how much of the company's profits to return to shareholders and how much to reinvest.
7. Risk Management: Identifying and planning for risks that could negatively affect the company.
8. Working Capital Management: Managing short-term assets and liabilities to ensure sufficient liquidity.
9. Shareholder Value: The worth of the company to those who own its shares.
10. Liquidity: The availability of liquid assets to a company.

### **Fill in the Gaps:**

1. Corporate finance deals with sources of funding, the capital structure of corporations, and the decisions that managers make to increase the value of the firm to the \_\_\_\_\_.

2. Investment decisions, also known as capital budgeting, involve deciding which projects a company should invest in, based on expected future cash flows compared to the initial \_\_\_\_\_.
3. The financing decision involves deciding how to fund the company's investments, using either debt or \_\_\_\_\_.
4. The dividend decision involves deciding how much of the company's profits to return to shareholders in the form of dividends, and how much to reinvest in the \_\_\_\_\_.
5. Risk management is a crucial part of corporate finance, where managers must identify and plan for various risks that could negatively affect the company's financial \_\_\_\_\_.
6. Corporate finance also involves working capital management, which includes managing short-term assets and liabilities to ensure the company has sufficient \_\_\_\_\_ to carry out its operations.
7. The main goal of corporate finance is to maximize shareholder value, by making decisions that increase the worth of the company to those who own its \_\_\_\_\_.
8. Corporate finance is a vital aspect of running a business, guiding investment decisions, financing strategies, dividend policies, risk management, and working capital management, all with the aim of increasing shareholder \_\_\_\_\_.
9. Debt involves borrowing money to be repaid over time with interest, while equity involves selling a portion of the company to investors in exchange for \_\_\_\_\_.
10. In all areas of corporate finance, the aim is to make decisions that increase the value of the company to its shareholders and maximize their \_\_\_\_\_.

## **WRITING TASKS**

1. Write a short essay on how the concepts of corporate finance can apply to a start-up business in Azerbaijan.
2. Write a report detailing the risks a corporation might face in terms of investment and financing decisions.
3. Imagine you are a corporate finance manager. Write a letter to shareholders explaining your strategies to maximize shareholder value.

## Lesson 21: Principles of Accounting: Basics for Finance Students

Accounting is an essential component of finance, acting as a language that communicates the financial health of an entity. It provides a structured way to record, analyze, and interpret financial information, facilitating effective decision-making.

There are two primary types of accounting: financial accounting and managerial accounting. Financial accounting focuses on the reporting of an organization's financial information to external parties such as investors, regulators, and suppliers. On the other hand, managerial accounting is concerned with the provision of information to managers within an organization, enabling them to make informed business decisions.

The basic principles of accounting are grounded on several key concepts. The first is the 'entity concept', which treats a business as separate from its owners. This allows for a clear distinction between personal and business transactions.

The 'money measurement concept' is another principle that states that only transaction data that can be expressed in terms of money be included in accounting records. This principle allows businesses to quantify transactions and makes the comparison of reports easier.

The 'duality concept', also known as the 'double-entry bookkeeping' system, is another core principle. This states that each transaction will have a dual effect on the financial position of a business. This system ensures that the accounting equation ( $\text{Assets} = \text{Liabilities} + \text{Equity}$ ) always stays in balance.

The 'realization concept' holds that revenue should only be recognized in the income statement when it is realized, or in other words, when the goods are transferred or services are provided to the buyer.

The 'matching concept' stipulates that an organization should record expenses in the same accounting period as the revenues to which they are related. This ensures that all costs and benefits are matched and a net profit or loss for the period can be calculated correctly.

The 'consistency concept' is a principle that insists on consistent use of accounting policies and methods across accounting periods. This consistency allows for comparison of financial statements over time.

The 'prudence concept' or 'conservatism' calls for caution in the treatment of income and expenses to avoid overstating income and understating expenses. This principle protects the interests of the creditors by ensuring that liabilities and expenses are not understated.

Lastly, the 'going concern concept' presumes that a business entity will continue to operate indefinitely, and assets are acquired for use, not for resale. This assumption impacts depreciation methods, inventory valuation, and the classification of assets and liabilities.

### **Comprehension Questions:**

1. What are the two primary types of accounting and what is the difference between them?
2. What is the entity concept in accounting?
3. What does the money measurement concept suggest?
4. Explain the duality concept or double-entry bookkeeping system.
5. What does the realization concept mean in terms of recognizing revenue?
6. What is the matching concept and why is it important?
7. How does the consistency concept contribute to financial reporting?
8. How does the prudence concept protect the interests of creditors?
9. What assumption does the going concern concept make about a business?
10. How does the going concern concept impact depreciation methods and inventory valuation?

### **New Finance Vocabulary:**

1. Accounting: The process of recording, summarizing, analyzing, and reporting financial transactions.
2. Financial Accounting: The field of accounting focused on the reporting of an organization's financial information to external parties.
3. Managerial Accounting: The field of accounting that deals with providing information to managers for use within the organization.
4. Entity Concept: A principle that treats a business as separate from its owners.
5. Money Measurement Concept: The principle that only transaction data that can be expressed in monetary terms is included in accounting records.
6. Duality Concept: The principle that each transaction has a dual effect on the financial position of a business.
7. Realization Concept: The principle that revenue should be recognized when the goods are transferred or services are provided.
8. Matching Concept: The principle that expenses should be recorded in the same period as the related revenues.
9. Consistency Concept: The principle that accounting policies and methods should be consistently applied across accounting periods.
10. Prudence Concept: The principle of treating income and expenses with caution to avoid overstating income and understating expenses.

### **Fill in the Gaps:**

1. Accounting is an essential component of finance, acting as a language that communicates the financial health of an \_\_\_\_\_.
2. There are two primary types of accounting: financial accounting and managerial \_\_\_\_\_.
3. Financial accounting focuses on the reporting of an organization's financial information to external parties such as investors, regulators, and \_\_\_\_\_.
4. Managerial accounting is concerned with the provision of information to managers within an organization, enabling them to make informed business \_\_\_\_\_.

5. The 'entity concept' treats a business as separate from its owners, allowing for a clear distinction between personal and business \_\_\_\_\_.
6. The 'money measurement concept' states that only transaction data that can be expressed in terms of money be included in accounting \_\_\_\_\_.
7. The 'duality concept', also known as the 'double-entry bookkeeping' system, states that each transaction will have a dual effect on the financial position of a \_\_\_\_\_.
8. The 'realization concept' holds that revenue should only be recognized in the income statement when it is realized, or when the goods are transferred or services are provided to the \_\_\_\_\_.
9. The 'matching concept' stipulates that an organization should record expenses in the same accounting period as the revenues to which they are \_\_\_\_\_.
10. The 'consistency concept' insists on consistent use of accounting policies and methods across accounting periods, allowing for comparison of financial statements over \_\_\_\_\_.

### **Writing Tasks:**

1. Write an essay discussing the importance of the principles of accounting for a finance student. Consider their application in a real-world context.
2. Imagine you are a finance student at a university in Azerbaijan. Write a letter to a friend explaining why understanding the basics of accounting is crucial to your future career in finance.
3. Write a report examining the impact of accounting principles on the economy of Azerbaijan. Highlight specific businesses or sectors where these principles play a vital role.

## Lesson 22: Introduction to Financial Technology (FinTech)

Financial Technology, often shortened to FinTech, refers to the integration of technology into financial services to improve their delivery and use. It is an evolving field that uses modern technology to enhance activities in finance.

FinTech's aim is to make financial systems more efficient and consumer-friendly. This is achieved through the automation and digitization of various financial tasks that traditionally required human intervention and lengthy processing times.

Banks and financial institutions are increasingly adopting FinTech solutions to provide more efficient services. For example, digital banking allows customers to make transactions, monitor their accounts, and apply for loans right from their mobile devices.

Another significant area of FinTech is the rise of 'robo-advisors' for investment management. These automated online platforms provide personalized investment advice based on algorithms, reducing the need for human financial advisors.

FinTech also plays a vital role in payment systems with the development of digital wallets and online payment platforms. Such innovations enable easy and quick money transfers and payments, even across borders.

Blockchain technology, which underpins cryptocurrencies like Bitcoin, is another aspect of FinTech. It offers secure, decentralized transactions, promising potential transformations in various financial practices.

Peer-to-peer (P2P) lending platforms are also part of the FinTech landscape. They connect borrowers directly with lenders, bypassing traditional banking intermediaries, leading to more competitive interest rates and quicker loan processing.

However, as with all technology, FinTech comes with its challenges, notably in the areas of security and privacy. With increased digital transactions comes the risk of cyber-attacks and data breaches. Therefore, robust cybersecurity measures are an essential aspect of FinTech.

Regulation is another significant challenge in FinTech. Since it's a relatively new field, many jurisdictions are still figuring out how to regulate these services to protect consumers while not stifling innovation.

In conclusion, FinTech represents the intersection of finance and technology. It's driving efficiency and offering new possibilities in the financial sector. However, it also poses new challenges that need to be effectively addressed for its potential to be fully realized.

### **Comprehension Questions:**

1. What does FinTech stand for and what does it involve?
2. What is the main aim of FinTech?
3. How are banks and financial institutions utilizing FinTech?
4. What are 'robo-advisors' and how do they work?
5. How does FinTech contribute to payment systems?
6. What role does blockchain technology play in FinTech?
7. What are peer-to-peer lending platforms and how do they work?
8. What are some of the challenges associated with FinTech?
9. Why is cybersecurity important in FinTech?
10. How does regulation present a challenge in the FinTech sector?

### **New Finance Vocabulary:**

1. Financial Technology (FinTech): The integration of technology into financial services to improve their use and delivery.
2. Digital Banking: The digitization of traditional banking activities and services that were historically provided in physical branches.
3. Robo-advisors: Automated online investment platforms that provide personalized investment advice based on algorithms.
4. Digital Wallets: Electronic devices or online services that allow an individual to make electronic transactions.

5. Blockchain Technology: A type of data structure that's used to create a digital transaction ledger which, instead of resting with a single provider, is shared among a distributed network of computers.
6. Cryptocurrencies: Digital or virtual currencies that use cryptography for security and operate independently of a central bank.
7. Peer-to-Peer (P2P) Lending Platforms: Online services that connect lenders directly with borrowers, bypassing traditional banking intermediaries.
8. Cybersecurity: Measures taken to protect a computer or computer system against unauthorized access or attack.
9. Data Breaches: Incidents in which sensitive, protected or confidential data has potentially been viewed, stolen or used by an individual unauthorized to do so.
10. Regulation: A rule or directive made and maintained by an authority to control conduct.

### **Fill in the Gaps:**

1. FinTech, often shortened to \_\_\_\_\_, refers to the integration of technology into financial services.
2. Banks and financial institutions are increasingly adopting \_\_\_\_\_ solutions to provide more efficient services.
3. 'Robo-advisors' for investment management are a significant area of \_\_\_\_\_.
4. FinTech plays a vital role in payment systems with the development of digital wallets and \_\_\_\_\_ payment platforms.
5. Blockchain technology, which underpins \_\_\_\_\_ like Bitcoin, is another aspect of FinTech.
6. Peer-to-peer (\_\_\_\_\_) lending platforms connect borrowers directly with lenders.
7. With increased digital transactions comes the risk of \_\_\_\_\_ and data breaches.
8. Robust \_\_\_\_\_ measures are an essential aspect of FinTech.
9. \_\_\_\_\_ is a significant challenge in the FinTech field as it's relatively new.
10. FinTech represents the intersection of finance and \_\_\_\_\_.

**Writing Tasks:**

1. Write an essay discussing the role of FinTech in modernizing the financial services industry, using examples from the text.
2. Imagine you are a finance student at a university in Azerbaijan. Write a letter to a friend explaining how FinTech could impact the future of financial services.
3. Write a report exploring the potential challenges and opportunities of FinTech in Azerbaijan's financial sector.

## Lesson 23: Basics of Real Estate Financing

Real estate financing refers to the process of sourcing funds to purchase property. It is a key area of finance that involves several different strategies and methods depending on the type of property and the buyer's financial situation.

A common method of real estate financing is through a mortgage. This is a type of loan specifically for purchasing property where the property itself serves as collateral for the loan. Mortgage loans typically have a long term, often up to 30 years, and the interest rates can be fixed or adjustable.

Another form of real estate financing is through a real estate investment trust (REIT). REITs are companies that own, operate, or finance income-generating real estate and allow individual investors to buy shares in real estate portfolios.

Bridge loans are also used in real estate financing. They are short-term loans that provide quick funds for real estate investors, allowing them to act quickly on a new opportunity while waiting for more permanent financing.

In the context of commercial real estate, developers often turn to construction loans. These are short-term loans used to finance the building of a property. Once the property is built and begins to generate income, the developer can then secure a more permanent type of financing.

Seller financing is another option where the seller of the property agrees to lend money to the buyer to purchase the property. This usually happens in situations where the buyer cannot qualify for a traditional mortgage.

Real estate crowdfunding is a newer form of financing. It involves raising small amounts of money from a large number of people, usually through online platforms. This allows individual investors to invest in property they may not have been able to afford on their own.

However, real estate financing also comes with risks. For example, if a borrower fails to repay a mortgage, the lender can foreclose on the property. Also, the property value may decrease, leaving the borrower with a loan that is worth more than the property.

Interest rates also pose a risk in real estate financing. If they rise, the cost of borrowing increases. This can make it more difficult for individuals to afford their mortgage payments and could lead to higher default rates.

In conclusion, real estate financing is a broad and complex field. It offers many opportunities for investors, but it also comes with risks. Understanding the different methods of financing and their associated risks is essential for anyone involved in real estate.

### **Comprehension Questions:**

1. What is real estate financing?
2. How does a mortgage work in real estate financing?
3. What is a Real Estate Investment Trust (REIT) and how does it function?
4. What are bridge loans and when are they used?
5. How does a construction loan operate in commercial real estate?
6. What is seller financing and in what situations is it typically used?
7. Can you explain the concept of real estate crowdfunding?
8. What are some of the risks involved in real estate financing?
9. How can interest rates affect real estate financing?
10. Why is it important to understand the different methods of real estate financing?

### **New Finance Vocabulary:**

1. Real Estate Financing: The process of sourcing funds to purchase property.
2. Mortgage: A type of loan specifically for purchasing property where the property itself serves as collateral for the loan.
3. Real Estate Investment Trust (REIT): Companies that own, operate, or finance income-generating real estate and allow individual investors to buy shares in real estate portfolios.
4. Bridge Loan: A short-term loan that provides quick funds for real estate investors, allowing them to act quickly on a new opportunity.
5. Construction Loan: A short-term loan used to finance the building of a property.
6. Seller Financing: A situation where the seller of the property agrees to lend money to the buyer to purchase the property.

7. Real Estate Crowdfunding: A form of financing that involves raising small amounts of money from a large number of people, usually through online platforms.
8. Foreclosure: The legal process by which a lender takes control of a property, evicts the homeowner, and sells the home after a homeowner is unable to make full principal and interest payments on his or her mortgage.
9. Default: Failure to repay a loan according to the terms agreed to in the promissory note.
10. Interest Rates: The amount charged, expressed as a percentage of principal, by a lender to a borrower for the use of assets.

### **Fill in the Gaps:**

1. Real estate \_\_\_\_\_ refers to the process of sourcing funds to purchase property.
2. A common method of real estate financing is through a \_\_\_\_\_.
3. Another form of real estate financing is through a real estate investment trust (\_\_\_\_\_).
4. Bridge loans are short-term loans that provide quick \_\_\_\_\_ for real estate investors.
5. In the context of commercial real estate, developers often turn to \_\_\_\_\_ loans.
6. \_\_\_\_\_ financing is another option where the seller of the property agrees to lend money to the buyer.
7. Real estate \_\_\_\_\_ is a newer form of financing that involves raising small amounts of money from a large number of people.
8. If a borrower fails to repay a mortgage, the lender can \_\_\_\_\_ on the property.
9. If interest rates rise, the cost of \_\_\_\_\_ increases, making it more difficult for individuals to afford their mortgage payments.
10. Understanding the different methods of financing and their associated risks is essential for anyone involved in \_\_\_\_\_.

## **Writing Tasks:**

1. Write an essay on the various methods of real estate financing, highlighting their advantages and disadvantages.
2. Draft a letter to a friend explaining how real estate crowdfunding works and its potential benefits for individual investors.
3. Write a report on the impact of changing interest rates on the real estate market in Azerbaijan, using information from the text to support your points.

## Lesson 24: Understanding Financial Statements

Financial statements are documents that provide an overview of a company's financial performance. These statements are essential for investors, lenders, and company management to make informed decisions.

One type of financial statement is the income statement, also known as the profit and loss statement. This report shows a company's revenue, costs, and expenses during a certain period. It reveals the net profit or loss made by the company.

The balance sheet is another important financial statement. It provides a snapshot of a company's assets, liabilities, and equity at a specific point in time. Assets include things like cash, inventory, and property, while liabilities include loans and other debts. Equity represents the value left over for shareholders if all assets were sold and all debts were paid.

The cash flow statement is also crucial. It shows how much cash a company generates and spends during a specific period. This statement is divided into three sections: operations, investing, and financing.

The statement of retained earnings shows the company's net income after dividends are paid to shareholders. It allows investors to see how much of the profit is reinvested in the company versus distributed to shareholders.

To understand these financial statements, one must also know about key financial ratios. These ratios, such as the debt-to-equity ratio or the current ratio, provide insights into a company's financial health.

However, financial statements also have limitations. For example, they do not account for economic conditions or market competition, which can significantly affect a company's performance. Furthermore, some information might be subjective, such as the valuation of certain assets.

One more point to remember is that financial statements are based on accounting rules. Different countries have different rules, which can make comparing companies in different countries challenging.

Understanding financial statements is a fundamental skill for anyone involved in finance. It allows individuals to analyze a company's performance, make investment decisions, and provide advice on financial matters.

In conclusion, financial statements are an indispensable tool in finance. They provide critical insights into a company's financial health but should be used alongside other information to get a full understanding of a company's performance.

### **Comprehension Questions:**

1. What are financial statements and why are they important?
2. What is an income statement and what information does it provide?
3. What is a balance sheet and what does it include?
4. What is the purpose of the cash flow statement?
5. What information does the statement of retained earnings provide?
6. What are some key financial ratios used to analyze a company's financial health?
7. What are some limitations of financial statements?
8. Why do accounting rules matter when it comes to financial statements?
9. Why is understanding financial statements crucial for individuals involved in finance?
10. How should financial statements be used when analyzing a company's performance?

### **New Finance Vocabulary:**

1. Financial Statements: Documents that provide an overview of a company's financial performance.
2. Income Statement: A report that shows a company's revenue, costs, and expenses during a certain period.
3. Balance Sheet: A snapshot of a company's assets, liabilities, and equity at a specific point in time.
4. Cash Flow Statement: Shows how much cash a company generates and spends during a specific period.
5. Statement of Retained Earnings: Shows the company's net income after dividends are paid to shareholders.

6. Financial Ratios: Calculations that provide insights into a company's financial health.
7. Debt-to-Equity Ratio: A measure of a company's financial leverage, calculated by dividing its total liabilities by stockholders' equity.
8. Current Ratio: A liquidity ratio that measures a company's ability to pay short-term obligations.
9. Accounting Rules: Guidelines that govern the way financial statements are prepared.
10. Dividends: A sum of money paid regularly by a company to its shareholders out of its profits.

### **Fill in the Gaps:**

1. \_\_\_\_\_ statements are documents that provide an overview of a company's financial performance.
2. One type of financial statement is the income \_\_\_\_\_, also known as the profit and loss statement.
3. The balance \_\_\_\_\_ provides a snapshot of a company's assets, liabilities, and equity at a specific point in time.
4. The cash flow \_\_\_\_\_ shows how much cash a company generates and spends during a specific period.
5. The statement of retained \_\_\_\_\_ shows the company's net income after dividends are paid to shareholders.
6. Key financial \_\_\_\_\_, such as the debt-to-equity ratio or the current ratio, provide insights into a company's financial health.
7. Financial statements do not account for economic \_\_\_\_\_ or market competition.
8. Financial statements are based on accounting \_\_\_\_\_. Different countries have different rules.
9. Understanding financial \_\_\_\_\_ is a fundamental skill for anyone involved in finance.
10. Financial statements provide critical \_\_\_\_\_ into a company's financial health.

**Writing Tasks:**

1. Write an essay comparing the financial statements of two major companies in Azerbaijan. Use the concepts discussed in the lesson to analyze the financial health of these companies.
2. Write a letter to a friend explaining the importance of understanding financial statements for someone interested in investing.
3. Conduct a research and write a report on the accounting rules that govern financial statements in Azerbaijan. Discuss how these rules affect the preparation and interpretation of financial statements.

## Lesson 25: Public Finance and Fiscal Policy

Public finance is the field of economics that focuses on the government's revenue and expenditures. It examines how the government raises money through taxation and how it spends that money on public services.

Taxation is a key part of public finance. Governments raise money by imposing taxes on individuals and businesses. There are different types of taxes, including income tax, sales tax, and property tax. The structure of the tax system can have significant effects on the economy.

The government's spending is another major component of public finance. The government spends money on a wide range of public services, such as healthcare, education, and infrastructure. These expenditures can stimulate economic activity and improve living standards.

The balance between the government's revenue and expenditures determines the budget outcome. If the government spends more than it collects in revenue, it has a budget deficit. If it collects more than it spends, it has a budget surplus.

Fiscal policy refers to the use of government revenue and expenditures to influence the economy. Governments can use fiscal policy to manage economic cycles. For instance, during an economic downturn, the government can increase spending or reduce taxes to stimulate demand.

However, fiscal policy must be managed carefully to avoid negative consequences. For instance, if the government consistently spends more than it collects in revenue, it could lead to high levels of public debt.

Government borrowing is another aspect of public finance. When the government has a budget deficit, it can borrow money to finance its spending. However, excessive borrowing can lead to higher interest rates and economic instability.

Public finance also involves the redistribution of income. Through progressive taxation and social spending, governments can reduce income inequality and improve social welfare.

In Azerbaijan, as in other countries, public finance and fiscal policy play a crucial role in the economy. The government's decisions on taxation, spending, and borrowing have significant impacts on economic activity and social welfare.

In conclusion, public finance and fiscal policy are key tools for managing the economy. By making informed decisions about taxation, spending, and borrowing, governments can promote economic stability and improve living standards.

### **Comprehension Questions:**

1. What is public finance and what does it examine?
2. How do governments raise money for public services?
3. What is the role of the government's spending in public finance?
4. What determines the government's budget outcome?
5. How can governments use fiscal policy to manage economic cycles?
6. What are the potential negative consequences of mismanaged fiscal policy?
7. How do governments finance their spending when they have a budget deficit?
8. What role does public finance play in the redistribution of income?
9. How does public finance and fiscal policy affect the economy and social welfare in Azerbaijan?
10. How can governments promote economic stability and improve living standards through public finance and fiscal policy?

### **New Finance Vocabulary:**

1. **Public Finance:** The field of economics that focuses on the government's revenue and expenditures.
2. **Taxation:** The means by which governments raise money from individuals and businesses.
3. **Expenditures:** The spending of money on public services by the government.
4. **Budget Outcome:** The balance between the government's revenue and expenditures.
5. **Fiscal Policy:** The use of government revenue and expenditures to influence the economy.

6. Budget Deficit: A situation where the government spends more than it collects in revenue.
7. Government Borrowing: When the government borrows money to finance its spending.
8. Income Inequality: The unequal distribution of income within a population.
9. Social Welfare: The wellbeing of the entire society.
10. Economic Stability: A state of steady financial conditions in the economy.

### **Fill in the Gaps:**

1. \_\_\_\_\_ finance is the field of economics that focuses on the government's revenue and expenditures.
2. Governments raise money for public services through \_\_\_\_\_.
3. The government's \_\_\_\_\_ on public services can stimulate economic activity and improve living standards.
4. The balance between the government's revenue and expenditures determines the \_\_\_\_\_ outcome.
5. Governments can use \_\_\_\_\_ policy to manage economic cycles.
6. Mismanaged fiscal policy can lead to high levels of public \_\_\_\_\_.
7. When the government has a budget \_\_\_\_\_, it can borrow money to finance its spending.
8. Public finance involves the redistribution of \_\_\_\_\_ to reduce income inequality and improve social welfare.
9. In Azerbaijan, public finance and fiscal policy have significant impacts on \_\_\_\_\_ activity and social welfare.
10. By making informed decisions about taxation, spending, and borrowing, governments can promote \_\_\_\_\_ stability and improve living standards.

### **Writing Tasks:**

1. Write an essay discussing the current state of public finance and fiscal policy in Azerbaijan. Discuss how the government's decisions on taxation, spending, and borrowing impact the economy and social welfare.

2. Write a letter to a local newspaper expressing your views on the government's recent fiscal policy decisions. Use the concepts discussed in the lesson to support your arguments.

3. Conduct research on a recent fiscal policy measure implemented in Azerbaijan. Write a report outlining the measure, its intended effects, its actual impacts, and your own assessment of its effectiveness.

## Lesson 26: Importance of Credit and Credit Scores

Credit plays a crucial role in our financial lives. It is the ability to borrow money or access goods or services with the understanding that you'll pay later. Lenders, landlords, and many others use credit to determine your reliability as a borrower.

Your credit score is a numerical representation of that reliability. High scores are viewed favorably, signaling that you're less of a risk to lenders. The higher your score, the more likely you'll be approved for loans and receive better interest rates.

Various factors influence your credit score. These include your payment history, the amount of debt you have, the length of your credit history, the type of credit you have, and recent credit inquiries. Among these factors, your payment history is the most important.

Making regular, on-time payments helps improve your credit score. Late or missed payments can significantly harm your score. It's crucial to pay all your bills on time, not just credit cards or loans.

The amount of debt you have compared to your total available credit—known as your credit utilization ratio—also impacts your score. A low ratio is better for your score.

The length of your credit history can affect your score. Lenders want to see a record of timely payments over a significant period. Thus, keeping older credit cards, even if you don't use them often, can be beneficial for your score.

The types of credit you have also matter. A mix of credit cards, retail accounts, installment loans, finance company accounts, and mortgage loans can improve your score.

Lastly, applying for new credit can lower your score temporarily, particularly if you apply for several credit cards within a short time. This can indicate higher risk to lenders.

In Azerbaijan, as in many other countries, a good credit score can open up opportunities such as qualifying for mortgages, car loans, and lower insurance premiums. Understanding and managing your credit and credit score is an essential part of financial literacy.

### **Comprehension Questions:**

1. What is credit and how is it used?
2. What is a credit score and why is it important?
3. What factors influence your credit score?
4. How does your payment history affect your credit score?
5. What is the credit utilization ratio and why does it matter?
6. Why does the length of your credit history matter?
7. How do the types of credit you have affect your score?
8. How does applying for new credit influence your score?
9. Why is a good credit score important in Azerbaijan?
10. Why is understanding and managing your credit and credit score essential for financial literacy?

### **New Finance Vocabulary:**

1. Credit: The ability to borrow money or access goods or services with the promise that you'll pay later.
2. Credit Score: A numerical representation of your reliability as a borrower.
3. Lenders: Individuals or institutions that lend money.
4. Payment History: Your record of making timely payments on your debts.
5. Credit Utilization Ratio: The amount of your current total debt divided by your total available credit.
6. Credit History: A record of an individual's past borrowing and repaying.
7. Credit Cards: A card issued by a bank or business allowing the holder to purchase goods or services on credit.
8. Installment Loans: Loans that are repaid over time with a set number of scheduled payments.
9. Mortgage Loans: Loans taken out to buy property or land.
10. Financial Literacy: The ability to understand and use various financial skills, including personal financial management, budgeting, and investing.

### **Fill in the Gaps:**

1. \_\_\_\_\_ is the ability to borrow money or access goods or services with the promise that you'll pay later.
2. A \_\_\_\_\_ score is a numerical representation of your reliability as a borrower.
3. Lenders, landlords, and many others use \_\_\_\_\_ to determine your reliability.
4. Your \_\_\_\_\_ history is the most important factor affecting your credit score.
5. The amount of debt you have compared to your total available credit is known as your \_\_\_\_\_ ratio.
6. The length of your \_\_\_\_\_ history can affect your score.
7. A mix of credit cards, retail accounts, installment loans, finance company accounts, and mortgage loans can \_\_\_\_\_ your score.
8. Applying for new \_\_\_\_\_ can lower your score temporarily.
9. In Azerbaijan, a good \_\_\_\_\_ score can open up many opportunities.
10. Understanding and managing your \_\_\_\_\_ and credit score is an essential part of financial literacy.

### **Writing Tasks:**

1. Write a short essay discussing the importance of credit and credit scores for young people starting their financial journey in Azerbaijan.
2. Imagine you are a financial advisor. Write a letter to a client explaining how they can improve their credit score.
3. Write a report on the current state of credit education and financial literacy in Azerbaijan, making recommendations for improvements.

## Lesson 27: Basics of Foreign Exchange (Forex) Trading

Foreign Exchange, also known as Forex or FX, is the trading of one currency for another. It's the most heavily traded market globally, with trillions of dollars changing hands every day.

Forex trading involves predicting whether one currency's value will increase or decrease compared to another. The currencies are always traded in pairs. For example, one might trade the US Dollar against the Euro (USD/EUR).

The first currency in the pair is the base currency, and the second is the quote currency. The base currency is the one that can be exchanged for the quote currency. For example, if USD/EUR is 0.85, you can exchange one US Dollar for 0.85 Euros.

Forex trading occurs over the counter (OTC), meaning transactions happen directly between parties, rather than through an exchange. This trading is facilitated through the interbank market, a network of banks that trade currencies with each other.

Many factors influence forex rates. These include geopolitical events, economic indicators such as inflation and interest rates, and market sentiment. Traders must stay informed about global events and understand their impact on currency values.

Leverage is a key concept in forex trading. It allows traders to control large positions with a small amount of capital. However, while it can amplify profits, leverage can also magnify losses.

In Azerbaijan, forex trading has become more popular as a method of generating income. However, it's important to understand the risks and complexities involved. Education and practice are key to becoming a successful forex trader.

Remember, forex trading is not a guaranteed way to make money. It's a high-risk strategy that requires careful management of risk and a deep understanding of the market.

### **Comprehension Questions:**

1. What is Foreign Exchange (Forex) trading?
2. How are currencies traded in Forex?
3. What is the base currency and the quote currency?
4. Where does Forex trading occur?
5. What factors influence forex rates?
6. What is leverage in Forex trading, and how can it affect your profits and losses?
7. How has Forex trading become popular in Azerbaijan?
8. Why is education and practice important in Forex trading?
9. Why is Forex trading considered a high-risk strategy?
10. How does understanding the market contribute to successful Forex trading?

### **New Finance Vocabulary:**

1. Foreign Exchange (Forex or FX): The trading of one currency for another.
2. Base Currency: The first currency in a forex pair.
3. Quote Currency: The second currency in a forex pair.
4. Over the Counter (OTC): A method of trading that occurs directly between parties.
5. Interbank Market: A network of banks that trade currencies with each other.
6. Geopolitical Events: International events that impact the financial markets.
7. Economic Indicators: Statistics that show the economic performance of a country.
8. Leverage: The use of borrowed money to increase potential return of an investment.
9. Risk Management: The process of identifying, assessing, and controlling threats to an investment.
10. Market Sentiment: The overall attitude of investors toward a particular market.

### **Fill in the Gaps:**

1. Foreign Exchange, also known as \_\_\_\_\_, is the trading of one currency for another.

2. The first currency in a forex pair is called the \_\_\_\_\_.
3. The second currency in a forex pair is known as the \_\_\_\_\_.
4. Forex trading occurs \_\_\_\_\_ the counter (OTC), meaning transactions happen directly between parties.
5. The \_\_\_\_\_ market is a network of banks that trade currencies with each other.
6. Factors like \_\_\_\_\_ events and economic indicators can influence forex rates.
7. \_\_\_\_\_ in Forex trading allows traders to control large positions with a small amount of capital.
8. In Azerbaijan, \_\_\_\_\_ trading has become more popular as a method of generating income.
9. \_\_\_\_\_ trading is not a guaranteed way to make money, and is considered a high-risk strategy.
10. Careful management of risk and a deep understanding of the market are key to successful \_\_\_\_\_ trading.

### **Writing Tasks:**

1. Write a short essay about the potential risks and benefits of Forex trading for individuals in Azerbaijan.
2. Imagine you are advising a friend interested in Forex trading. Write a letter explaining the key things they should understand before they start.
3. Write a report on the current state of Forex trading in Azerbaijan, and provide recommendations for how the government could regulate this market to protect investors.

## Lesson 28: Understanding the Global Financial Crisis of 2008

The Global Financial Crisis (GFC) of 2008 is known as the worst financial disaster since the Great Depression of 1929. It was a worldwide economic disaster that began in the United States with a subprime mortgage bubble.

The roots of the crisis go back to the bursting of the United States housing bubble and high default rates on "subprime" and adjustable-rate mortgages (ARM). These home loans were offered to homebuyers with low credit quality, often at higher interest rates that would change over time.

When the bubble burst, housing prices dropped and many homeowners found themselves unable to meet their mortgage payments. As a result, many banks faced huge losses and began to fail. The crisis then spread to the broader economy, leading to recessions in many countries.

Many factors contributed to the crisis. Poor regulation, excessive borrowing, risky investments, and the bursting of the United States housing market bubble all played a part. The crisis led to the failure of key businesses, declines in consumer wealth, substantial financial commitments incurred by governments, and a significant downturn in economic activity.

Governments around the world, including Azerbaijan, had to intervene to rescue failing banks and restore confidence in the global financial system. In many countries, including the United States, new financial regulations were introduced to prevent a similar crisis in the future.

In the years following the crisis, economies slowly recovered, but many people faced unemployment and financial hardship. The crisis also led to debates about economic theory and the proper role of government in regulating the economy.

For Azerbaijan, the crisis caused a reduction in oil prices, which impacted the economy. However, the government took measures to limit the effects, including diversifying the economy and supporting local businesses.

The GFC of 2008 is a stark reminder of the dangers of unchecked financial markets and the importance of regulation to prevent economic disaster. It's an essential lesson for anyone studying finance and economic history.

### **Comprehension Questions:**

1. What was the Global Financial Crisis (GFC) of 2008?
2. What caused the start of this crisis in the United States?
3. What are "subprime" and adjustable-rate mortgages (ARM)?
4. How did the housing market bubble burst lead to the crisis?
5. What were some of the factors that contributed to the crisis?
6. What were some of the consequences of the GFC of 2008?
7. How did governments around the world respond to the crisis?
8. How did the GFC of 2008 affect Azerbaijan?
9. What measures did the government of Azerbaijan take to limit the effects of the crisis?
10. What is the significance of the GFC of 2008 in studying finance and economic history?

### **New Finance Vocabulary:**

1. Global Financial Crisis (GFC): The worst financial disaster since the Great Depression of 1929.
2. Subprime Mortgage: A type of mortgage that is offered to homebuyers with low credit ratings.
3. Adjustable-Rate Mortgages (ARM): A mortgage loan with the interest rate on the note periodically adjusted.
4. Housing Bubble: A run-up in housing prices fueled by demand, speculation, and exuberant behavior.
5. Financial Regulation: A form of regulation or supervision, which subjects financial institutions to certain requirements, restrictions, and guidelines.
6. Economic Recession: A period of temporary economic decline during which trade and industrial activity are reduced.
7. Diversification: The process of allocating capital in a way that reduces the exposure to any one particular asset or risk.
8. Unchecked Financial Markets: A financial market with little to no regulation.
9. Financial Commitments: The liability of the future expenditures.

10. Economic Disaster: A sudden and significant decline in the economic well-being.

**Fill in the Gaps:**

1. The Global Financial Crisis (GFC) of 2008 started with a \_\_\_\_\_ mortgage bubble in the United States.
2. The crisis started due to high default rates on " \_\_\_\_\_ " and adjustable-rate mortgages (ARM).
3. The \_\_\_\_\_ burst led to a drop in housing prices and financial losses for many banks.
4. The crisis led to the failure of key businesses, declines in \_\_\_\_\_ wealth, and a significant downturn in economic activity.
5. Governments around the world had to intervene to rescue \_\_\_\_\_ banks and restore confidence in the financial system.
6. In Azerbaijan, the crisis caused a reduction in \_\_\_\_\_ prices, which impacted the economy.
7. The government of Azerbaijan took measures to limit the effects of the crisis, including \_\_\_\_\_ the economy and supporting local businesses.
8. The GFC of 2008 is a stark reminder of the dangers of \_\_\_\_\_ financial markets.
9. The crisis led to debates about economic theory and the proper role of \_\_\_\_\_ in regulating the economy.
10. The GFC of 2008 is an essential lesson for anyone studying \_\_\_\_\_ and economic history.

**Writing Tasks:**

1. Write an essay explaining how the GFC of 2008 could have been prevented.
2. Write a report on the impact of the GFC of 2008 on Azerbaijan's economy and the government's response.
3. Imagine you are a financial advisor in 2008. Write a letter advising your clients on how to protect their investments during the financial crisis.

## Lesson 29: Concepts of Trade Deficits and Surpluses

Trade is a fundamental part of every nation's economy. It involves the exchange of goods and services between countries, allowing each country to benefit from the other's strengths and resources. The balance of trade is a measure of a nation's exports and imports.

A trade surplus occurs when a country exports more goods and services than it imports. This means it is selling more to the world than it is buying, earning it a positive trade balance. This surplus can be a sign of a strong economy, but it can also indicate that a country's domestic industries are not consuming enough, which can lead to a lack of economic growth.

On the other hand, a trade deficit occurs when a country imports more goods and services than it exports. This creates a negative trade balance. While this may be viewed negatively, it can also suggest that a country's consumers are prosperous enough to buy more goods and services than the country can produce.

Many factors influence whether a country will have a trade surplus or a trade deficit. These can include the country's economic policies, exchange rates, the cost of production in the country, and the economic conditions of its trading partners.

It is also worth noting that neither a trade surplus nor a trade deficit is inherently good or bad. What is more important is the long-term trend and whether the balance of trade is sustainable in the context of the country's overall economic performance and policy goals.

For instance, in Azerbaijan, the balance of trade often reflects the global market conditions for oil, its main export. When oil prices are high, Azerbaijan often runs a trade surplus. But when oil prices are low, Azerbaijan can face a trade deficit.

Trade surpluses and deficits are also closely tied to a country's exchange rate. When a country runs a trade surplus, it often leads to an appreciation of its currency. Conversely, a trade deficit can cause a country's currency to depreciate.

In conclusion, understanding the concepts of trade deficits and surpluses and the factors that affect them is key to understanding a country's economic health and policy goals. These are essential concepts for anyone studying international trade and finance.

### **Comprehension Questions:**

1. What does the balance of trade measure?
2. What is a trade surplus and when does it occur?
3. What are the possible implications of a trade surplus?
4. What is a trade deficit and when does it occur?
5. What are the possible implications of a trade deficit?
6. What are some factors that influence whether a country will have a trade surplus or a trade deficit?
7. How does the balance of trade relate to the overall economic performance and policy goals of a country?
8. How does the balance of trade in Azerbaijan often reflect global market conditions for oil?
9. How can trade surpluses and deficits affect a country's exchange rate?
10. Why is understanding the concepts of trade deficits and surpluses important for studying international trade and finance?

### **New Finance Vocabulary:**

1. Trade: The exchange of goods and services between countries.
2. Balance of Trade: The difference in value between a country's imports and exports.
3. Trade Surplus: A positive balance of trade, when a country exports more than it imports.
4. Trade Deficit: A negative balance of trade, when a country imports more than it exports.
5. Economic Policies: Policies set by a government to manage its economy.
6. Exchange Rate: The value of one currency for the purpose of conversion to another.
7. Cost of Production: The total cost of materials and labor required to produce a good or service.
8. Economic Conditions: The state of the economy in a country or region.
9. Currency Appreciation: A rise in the value of one currency in terms of another.

10. Currency Depreciation: A fall in the value of one currency in terms of another.

**Fill in the Gaps:**

1. The balance of trade is a measure of a nation's \_\_\_\_\_ and \_\_\_\_\_.
2. A trade \_\_\_\_\_ occurs when a country exports more goods and services than it imports.
3. A trade \_\_\_\_\_ occurs when a country imports more goods and services than it exports.
4. Many factors can influence whether a country will have a trade surplus or a trade \_\_\_\_\_.
5. In Azerbaijan, the balance of trade often reflects the global market conditions for \_\_\_\_\_.
6. Trade surpluses and deficits are also closely tied to a country's \_\_\_\_\_ rate.
7. When a country runs a trade surplus, it often leads to an \_\_\_\_\_ of its currency.
8. A trade deficit can cause a country's currency to \_\_\_\_\_.
9. Understanding the concepts of trade deficits and surpluses is key to understanding a country's economic \_\_\_\_\_ and policy goals.
10. These are essential concepts for anyone studying international trade and \_\_\_\_\_.

**Writing Tasks:**

1. Write an essay on the advantages and disadvantages of trade surpluses and deficits.
2. Write a report on Azerbaijan's trade balance over the past decade, and analyze how it has affected the country's economy.
3. Imagine you are an economic advisor to the government of Azerbaijan. Write a proposal on how to manage the country's trade balance to promote economic growth and stability.

## Lesson 30: Basics of Cryptocurrency and Blockchain

Cryptocurrency is a form of digital or virtual currency that uses cryptography for security. Unlike traditional currencies like the manat or dollar, which are issued and regulated by a central authority such as a government or central bank, cryptocurrencies are decentralized. The most well-known cryptocurrency is Bitcoin, which was introduced in 2009.

At the heart of most cryptocurrencies is blockchain technology. A blockchain is a type of database that stores data in blocks that are then chained together. As new data comes in, it is entered into a fresh block. Once the block is filled with data, it is chained onto the previous block, forming a chain of data known as the blockchain.

The primary advantage of blockchain is that it is decentralized and extremely difficult to tamper with. Once a block is added to the blockchain, it is very difficult to change the information inside it. This is because each block contains a cryptographic hash of the previous block, a timestamp, and transaction data.

This level of security and transparency makes cryptocurrencies attractive for many uses. For instance, people can use them for transactions without the need for a trusted third-party like a bank. This can make transactions faster and cheaper, particularly for international transfers.

However, the use of cryptocurrencies also comes with challenges. Their value can be highly volatile, and transactions made with them are often irreversible. Moreover, because they are still relatively new and lack regulation, they can be used for illegal activities.

Cryptocurrencies and blockchain technology have also started to attract interest in Azerbaijan. For instance, in 2020, the Central Bank of Azerbaijan collaborated with IBM on a blockchain project to improve the bank's financial services.

The world of cryptocurrencies is complex and constantly evolving. As such, it is essential for finance students to keep up-to-date with developments in this area. Understanding the basics of cryptocurrencies and blockchain technology can provide a solid foundation for further study in this exciting and rapidly evolving field.

### **Comprehension Questions:**

1. What is a cryptocurrency?
2. How does a cryptocurrency differ from traditional currencies?
3. What is the most well-known cryptocurrency and when was it introduced?
4. What is blockchain technology?
5. How is data stored in a blockchain?
6. Why is it difficult to tamper with information inside a block in a blockchain?
7. What are some advantages of using cryptocurrencies?
8. What are some challenges of using cryptocurrencies?
9. How has Azerbaijan shown interest in blockchain technology?
10. Why is it essential for finance students to understand cryptocurrencies and blockchain?

### **New Finance Vocabulary:**

1. **Cryptocurrency:** A type of digital or virtual currency that uses cryptography for security.
2. **Cryptography:** The practice and study of techniques for secure communication in the presence of third parties.
3. **Decentralized:** Distributed across a network rather than located in a central data store.
4. **Blockchain:** A type of database that stores data in blocks that are chained together.
5. **Cryptographic Hash:** A function that takes an input and returns a fixed size string of bytes, which is typically a "digest" that is unique to each unique input.
6. **Timestamp:** A sequence of characters or encoded information identifying when a certain event occurred.
7. **Volatile:** Liable to change rapidly and unpredictably, especially for the worse.
8. **Irreversible:** Not able to be undone or altered.
9. **Regulation:** A rule or directive made and maintained by an authority.
10. **Evolving:** Gradually developing or changing.

### Fill in the Gaps:

1. \_\_\_\_\_ is a form of digital or virtual currency that uses cryptography for security.
2. Unlike traditional currencies, cryptocurrencies are \_\_\_\_\_.
3. A blockchain is a type of \_\_\_\_\_ that stores data in blocks that are then chained together.
4. Once a block is added to the blockchain, it is very difficult to \_\_\_\_\_ the information inside it.
5. Cryptocurrencies can be used for transactions without the need for a \_\_\_\_\_ third-party like a bank.
6. The value of cryptocurrencies can be highly \_\_\_\_\_, and transactions made with them are often \_\_\_\_\_.
7. Cryptocurrencies and blockchain technology have started to attract interest in \_\_\_\_\_.
8. In 2020, the Central Bank of Azerbaijan collaborated with IBM on a \_\_\_\_\_ project.
9. The world of cryptocurrencies is complex and \_\_\_\_\_ evolving.
10. Understanding the basics of cryptocurrencies and blockchain technology can provide a solid \_\_\_\_\_ for further study in this field.

### Writing Tasks:

1. Write an essay discussing the impact of cryptocurrencies and blockchain technology on global finance.
2. Research and write a report on the current state of cryptocurrency usage and regulation in Azerbaijan.
3. Write a proposal on how the government of Azerbaijan can leverage blockchain technology to improve public services.

## Lesson 31: Ethics in Finance: A Critical Examination

In finance, as in any other field, ethics play a crucial role. Ethics refers to the moral principles that govern a person's or group's behavior. When applied to finance, it guides how finance professionals conduct their business, treating their clients, and making decisions that could impact the economy.

Often, ethical dilemmas arise in finance. For instance, a financial advisor might have to choose between recommending an investment that would benefit their client or one that would bring the advisor a higher commission. In this case, adhering to ethical principles would mean putting the client's interests first.

Sometimes, the lines between ethical and unethical behavior can be blurred. For example, insider trading, where individuals trade stocks based on non-public, material information, is considered illegal and unethical. However, it might be hard to prove if someone acted on such information or merely coincidental knowledge.

The consequences of unethical behavior in finance can be devastating. In extreme cases, it can lead to financial crises. For instance, the Global Financial Crisis of 2008 was partly attributed to unethical practices in the finance industry, such as irresponsible lending and risk-taking.

Ethics in finance is not only about avoiding negative consequences. Ethical financial practices can also create positive outcomes. For instance, ethical investment or socially responsible investing considers the social and environmental impact of investments, not just financial returns. This approach can support sustainable development and contribute to a better society.

In Azerbaijan, similar to other countries, ethics in finance is of paramount importance. The finance industry, including banks, insurance companies, and investment firms, is regulated by strict laws and guidelines to ensure ethical practices.

The teaching of ethics in finance is equally important. Universities and colleges in Azerbaijan include ethics courses in their finance curricula. This helps ensure that future finance professionals understand the importance of ethical behavior in their work.

In conclusion, ethical behavior is critical in finance. It promotes trust, fairness, and accountability, which are crucial for the smooth operation of financial markets

and the overall economy. Therefore, it is essential for finance students to understand and uphold ethical principles in their future careers.

### **Comprehension Questions:**

1. What are ethics in the context of finance?
2. Give an example of an ethical dilemma in finance.
3. What is insider trading and why is it considered unethical?
4. What were some unethical practices that contributed to the Global Financial Crisis of 2008?
5. What is ethical or socially responsible investing?
6. How does ethical behavior in finance contribute to positive outcomes?
7. How is ethics in finance regulated in Azerbaijan?
8. Why is the teaching of ethics in finance important in Azerbaijan's universities?
9. What values does ethical behavior promote in finance?
10. Why is it important for finance students to understand and uphold ethical principles?

### **New Finance Vocabulary:**

1. Ethics: The moral principles that govern a person's or group's behavior.
2. Dilemma: A situation in which a difficult choice has to be made.
3. Commission: A fee paid to an agent for providing a service, especially a percentage of the total amount of business transacted.
4. Insider trading: The illegal practice of trading on the stock exchange to one's advantage through having access to confidential information.
5. Unethical: Not morally correct.
6. Irresponsible: Not showing or done with due care for the consequences of one's actions.
7. Ethical investment: An investment that seeks both financial return and social good to bring about social change.
8. Regulation: A rule or directive made and maintained by an authority.

9. Curriculum: The subjects comprising a course of study in an educational institution.
10. Accountability: The fact or condition of being accountable; responsibility.

### **Fill in the Gaps:**

1. Ethics in finance guides how finance professionals conduct their \_\_\_\_\_, treat their clients, and make decisions that could impact the economy.
2. A financial advisor might face an ethical \_\_\_\_\_ when choosing between investments.
3. Insider trading, where individuals trade stocks based on non-public information, is considered \_\_\_\_\_.
4. The Global Financial Crisis of 2008 was partly attributed to \_\_\_\_\_ practices in the finance industry.
5. \_\_\_\_\_ investing considers the social and environmental impact of investments.
6. The finance industry in Azerbaijan is regulated by strict laws and \_\_\_\_\_ to ensure ethical practices.
7. Universities and colleges in Azerbaijan include ethics courses in their finance \_\_\_\_\_.
8. Ethical behavior in finance promotes trust, \_\_\_\_\_, and accountability.
9. Unethical behavior in finance can lead to financial \_\_\_\_\_.
10. It is important for finance students to \_\_\_\_\_ and uphold ethical principles in their future careers.

### **Writing Tasks:**

1. Write an essay on the role of ethics in finance and its impact on society.
2. Analyze a case where unethical behavior in finance had a significant impact, and discuss the lessons learned.
3. Research and write a report on the current state of ethical practices in the financial industry in Azerbaijan.

## Lesson 32: Great Depression

The Great Depression was a severe worldwide economic depression that took place during the 1930s. It was the longest, deepest, and most widespread depression of the 20th century. The depression originated in the United States, after a major fall in stock prices that began around September 4, 1929, and became worldwide news with the stock market crash of October 29, 1929.

During this period, levels of consumer spending and investment dropped, causing steep declines in industrial output and employment as failing companies laid off workers. By 1933, when the Great Depression reached its lowest point, some 15 million Americans were unemployed and nearly half the country's banks had failed.

There were also major negative impacts on almost every country of the world. International trade fell by more than 50%, and unemployment rose. In many nations, negative growth was severe. For example, industrial areas in Europe and North America were very hard hit, along with areas dependent on primary sector industries such as farming, mining and logging, as prices fell by about 60%.

The causes of the Great Depression are widely debated. They are complex and have varying analysis from different schools of thought. Most historians agree that the stock market crash was a significant factor but not the sole cause. Some of the other causes include bank failures, reduction in purchasing, American economic policy with Europe, and drought conditions.

The Great Depression had important cultural effects. In many countries, the negative effects of the Great Depression lasted until the start of World War II. The Great Depression resulted in the drastic decrease of global GDP, increased unemployment rates, and massive human suffering.

In an attempt to end the Great Depression, the U.S. government employed a series of economic programs, known as the New Deal. These programs focused on providing relief for the unemployed and poor, recovery of the economy back to normal levels, and reform of the financial system to prevent a repeat depression.

Although the Great Depression was a harsh period, it led to important developments in policy and economic theory. The lessons learned from the Great Depression continue to influence economic policy and theory. Today, many

economists use theories developed during the Great Depression to prevent a similar economic downturn.

Looking back, the Great Depression provides a stark reminder of the effects of economic instability and the importance of financial regulation. For future finance professionals, understanding the causes and effects of the Great Depression offers important lessons about the fragility of the global economy and the necessity of vigilant financial oversight.

### **Comprehension Questions:**

1. What was the Great Depression and when did it occur?
2. Where did the Great Depression originate?
3. What were the impacts of the Great Depression on the employment and the banking sector?
4. How did the Great Depression affect international trade and unemployment?
5. What are some causes of the Great Depression?
6. How did the Great Depression affect culture in many countries?
7. What were the U.S. government's efforts to end the Great Depression?
8. How does the Great Depression influence modern economic policy and theory?
9. What lessons can future finance professionals learn from the Great Depression?
10. How can the theories developed during the Great Depression prevent a similar economic downturn today?

### **New Finance Vocabulary:**

1. Depression: A long and severe recession in an economy or market.
2. Stock Market Crash: A sudden dramatic decline of stock prices across a significant cross-section of a stock market.
3. Consumer Spending: The buying of goods and services by households.
4. Unemployment: The state of being unemployed.
5. Trade: The action of buying and selling goods and services.

6. Bank Failures: A bank failure occurs when a bank is unable to meet its obligations to its depositors or other creditors because it has become insolvent or too illiquid to meet its liabilities.
7. Economic Policy: A course of action that is intended to influence or control the behavior of the economy.
8. Drought Conditions: A prolonged period of abnormally low rainfall, leading to a shortage of water.
9. Global GDP: The monetary value of all finished goods and services made within a country during a specific period.
10. Financial Oversight: Supervisory activity that is used at various levels of the government and organization to ensure that business practices are fair and honest.

**Fill in the Gaps:**

1. The Great Depression was a severe worldwide economic \_\_\_\_\_ that took place during the 1930s.
2. The depression originated in the \_\_\_\_\_ after a major fall in stock prices.
3. By 1933, nearly half the country's \_\_\_\_\_ had failed.
4. International \_\_\_\_\_ fell by more than 50% during the Great Depression.
5. The causes of the Great Depression are complex and have varying analysis from different \_\_\_\_\_ of thought.
6. The Great Depression had important \_\_\_\_\_ effects.
7. The U.S. government employed a series of economic programs, known as the New Deal, to end the Great Depression.
8. Many economists use theories developed during the Great Depression to prevent a similar economic \_\_\_\_\_.
9. The Great Depression provides a stark reminder of the effects of economic \_\_\_\_\_ and the importance of financial regulation.
10. Understanding the causes and effects of the Great Depression offers important lessons about the fragility of the global economy and the necessity of vigilant financial \_\_\_\_\_.

**Writing Tasks:**

1. Write an essay on the impact of the Great Depression on the global economy and its influences on modern economic theories.
2. Analyze the causes and consequences of the Great Depression and its relevance to today's economic challenges.
3. Research and discuss how the effects of the Great Depression were felt in Azerbaijan and how the country recovered from it.

## Lesson 33: Retirement Planning: An Early Start

Retirement may seem like a far-off concept, especially for young individuals at the beginning of their career. However, financial experts recommend starting retirement planning as early as possible. The concept behind this is simple - the earlier you start saving, the more time your money has to grow.

This early start takes advantage of compound interest, which Albert Einstein famously called the "eighth wonder of the world". Compound interest is the addition of interest to the principal sum of a loan or deposit, or in other words, interest on interest. It is the result of reinvesting interest, rather than paying it out, so that interest in the next period is then earned on the principal sum plus previously accumulated interest.

One of the first steps in planning for retirement is to set clear financial goals. Understanding what you want your retirement to look like will help you figure out how much money you'll need. Whether you dream of traveling around the world, buying a house in the countryside, or simply maintaining your current lifestyle, each goal will have a different financial requirement.

Next, it's vital to have an understanding of the different retirement savings options available. These can vary greatly depending on the country, but common types include personal savings, employer-sponsored retirement plans, and government social security programs. Each of these options has its own set of benefits and drawbacks that need to be considered.

For example, employer-sponsored retirement plans often involve matching contributions, meaning the employer will also contribute a certain amount to the retirement fund based on the employee's own contribution. This essentially is free money that can greatly increase your retirement savings.

However, solely relying on employer-sponsored plans or government social security may not be enough to maintain your desired lifestyle post-retirement. Hence, personal savings and investments play a crucial role in building a substantial retirement fund.

To manage these investments, one must have a basic understanding of the financial market and various investment options such as bonds, stocks, mutual

funds, real estate, and more. It's important to diversify your investments to minimize risk and maximize potential returns.

Lastly, don't forget about inflation. The cost of living will most likely increase over time, meaning the money you save now will have less purchasing power in the future. So, when planning for retirement, it's crucial to account for inflation.

In conclusion, retirement planning is a lifelong process. It requires patience, discipline, and a good understanding of personal finance. Even though it may seem intimidating, especially to young individuals, remember that the best time to start is now.

### **Comprehension Questions:**

1. Why do financial experts recommend starting retirement planning as early as possible?
2. What is compound interest and how does it contribute to retirement savings?
3. Why is it important to set clear financial goals when planning for retirement?
4. What are some common types of retirement savings options?
5. What are matching contributions in employer-sponsored retirement plans?
6. Why is personal saving and investment crucial in building a retirement fund?
7. What are some common investment options when planning for retirement?
8. Why is diversifying your investments important?
9. What is the impact of inflation on retirement savings?
10. Why is retirement planning a lifelong process?

### **New Finance Vocabulary:**

1. Retirement: The action or fact of leaving one's job and ceasing to work.
2. Compound Interest: Interest calculated on the initial principal and also on the accumulated interest of previous periods of a deposit or loan.
3. Financial Goals: Targets, usually driven by a specific future financial need.
4. Employer-Sponsored Retirement Plans: A type of benefit plan that an employer offers for the benefit of their employees.

5. Social Security: Any government system that provides monetary assistance to people with an inadequate or no income.
6. Matching Contributions: A type of contribution an employer chooses to make to their employee's employer-sponsored retirement plan.
7. Personal Savings: The portion of income not spent on consumption.
8. Investment: The action or process of investing money for profit.
9. Diversify: To spread the risk by investing money in a variety of investment products.
10. Inflation: The rate at which the general level of prices for goods and services is rising.

### **Fill in the Gaps:**

1. Financial experts recommend starting retirement \_\_\_\_\_ as early as possible.
2. This early start takes advantage of \_\_\_\_\_ interest.
3. One of the first steps in planning for retirement is to set clear \_\_\_\_\_ goals.
4. Employer-sponsored retirement plans often involve \_\_\_\_\_ contributions.
5. Personal \_\_\_\_\_ and investments play a crucial role in building a retirement fund.
6. It's important to \_\_\_\_\_ your investments to minimize risk.
7. When planning for retirement, it's crucial to account for \_\_\_\_\_.
8. Retirement planning is a \_\_\_\_\_ process.
9. It requires patience, discipline, and a good understanding of personal \_\_\_\_\_.
10. The best time to start planning for retirement is \_\_\_\_\_.

### **Writing Tasks:**

1. Write an essay on the importance of early retirement planning and the role of compound interest in it.
2. Analyze the different retirement savings options available and their benefits and drawbacks.
3. Discuss how the concept of retirement planning applies in Azerbaijan and what options are available for the Azerbaijani youth to plan their retirement.

## Lesson 34: Money: History, Characteristics, and Types

In the early ages, humans depended on a system known as bartering. This system involved the direct exchange of goods or services without using a medium like money. While bartering allowed people to obtain what they needed, it had many limitations. It was difficult to assign specific values to goods or services, and the 'double coincidence of wants' problem arose, where two parties each must have what the other wants.

Over time, various items like shells, beads, and precious metals were used as forms of money due to their acceptability, durability, and scarcity. Eventually, gold and silver coins became a common form of money. The coins had intrinsic value because they contained precious metals.

With the growing complexity of trade and economies, paper money was introduced. Paper money doesn't have intrinsic value, but it is accepted as a form of payment because it's backed by the government. This is called fiat money.

In addition to coins and paper money, other forms of money have evolved. This includes bank money, which exists as digital information in the databases of banks. In most modern economies, the majority of the money supply exists in this form.

Money has certain characteristics that make it effective. It must be acceptable to all parties in a transaction, it must be durable and not easily worn out, it must be portable and easily carried, it must be divisible into smaller units, and it must be scarce enough to be valuable but abundant enough to carry out necessary transactions.

The digital age has given rise to new types of money, such as cryptocurrencies. These are digital or virtual currencies that use cryptography for security. Bitcoin, the first and most well-known cryptocurrency, was created in 2009.

Regardless of its form, money serves three main purposes: it is a medium of exchange, a unit of account, and a store of value. As a medium of exchange, money allows goods and services to be traded without the need for a barter system. As a unit of account, money provides a measure for comparing the values of goods and

services. As a store of value, money allows wealth to be saved and used for future purchases.

In summary, the concept of money has evolved significantly over time, from a simple bartering system to digital cryptocurrencies. Its basic functions and characteristics remain consistent and integral to functioning economies.

### **Comprehension Questions:**

1. What is bartering and what limitations did it have?
2. What were some early forms of money?
3. What is the difference between coins and paper money?
4. What is fiat money and why is it accepted as a form of payment?
5. What is bank money and how common is it in modern economies?
6. What are the characteristics that make money effective?
7. What are cryptocurrencies and how do they function as money?
8. What are the three main purposes of money?
9. How does money function as a unit of account?
10. How has the concept of money evolved over time?

### **New Finance Vocabulary:**

1. Bartering: Exchanging goods or services without using money.
2. Intrinsic Value: The actual value of a company or an asset based on an underlying perception of its true value.
3. Fiat Money: Currency that a government has declared to be legal tender, but it is not backed by a physical commodity.
4. Bank Money: Money that exists as digital information in the databases of banks.
5. Cryptocurrencies: Digital or virtual currencies that use cryptography for security.
6. Medium of Exchange: An intermediary instrument used to facilitate the sale, purchase, or trade of goods between parties.
7. Unit of Account: A standard numerical unit of measurement of the market value of goods, services, and other transactions.

8. Store of Value: The function of an asset that can be saved, retrieved and exchanged at a later time, and be predictably useful when retrieved.
9. Cryptography: The practice and study of techniques for secure communication in the presence of third parties.
10. Double Coincidence of Wants: The problem that one party must want what the other party has to offer and vice versa.

### **Fill in the Gaps:**

1. The early humans depended on a system known as \_\_\_\_\_.
2. Coins had \_\_\_\_\_ value because they contained precious metals.
3. Fiat money is accepted as a form of payment because it's backed by the \_\_\_\_\_.
4. Bank money exists as digital information in the databases of \_\_\_\_\_.
5. Money must be scarce enough to be valuable but abundant enough to carry out necessary \_\_\_\_\_.
6. The digital age has given rise to new types of money, such as \_\_\_\_\_.
7. Money serves three main purposes: it is a \_\_\_\_\_ of exchange, a unit of account, and a store of value.
8. As a unit of account, money provides a measure for comparing the values of \_\_\_\_\_.
9. As a store of value, money allows \_\_\_\_\_ to be saved and used for future purchases.
10. The concept of money has evolved significantly over time, from a simple bartering system to digital \_\_\_\_\_.

### **Writing Tasks:**

1. Write an essay on the evolution of money and its impact on trade and economies.
2. Discuss the emergence and impact of cryptocurrencies on global finance.
3. Analyze the use of money in Azerbaijan, discussing the different forms and their prevalence.

## Lesson 35: Environmental, Social, and Governance (ESG) Investing

Investment has often been viewed solely as a financial transaction, with the primary goal of gaining a return on the money put in. But in recent years, a new approach has emerged that considers the broader impacts of investments. This is known as Environmental, Social, and Governance (ESG) investing.

ESG investing involves considering companies' environmental, social, and governance practices in the decision-making process. Environmental factors include how a company manages its impact on the natural environment, whether it is responsible in its use of resources, and how it is adapting to climate change. Social factors involve how a company treats its employees, whether it respects human rights, and how it interacts with the communities it operates in. Governance factors relate to how a company is managed, including its leadership structure, executive pay, audits, internal controls, and shareholder rights.

Investors who adopt ESG investing believe that companies that manage these areas well are more likely to be successful in the long run. They argue that companies with strong ESG practices are better able to manage risks, are more innovative, and are more likely to attract and retain talented employees. As a result, they believe these companies are a better investment.

ESG investing has grown rapidly in popularity, with many institutional investors, such as pension funds, adopting it. Some investors use ESG factors as one of many considerations in their investment process, while others invest only in companies that meet certain ESG criteria. There are also funds and indexes that focus specifically on companies with strong ESG performance.

Despite its popularity, ESG investing is not without controversy. Critics argue that it is difficult to measure ESG performance accurately, and that focusing on ESG factors can distract from the financial performance of a company. However, many investors believe that ESG factors are a key part of a company's long-term financial performance and that they can no longer be ignored.

In conclusion, ESG investing is a growing trend in the investment world. It reflects a broader shift in society towards valuing sustainability and ethical behavior in business. While it presents challenges, it also opens up new opportunities for investors and companies alike.

### **Comprehension Questions:**

1. What is Environmental, Social, and Governance (ESG) investing?
2. What do environmental factors include in ESG investing?
3. What do social factors involve in ESG investing?
4. What do governance factors relate to in ESG investing?
5. Why do investors who adopt ESG investing believe companies with strong ESG practices are a better investment?
6. Who are the main types of investors who have adopted ESG investing?
7. How do some investors incorporate ESG factors into their investment process?
8. What are the criticisms of ESG investing?
9. How do supporters of ESG investing respond to these criticisms?
10. How is ESG investing part of a broader shift in society?

### **New Finance Vocabulary:**

1. Environmental, Social, and Governance (ESG) Investing: An approach to investing that considers the environmental, social, and governance practices of companies.
2. Institutional Investors: Organizations that invest on behalf of their members.
3. Pension Funds: A type of institutional investor that manages and invests the money that employees set aside for retirement.
4. Indexes: A statistical indicator providing a representation of the value of the securities which constitute it.
5. Sustainability: Meeting the needs of the present without compromising the ability of future generations to meet their own needs.
6. Ethical Behavior: Acting in ways consistent with what society and individuals typically think are good values.
7. Audits: An official inspection of an individual's or organization's accounts.
8. Shareholder Rights: The legal rights given to those who own shares in a company.
9. Executive Pay: The compensation received by an executive of a corporation.
10. Internal Controls: Procedures put in place by a company to ensure the integrity of financial and accounting information.

### Fill in the Gaps:

1. ESG investing involves considering companies' \_\_\_\_\_, social, and governance practices in the decision-making process.
2. Environmental factors include how a company manages its impact on the \_\_\_\_\_ environment.
3. Governance factors relate to how a company is \_\_\_\_\_, including its leadership structure.
4. Investors who adopt ESG investing believe that companies with strong ESG practices are more likely to be \_\_\_\_\_ in the long run.
5. ESG investing has grown rapidly in popularity, with many \_\_\_\_\_ investors adopting it.
6. Critics argue that it is difficult to measure \_\_\_\_\_ performance accurately.
7. Many investors believe that ESG factors are a key part of a company's long-term \_\_\_\_\_ performance.
8. ESG investing reflects a broader shift in society towards valuing \_\_\_\_\_ and ethical behavior in business.
9. Despite its popularity, ESG investing is not without \_\_\_\_\_.
10. ESG investing opens up new opportunities for investors and \_\_\_\_\_ alike.

### Writing Tasks:

1. Write a report on the growth of ESG investing and its potential impact on the global financial market.
2. Discuss the challenges of implementing ESG investing in Azerbaijan and suggest potential solutions.
3. Debate the pros and cons of ESG investing from the perspective of a young investor in Azerbaijan.

## Lesson 36: Inflation: Causes and Consequences

Inflation is a term that often appears in financial discussions. It refers to the rate at which the general level of prices for goods and services is rising. In simpler terms, it means that things become more expensive over time. Inflation is a normal part of most healthy economies, but it can also become a serious problem if it gets too high.

The causes of inflation can be complex and varied. One common cause is demand-pull inflation, which occurs when demand for goods and services exceeds their supply. This can be due to economic growth, increased government spending, or lower interest rates, among other factors. Another common cause is cost-push inflation, which occurs when the cost of raw materials or labor goes up, pushing up the prices of finished goods.

Inflation has both positive and negative effects on an economy. On the positive side, moderate inflation can stimulate economic growth. It can encourage spending and investment, as people and businesses expect prices to rise in the future. It can also make it easier for companies to adjust relative wages and prices, and can help reduce the burden of debt.

However, high inflation can also have negative effects. It can reduce the purchasing power of money, meaning people can buy less with the same amount of money. It can lead to uncertainty and reduce investment, as businesses find it harder to plan for the future. It can also lead to income redistribution, as some people and businesses are better able to cope with inflation than others.

Central banks, like the Central Bank of Azerbaijan, have a key role to play in managing inflation. They can use tools such as interest rates and money supply to try to keep inflation at a target level. However, this can be a delicate balance, as measures to reduce inflation can also slow economic growth.

The impact of inflation can also be seen in everyday life. For example, if inflation is high, you might notice that the cost of your weekly shopping or your monthly rent goes up. On the other hand, if you have savings or investments, inflation can reduce their real value.

In conclusion, understanding inflation is essential for anyone interested in finance. While moderate inflation is a normal part of a healthy economy, high

inflation can have serious consequences. As future finance professionals, it's important to understand how inflation works, what causes it, and how it can be managed.

### **Comprehension Questions:**

1. What is inflation?
2. What are some common causes of inflation?
3. What is demand-pull inflation?
4. What is cost-push inflation?
5. What are some positive effects of moderate inflation?
6. What are some negative effects of high inflation?
7. What role do central banks play in managing inflation?
8. How can inflation impact everyday life?
9. How can inflation affect savings and investments?
10. Why is understanding inflation important for finance professionals?

### **New Finance Vocabulary:**

1. Inflation: The rate at which the general level of prices for goods and services is rising.
2. Demand-pull inflation: A type of inflation caused when demand for goods and services exceeds their supply.
3. Cost-push inflation: A type of inflation caused when the cost of raw materials or labor goes up.
4. Purchasing power: The amount of goods or services that can be purchased with a unit of currency.
5. Central Bank: A financial institution given privileged control over the production and distribution of money and credit for a nation or a group of nations.
6. Interest rates: The proportion of a loan that is charged as interest to the borrower.
7. Money supply: The total amount of money in circulation in a country.
8. Economic growth: An increase in the capacity of an economy to produce goods and services.

9. Income redistribution: How the nation's total income is distributed among its population.
10. Real value: The value of an object or condition, considered in isolation and not in comparison to other objects or conditions.

### **Fill in the Gaps:**

1. Inflation refers to the rate at which the general level of \_\_\_\_\_ for goods and services is rising.
2. One common cause of inflation is \_\_\_\_\_-pull inflation.
3. Another common cause of inflation is \_\_\_\_\_-push inflation.
4. Moderate inflation can \_\_\_\_\_ economic growth.
5. High inflation can reduce the \_\_\_\_\_ power of money.
6. Central banks, like the Central Bank of \_\_\_\_\_, have a key role to play in managing inflation.
7. They can use tools such as \_\_\_\_\_ rates and money supply to try to keep inflation at a target level.
8. The impact of inflation can also be seen in \_\_\_\_\_ life.
9. Inflation can reduce the real \_\_\_\_\_ of savings or investments.
10. Understanding inflation is essential for anyone interested in \_\_\_\_\_.

### **Writing Tasks:**

1. Write an essay discussing the causes and effects of inflation, using examples from the Azerbaijani economy.
2. Analyze a recent period of high or low inflation in Azerbaijan. What were the causes and consequences, and how was it managed?
3. Imagine you are advising a young person in Azerbaijan about how to manage their finances in a time of inflation. What advice would you give?

## Lesson 37: Venture Capital and Private Equity: An Overview

Venture capital and private equity are two types of investment that play an important role in the world of finance. These investments can provide funding for companies at different stages of their development, helping them to grow and succeed.

Venture capital is a type of private equity that is provided to startups and small companies with the potential for long-term growth. These investments are often risky, as they are made in companies that are typically in the early stages of development and may not yet be profitable. However, the potential for high returns makes venture capital an attractive option for investors willing to take on this risk.

Private equity, on the other hand, is a type of financing that is provided to companies that are typically more established. This can include companies that are looking to expand, make acquisitions, or improve their operations. Private equity firms make money by improving the value of the companies they invest in and then selling them at a profit.

In both venture capital and private equity, the investors play an active role in the companies they invest in. They may provide strategic advice, help with business development, or even take on management roles. This active involvement can help to ensure that the companies succeed and provide a return on investment.

In Azerbaijan, the venture capital and private equity industry is still developing. There are a number of firms operating in the country, providing funding for companies in sectors such as technology, healthcare, and energy. The government has also taken steps to encourage this type of investment, such as through the establishment of the Azerbaijan Investment Company.

For companies, venture capital and private equity can provide a valuable source of funding. This can enable them to develop new products, hire more staff, expand into new markets, or undertake other growth initiatives. However, it's also important for companies to understand the potential risks and benefits of this type of investment.

For investors, venture capital and private equity can provide an opportunity to make high returns. However, these investments can also be risky, and require careful management and expertise. As future finance professionals, understanding

how venture capital and private equity work can be an important part of your skillset.

In conclusion, venture capital and private equity are important parts of the financial landscape. They can provide funding for companies at different stages of their development, help to drive economic growth, and offer potential high returns for investors. As the industry continues to develop in Azerbaijan, there are likely to be many opportunities in this field.

### **Comprehension Questions:**

1. What are venture capital and private equity?
2. How do venture capital investments typically differ from private equity investments?
3. Why are venture capital investments considered risky?
4. What role do venture capital and private equity investors play in the companies they invest in?
5. How is the venture capital and private equity industry developing in Azerbaijan?
6. What sectors do venture capital and private equity firms in Azerbaijan typically invest in?
7. How can venture capital and private equity benefit companies?
8. What are the potential risks for companies receiving venture capital or private equity investments?
9. What are the potential benefits for investors in venture capital or private equity?
10. Why is understanding venture capital and private equity important for finance professionals?

### **New Finance Vocabulary:**

1. Venture capital: A type of private equity provided to startups and small companies with the potential for long-term growth.
2. Private equity: Financing provided to companies that are typically more established.
3. Returns: Profits made on an investment.

4. Investment: The action or process of investing money for profit or material result.
5. Acquisition: The action of acquiring a company or asset.
6. Profit: A financial gain, especially the difference between the amount earned and the amount spent.
7. Sector: An area or portion that is distinct from others.
8. Funding: Money provided, especially by an organization or government, for a particular purpose.
9. Risk: The possibility of financial loss.
10. Economic growth: An increase in the inflation-adjusted market value of the goods and services produced by an economy over time.

**Fill in the Gaps:**

1. \_\_\_\_\_ capital is a type of private equity provided to startups and small companies.
2. Private \_\_\_\_\_ is financing provided to companies that are typically more established.
3. These investments can provide a valuable source of \_\_\_\_\_ for companies.
4. The \_\_\_\_\_ capital and private equity industry in Azerbaijan is still developing.
5. For investors, venture capital and private equity can provide an opportunity to make high \_\_\_\_\_.
6. However, these investments can also be \_\_\_\_\_, and require careful management and expertise.
7. In both venture capital and private equity, the investors play an \_\_\_\_\_ role in the companies they invest in.
8. The government of Azerbaijan has taken steps to encourage this type of \_\_\_\_\_, such as through the establishment of the Azerbaijan Investment Company.
9. These investments can enable companies to develop new \_\_\_\_\_, hire more staff, or expand into new markets.
10. As future finance \_\_\_\_\_, understanding how venture capital and private equity work can be an important part of your skillset.

**Writing Tasks:**

1. Discuss the role of venture capital and private equity in the economic development of Azerbaijan.
2. Analyze the impact of a recent venture capital or private equity investment in an Azerbaijani company.
3. Write a proposal for a hypothetical venture capital or private equity investment in a new or existing Azerbaijani company, discussing the potential risks and benefits.

## Lesson 38: Risk Management in Finance

Every financial decision involves some level of risk. Risk management in finance is the practice of identifying and managing these risks to ensure financial stability and prevent losses. This is an essential skill for finance professionals, as it helps them make informed decisions about investments, loans, and other financial activities.

Risk management starts with risk assessment, the process of identifying the potential risks associated with a financial decision. This involves analyzing the possible outcomes and their probabilities. The goal is to understand the nature of the risk and estimate its potential impact.

Once the risks are identified, the next step is to develop strategies to manage them. There are several methods used to manage risk in finance. These include risk avoidance, where the decision is made not to engage in a risky activity, and risk reduction, where steps are taken to minimize the impact of the risk.

Another common strategy is risk transfer, where the risk is passed onto another party. This is often seen in insurance contracts where the insurance company takes on the risk for a fee, known as a premium. Risk acceptance is another strategy, where the potential loss is accepted if the potential gain is considered worth the risk.

In Azerbaijan, the finance sector has been growing rapidly, and with growth comes new risks. These range from economic risks, such as inflation and exchange rate fluctuations, to operational risks in financial institutions. Effective risk management is critical to ensure the stability of the financial sector and the broader economy.

Risk management also plays a crucial role in personal finance. It can help individuals and families plan for unexpected expenses, protect their wealth, and achieve their financial goals. Understanding the concepts of risk and how to manage them is important not only for finance professionals but also for anyone who wants to take control of their financial future.

Technology has an increasing role in risk management. Tools like data analysis software can help identify patterns and trends, making it easier to predict and

manage risks. However, with these advancements also come new risks, like cybersecurity threats, that need to be managed.

In conclusion, risk management is a fundamental aspect of finance. It involves identifying, assessing, and managing risks to make informed financial decisions. Whether in a professional setting or managing personal finances, understanding risk management can lead to better financial outcomes.

### **Comprehension Questions:**

1. What is risk management in finance?
2. Why is risk management essential for finance professionals?
3. What is the goal of risk assessment?
4. What are some strategies used to manage risk in finance?
5. How does risk transfer typically work in insurance contracts?
6. How is the finance sector in Azerbaijan managing its risks?
7. How can risk management play a role in personal finance?
8. How is technology influencing risk management in finance?
9. What new risks have emerged with the advancement of technology?
10. How can understanding risk management lead to better financial outcomes?

### **New Finance Vocabulary:**

1. Risk: The possibility of financial loss.
2. Risk management: The practice of identifying and managing risks to prevent losses.
3. Risk assessment: The process of identifying potential risks associated with a financial decision.
4. Risk avoidance: A decision to not engage in a risky activity.
5. Risk reduction: Steps taken to minimize the impact of the risk.
6. Risk transfer: Passing on the risk to another party, often seen in insurance contracts.
7. Premium: The fee for an insurance contract where the insurance company takes on the risk.

8. Operational risks: Risks associated with the day-to-day operations of financial institutions.
9. Personal finance: The management of individual or family finances.
10. Cybersecurity threats: Risks associated with electronic data and systems.

### **Fill in the Gaps:**

1. Every financial decision involves some level of \_\_\_\_\_.
2. Risk management in finance is the practice of identifying and \_\_\_\_\_ these risks.
3. \_\_\_\_\_ assessment is the process of identifying the potential risks associated with a financial decision.
4. \_\_\_\_\_ avoidance is a decision to not engage in a risky activity.
5. In insurance contracts, risk \_\_\_\_\_ is when the risk is passed onto another party.
6. In Azerbaijan, the finance sector manages its risks to ensure the stability of the financial \_\_\_\_\_.
7. Risk management plays a crucial role in \_\_\_\_\_ finance.
8. Tools like data analysis software help identify patterns and \_\_\_\_\_, making it easier to predict and manage risks.
9. Cybersecurity threats are new risks associated with electronic data and \_\_\_\_\_.
10. Understanding risk management can lead to better financial \_\_\_\_\_.

### **Writing Tasks:**

1. Discuss the role of risk management in the finance sector of Azerbaijan.
2. Write about how technology is impacting risk management in finance, with specific examples.
3. Imagine you are a finance professional advising a client. Write a short report on the potential risks and risk management strategies for an investment opportunity in Azerbaijan.

## Lesson 39: Mergers and Acquisitions: Financial Aspects

Mergers and acquisitions (M&A) are two types of transactions that change the ownership structure of companies. A merger combines two separate companies into a single new entity. An acquisition is when one company purchases another, but they do not combine to form a new company.

These transactions are often complex and involve significant amounts of money. Financial aspects play a crucial role in the success of a merger or an acquisition. Before a deal can proceed, financial analysts carry out due diligence to assess the financial health of the companies involved. This includes examining the companies' assets, liabilities, revenue, and expenses.

The valuation of the companies is another important financial aspect. Companies are generally valued based on their assets, income, or market position. The acquisition price is usually higher than the current market price of the company's shares, offering a premium to the shareholders.

M&A can have various financial effects on the companies involved. It can lead to cost savings through synergies, where the merged company can achieve greater efficiency or market power than the individual companies could on their own. However, M&A can also lead to financial strain if the acquisition is financed through debt and the company struggles to repay it.

In Azerbaijan, the finance sector has seen a rise in M&A activity as companies seek to expand and compete in the market. It's important for those in finance to understand the financial aspects of these transactions to make informed decisions and ensure successful outcomes.

M&A transactions can also impact the financial markets. They can lead to changes in the share price of the companies involved, and large M&A deals can even influence market trends. For example, a large merger in the oil industry might affect stock prices in that sector.

Despite the potential benefits, M&A transactions also carry risks. There can be cultural clashes between merged companies, or expected synergies may not materialize. Additionally, if the acquisition is financed by debt, there is the risk of default if the company fails to generate enough income to cover its repayments.

In conclusion, the financial aspects of mergers and acquisitions are crucial for

the success of these transactions. They involve thorough financial analysis, proper valuation, and careful consideration of potential risks and benefits. Understanding these financial aspects can help finance professionals and investors navigate the complex world of M&A.

### **Comprehension Questions:**

1. What is the difference between a merger and an acquisition?
2. What is the role of financial analysts in M&A transactions?
3. How are companies generally valued in M&A transactions?
4. What are synergies in the context of M&A?
5. How can M&A lead to financial strain?
6. How have M&A activities impacted the finance sector in Azerbaijan?
7. How can M&A transactions impact financial markets?
8. What are some of the risks involved in M&A transactions?
9. Why is proper valuation crucial in M&A transactions?
10. How can understanding the financial aspects of M&A help finance professionals and investors?

### **New Finance Vocabulary:**

1. Mergers: The process where two companies combine to form a new entity.
2. Acquisitions: The process where one company purchases another.
3. Due diligence: A comprehensive appraisal of a business undertaken by a prospective buyer to establish its assets and liabilities.
4. Valuation: The analytical process of determining the current worth of an asset or a company.
5. Premium: The amount by which the price of a stock or bond exceeds its face value.
6. Synergies: The potential financial benefit achieved through the combining of companies.
7. Market trends: The perceived direction of the financial market over time.

8. Cultural clashes: Conflicts that occur when expectations based on culture groups are unmet or are seen as inappropriate.
9. Default: The failure to pay back a loan.
10. Financial strain: A situation where financial demands exceed financial resources.

**Fill in the Gaps:**

1. Mergers and acquisitions change the \_\_\_\_\_ structure of companies.
2. Before a deal, financial analysts carry out \_\_\_\_\_ to assess the financial health of the companies.
3. Companies are generally valued based on their assets, income, or market \_\_\_\_\_.
4. M&A can lead to cost savings through \_\_\_\_\_, where the merged company can achieve greater efficiency.
5. M&A activity in Azerbaijan's finance sector is due to companies seeking to expand and compete in the \_\_\_\_\_.
6. M&A transactions can influence market \_\_\_\_\_.
7. There can be \_\_\_\_\_ clashes between merged companies.
8. If the acquisition is financed by debt, there is the risk of \_\_\_\_\_.
9. Proper valuation is crucial in M&A for determining the \_\_\_\_\_ worth of a company.
10. Understanding the financial aspects of M&A can help finance professionals navigate the complex world of \_\_\_\_\_.

**Writing Tasks:**

1. Discuss the impact of M&A activities on the financial sector in Azerbaijan.
2. Write about the potential benefits and risks of mergers and acquisitions, providing examples.
3. Imagine you are a financial analyst advising a company considering a merger. Write a report outlining the key financial considerations they should take into account.

## Lesson 40: Understanding the Money Supply

Money is a fascinating subject. It's something we use every day, but have you ever stopped to think about what it really is? Money, at its most basic, is a medium of exchange. We use it to buy goods and services, from a simple cup of coffee to a brand new car. But where does this money come from? How is it created? The answers to these questions lie in understanding the money supply.

The money supply refers to the total amount of money available in an economy at a particular point in time. There are different measures of the money supply, labelled as M0, M1, M2 and M3. These different categories include different forms of money, from physical currency to savings deposits.

Central banks, such as the Central Bank of Azerbaijan, play a critical role in controlling the money supply. They have tools at their disposal, like changing the reserve requirements for commercial banks, adjusting interest rates, or buying and selling government securities in the open market.

When a central bank wants to increase the money supply, it might lower interest rates. This makes borrowing money cheaper, encouraging businesses to take out loans and spend money, which increases the money supply. On the other hand, to decrease the money supply, the central bank could raise interest rates, making it more expensive to borrow and thus reducing spending.

Understanding the money supply is critical for finance students as it has a profound impact on the economy. Inflation, for example, is a result of an excessive money supply. Too much money chasing too few goods and services can lead to rising prices.

Conversely, too little money supply can lead to deflation, which is a general decrease in the price level of goods and services. This can be damaging for an economy as it can lead to reduced consumer spending and lower economic growth.

In conclusion, managing the money supply is a delicate balancing act for any central bank. It involves understanding complex economic relationships and using various policy tools to ensure the right amount of money is circulating in the economy to maintain price stability and economic growth.

Being a finance student, it is crucial to understand the dynamics of the money supply and its impact on the economy. As future finance professionals, you may be

called upon to make decisions influenced by the current state of the money supply. This understanding will enable you to make more informed decisions and contribute positively to your organization and economy.

Now, let's move on to the exercises to ensure you have fully grasped the concepts in this lesson.

### **Comprehension Questions:**

1. What is the money supply?
2. List the different measures of the money supply.
3. What role does a central bank play in controlling the money supply?
4. What tools can a central bank use to control the money supply?
5. How does changing interest rates affect the money supply?
6. What is the effect of an excessive money supply on the economy?
7. What is deflation and what causes it?
8. Why is managing the money supply considered a delicate balancing act?
9. Why is understanding the money supply crucial for a finance student?
10. How can understanding the money supply contribute to a finance professional's role?

### **New Words:**

1. Money Supply: The total amount of money available in an economy at a particular point in time.
2. Medium of Exchange: Something that buyers give to sellers when they want to purchase goods or services.
3. Central Bank: An institution that manages a country's currency, money supply, and interest rates.
4. Reserve Requirements: Regulations that set the minimum amount of reserves that must be held by a commercial bank.
5. Interest Rates: The proportion of a loan that is charged as interest to the borrower.

6. Inflation: The rate at which the general level of prices for goods and services is rising.
7. Deflation: The reduction of the general level of prices in an economy.
8. Economic Growth: An increase in the production of goods and services in an economy.
9. Policy Tools: Instruments used by central banks to control the supply of money.
10. Securities: A financial instrument that represents an ownership position in a publicly-traded corporation (stock), a creditor relationship with governmental body or a corporation (bond), or rights to ownership as represented by an option.

**Fill in the Gaps:**

1. Money, at its most basic, is a \_\_\_\_\_ of exchange.
2. The \_\_\_\_\_ refers to the total amount of money available in an economy at a particular point in time.
3. The \_\_\_\_\_ Bank of Azerbaijan controls the money supply in the country.
4. When a central bank wants to increase the money supply, it might lower \_\_\_\_\_ rates.
5. Too much money supply can lead to \_\_\_\_\_.
6. Too little money supply can lead to \_\_\_\_\_, which is a general decrease in the price level of goods and services.
7. Managing the money supply is a delicate \_\_\_\_\_ act for any central bank.
8. Understanding the \_\_\_\_\_ supply is crucial for finance students.
9. As future finance professionals, you may be called upon to make decisions influenced by the current state of the \_\_\_\_\_ supply.
10. Inflation is a result of an excessive \_\_\_\_\_ supply.

### **Writing Tasks:**

1. Write an essay on how the Central Bank of Azerbaijan manages the money supply and the effects on the economy.
2. Discuss the impacts of inflation and deflation on the Azerbaijani economy and how it affects young people starting their careers in finance.
3. Write a letter to a friend explaining the concept of money supply and its importance in our everyday lives.

## Lesson 41: Understanding Bankruptcy: Causes and Consequences

In the world of finance, bankruptcy is a term that often surfaces, usually in negative contexts. It refers to a legal process where individuals or businesses that cannot repay their debts to creditors may seek relief from some or all of their debts. In essence, when a person or company declares bankruptcy, they are formally stating that they cannot pay back their debts.

There are several reasons why a company or individual might file for bankruptcy. One primary reason is excessive debt. This could be due to poor financial management, economic downturns, or unexpected expenses like lawsuits or medical bills. In such cases, the debtor may not be able to keep up with their payments, leading to a downward spiral of debt that eventually results in bankruptcy.

Another reason for bankruptcy could be poor business decisions. For example, if a company invests heavily in a product that fails to sell, they may not recoup their investment, leading to financial strain and potential bankruptcy.

Bankruptcy is not a decision to be taken lightly. It has serious consequences. For individuals, filing for bankruptcy can severely damage their credit score, making it difficult to secure loans or credit in the future. It may also lead to the loss of personal assets and can cause considerable emotional stress.

For businesses, bankruptcy can result in job losses for employees and financial losses for investors. Moreover, the reputation of the company may be damaged, possibly making it hard for the business to recover, even after emerging from bankruptcy.

However, bankruptcy can also provide a fresh start for those burdened by unmanageable debt. By eliminating some or all debt, bankruptcy can provide an opportunity for individuals and businesses to rebuild and work towards a more secure financial future.

Different countries have different bankruptcy laws. In Azerbaijan, the Bankruptcy and Insolvency Law governs bankruptcy proceedings. The law covers both voluntary bankruptcy, where the debtor initiates proceedings, and involuntary bankruptcy, where creditors initiate proceedings.

The process of bankruptcy can be complex and often requires the advice of

legal and financial professionals. A detailed understanding of the causes and consequences of bankruptcy is therefore crucial for finance students, as they may encounter it in their future careers.

In conclusion, while bankruptcy is often seen as a last resort for those in financial distress, it is also a mechanism for providing a fresh start. A solid understanding of bankruptcy can help future finance professionals navigate its complexities and provide sound advice to those who may be facing this difficult situation.

### **Comprehension Questions:**

1. What is bankruptcy?
2. What are some reasons why a company or individual might file for bankruptcy?
3. What consequences might an individual face when declaring bankruptcy?
4. How does bankruptcy affect a business and its employees?
5. How can bankruptcy provide a fresh start for those in financial distress?
6. What are the differences between voluntary and involuntary bankruptcy?
7. How is bankruptcy governed in Azerbaijan?
8. Why is understanding bankruptcy crucial for finance students?
9. What impacts can bankruptcy have on a person's future ability to secure loans or credit?
10. Can a business recover its reputation after bankruptcy? How or why not?

### **New Words:**

1. Bankruptcy: A legal status of a person or other entity who cannot repay the debts it owes to creditors.
2. Debt: Money that is owed or due.
3. Creditors: An entity (person or institution) that extends credit by giving another entity permission to borrow money intended to be repaid in the future.

4. Excessive Debt: A situation where a company or individual has more debt than they can manage.
5. Credit Score: A numerical expression based on a level analysis of a person's credit files, representing the creditworthiness of that person.
6. Insolvency: The state of being unable to pay the money owed, by a person or company, on time.
7. Voluntary Bankruptcy: A type of bankruptcy where the debtor initiates the proceedings.
8. Involuntary Bankruptcy: A type of bankruptcy where the creditors initiate the proceedings.
9. Financial Distress: A condition where a company or individual cannot meet, or has difficulty paying off, its financial obligations to its creditors.
10. Bankruptcy Proceedings: Legal proceedings involving a person or business that is unable to repay outstanding debts.

### **Fill in the Gaps:**

1. Bankruptcy is a \_\_\_\_\_ process for those who cannot repay their debts.
2. One common cause of bankruptcy is \_\_\_\_\_ debt.
3. Poor \_\_\_\_\_ decisions can also lead to bankruptcy.
4. Filing for bankruptcy can severely damage an individual's \_\_\_\_\_ score.
5. For businesses, bankruptcy can result in job \_\_\_\_\_ for employees.
6. Bankruptcy can also provide a \_\_\_\_\_ start for those burdened by debt.
7. In Azerbaijan, the Bankruptcy and \_\_\_\_\_ Law governs bankruptcy proceedings.
8. There are both voluntary and \_\_\_\_\_ types of bankruptcy.
9. The process of bankruptcy can be \_\_\_\_\_ and often requires professional advice.
10. Understanding the causes and consequences of bankruptcy is crucial for \_\_\_\_\_ students.

**Writing Tasks:**

1. Write a short essay on the impact of bankruptcy on the economy of Azerbaijan.
2. Discuss a real-world example of a company that filed for bankruptcy. What were the causes and what were the consequences?
3. Write a letter to a friend explaining the concept of bankruptcy, its causes, its consequences, and its role in the financial world.

## Lesson 42: History of Banking and Finance

Money, as we know it, has undergone massive changes throughout history. Ancient societies did not use coins or paper money as we do today. Instead, they relied on a barter system, where goods and services were exchanged directly for other goods and services.

With the development of agriculture, societies started using commodity money. This is a type of currency whose value comes from a commodity of which it is made. Examples include gold, silver, or even grain. The value of commodity money is directly linked to the value of the material it is made from.

The concept of banking was born in ancient Babylon, where temples were used as safe places to store valuables. In ancient Greece and Rome, loans were issued to the public by the state, and private banks started to emerge to offer loans to individuals.

The Middle Ages saw the rise of bill of exchange, a kind of credit note that allowed merchants to avoid carrying large amounts of gold or silver on their long journeys. This practice made trade safer and more efficient.

In the 17th century, modern banking took shape with the establishment of the first central banks, such as the Bank of England. These institutions were tasked with controlling the country's money supply and interest rates.

The 19th century saw the development of investment banking, with institutions focusing on providing capital to businesses, underwriting securities, and facilitating mergers and acquisitions. This era also saw the advent of financial instruments like bonds and stocks.

In the 20th century, the financial industry became more complex with the development of mutual funds, pension funds, and insurance products. Financial services also expanded to include financial planning and advice, wealth management, and retirement planning.

The late 20th and early 21st century saw the rise of digital banking. Today, most banking transactions can be done online or through mobile applications. This shift has increased convenience for customers and lowered operational costs for banks.

In Azerbaijan, the banking system has evolved considerably since gaining

independence in 1991. The sector has undergone significant transformations, with the establishment of the Central Bank of Azerbaijan and the implementation of modern banking practices.

In conclusion, the history of banking and finance is a story of continuous evolution, adapting to the needs of society and the economy. Understanding this history can help finance students appreciate the current financial system and anticipate future trends.

### **Comprehension Questions:**

1. What is the barter system and how is it different from our current monetary system?
2. What is commodity money and can you provide examples?
3. Where and how did the concept of banking originate?
4. What is a bill of exchange and why was it important in the Middle Ages?
5. What role do central banks play in the economy?
6. How did banking services expand in the 19th and 20th century?
7. What is digital banking and how has it changed the way we conduct financial transactions?
8. How has the banking system in Azerbaijan evolved since gaining independence in 1991?
9. Why is it important for finance students to understand the history of banking and finance?
10. How can the history of finance help us anticipate future trends?

### **New Words:**

1. Barter System: An old method of exchange where goods and services are directly exchanged for other goods and services.

2. Commodity Money: A type of money whose value comes from a commodity of which it is made.
3. Bill of Exchange: A written order used primarily in international trade that binds one party to pay a fixed amount of money to another party at a predetermined future date.
4. Central Bank: A financial institution given privileged control over the production and distribution of money and credit for a nation or a group of nations.
5. Investment Banking: A sector of the banking industry that helps individuals, corporations, and governments raise capital and provide financial consultancy services to them.
6. Financial Instruments: Monetary contracts between parties that can be created, traded, modified and settled.
7. Mutual Funds: An investment vehicle made up of a pool of money collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments, and other assets.
8. Digital Banking: The digitization or moving online of banking services and activities.
9. Central Bank of Azerbaijan: The central bank of Azerbaijan, responsible for monetary policy in the country.
10. Modern Banking Practices: Contemporary practices in banking, including digital banking, mobile banking, and using sophisticated financial instruments.

**Fill in the gaps:**

1. Ancient societies relied on a \_\_\_\_\_ system, where goods and services were directly exchanged.
2. Commodity \_\_\_\_\_'s value comes from a commodity of which it is made.
3. The concept of banking was born in ancient \_\_\_\_\_, where temples were used as safe places to store valuables.
4. The \_\_\_\_\_ saw the rise of bill of exchange, a kind of credit note that made trade safer.
5. The \_\_\_\_\_ century saw the establishment of the first central banks.

6. In the 19th century, \_\_\_\_\_ banking developed, focusing on providing capital to businesses.
7. The financial industry became more complex in the 20th century with the development of \_\_\_\_\_ funds, pension funds, and insurance products.
8. The rise of \_\_\_\_\_ banking has increased convenience for customers and lowered operational costs for banks.
9. Since gaining independence, Azerbaijan's banking system has undergone significant \_\_\_\_\_, including the establishment of the Central Bank of Azerbaijan.
10. Understanding the history of banking and finance can help finance students appreciate the current \_\_\_\_\_ system and anticipate future trends.

### **Writing Tasks:**

1. Write a short essay on the evolution of the banking system in Azerbaijan since its independence.
2. Discuss how the rise of digital banking has impacted the financial industry and the way we conduct banking transactions.
3. Create a timeline detailing the significant milestones in the history of banking and finance from the barter system to the modern banking system.

## Lesson 43: Global Financial Institutions: The IMF and World Bank

Two of the world's most significant financial institutions are the International Monetary Fund (IMF) and the World Bank. These organizations play key roles in managing global finance, promoting economic development, and providing financial assistance to member countries.

The International Monetary Fund, established in 1944, works to maintain global financial stability. It monitors the global economy and its member countries' economic health, providing financial advice and assistance when needed. The IMF is essentially a cooperative institution that 190 countries voluntarily join.

On the other hand, the World Bank's mission is to reduce poverty and support development by providing loans and grants for capital programs to poorer countries. It was also established in 1944 and is composed of two institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

The IMF and World Bank cooperate in several ways. They often work together to assist countries in implementing comprehensive economic programs. These programs often include policies designed to lower inflation, reduce fiscal deficits, and carry out structural reforms to foster economic growth.

They also provide technical assistance to help countries improve their ability to collect and manage data, create effective policy, and navigate complex economic challenges. This includes everything from modernizing a country's tax system to improving its banking regulations.

These organizations are not without criticism. Some argue that their policies can lead to economic inequality, emphasizing austerity measures that can have harmful social impacts. Others say they don't pay enough attention to environmental concerns when funding development projects.

The impact of these organizations can be felt worldwide, including in Azerbaijan. The World Bank has funded numerous projects in Azerbaijan, including those related to agriculture, transport, and health. Meanwhile, the IMF has provided advice to help manage inflation and promote economic stability.

In conclusion, the IMF and World Bank are powerful actors in the global financial system. Their efforts to promote financial stability and economic

development have significant implications for economies around the world, including in Azerbaijan.

### **Comprehension Questions:**

1. What is the main purpose of the International Monetary Fund (IMF)?
2. What are the primary goals of the World Bank?
3. How do the IMF and World Bank work together?
4. What kinds of technical assistance do these organizations provide?
5. What are some criticisms of the IMF and World Bank?
6. How have the IMF and World Bank impacted Azerbaijan?
7. How many countries are members of the IMF?
8. What are the two institutions that make up the World Bank?
9. What are some of the economic challenges these institutions help countries navigate?
10. Why are the IMF and World Bank considered powerful actors in the global financial system?

### **New Words:**

1. International Monetary Fund (IMF): An international organization created for the purpose of promoting global monetary cooperation, securing financial stability, facilitating international trade, and reducing poverty.
2. World Bank: An international financial institution that provides loans and grants to the governments of poorer countries for the purpose of pursuing capital projects.
3. Economic Development: The process by which the economic well-being and quality of life of a nation, region or local community are improved.
4. International Bank for Reconstruction and Development (IBRD): One of five institutions that comprise the World Bank Group, it provides loans and development assistance to middle-income countries and creditworthy low-income countries.

5. International Development Association (IDA): The part of the World Bank that helps the world's poorest countries by providing loans (called "credits") and grants for projects and programs that boost economic growth.
6. Austerity Measures: Economic policies that aim to reduce government budget deficits through spending cuts, tax increases, or a combination of both.
7. Inflation: The rate at which the general level of prices for goods and services is rising, and subsequently, purchasing power is falling.
8. Fiscal Deficit: The amount by which a government's total expenditures exceed the revenue that it generates, excluding money from borrowings.
9. Structural Reforms: Policies implemented by the government of a nation to address structural issues, promote economic growth and development.
10. Economic Stability: A situation in which the financial system in a country is steady and can withstand an unexpected financial event.

**Fill in the gaps:**

1. The International Monetary Fund, established in 1944, works to maintain global financial \_\_\_\_\_.
2. The World Bank's mission is to reduce \_\_\_\_\_ and support development.
3. The IMF and World Bank often work together to assist countries in implementing comprehensive \_\_\_\_\_ programs.
4. These organizations provide \_\_\_\_\_ assistance to help countries improve their ability to collect and manage data.
5. Some argue that their policies can lead to \_\_\_\_\_ inequality.
6. The World Bank has funded numerous projects in \_\_\_\_\_, including those related to agriculture, transport, and health.
7. The IMF has provided advice to help manage \_\_\_\_\_ and promote economic stability.
8. The \_\_\_\_\_ and World Bank are powerful actors in the global financial system.
9. The World Bank is composed of two institutions: the International Bank for Reconstruction and Development (\_\_\_\_\_) and the International Development Association (\_\_\_\_\_).

10. The efforts of the IMF and World Bank to promote financial stability have significant implications for \_\_\_\_\_ around the world.

**Writing Tasks:**

1. Write an essay on the role of the IMF and the World Bank in global economic development.
2. Discuss the impact of the World Bank and IMF policies on the economic development of Azerbaijan.
3. Debate the criticisms of the IMF and World Bank, providing arguments for and against their policies and practices.

## Lesson 44: The Role of Government in Promoting Financial Literacy

The ability to understand and use various financial skills, including personal financial management, budgeting, and investing, is known as financial literacy. This understanding is critical for making smart decisions about money. The role of government in promoting financial literacy can be significant.

A government can promote financial literacy through policy-making and education initiatives. By integrating financial literacy into the school curriculum, governments can provide young people with the skills they need to manage money effectively. Some governments also run public awareness campaigns on important financial issues.

In addition, the government can provide resources to support financial literacy. This can include online tools and guides, free financial counselling services, and access to financial literacy workshops. These resources can help individuals to improve their understanding of financial concepts and make more informed financial decisions.

Another key role for government is in regulation. Governments set rules for financial institutions to ensure that they provide clear information to customers. This can make it easier for individuals to understand financial products and services.

Governments can also encourage financial institutions to provide financial education for their customers. This can include providing information on topics such as saving, investing, and managing debt. By doing so, financial institutions can help their customers to make better financial decisions.

Furthermore, government initiatives can focus on helping vulnerable groups. This can include programs for people with low income, for the elderly, and for those who lack access to financial services. These initiatives can help to reduce financial inequality and improve financial well-being.

In Azerbaijan, the government has recognized the importance of financial literacy. Efforts have been made to improve financial education in schools and to provide public awareness campaigns. These initiatives are designed to help people in Azerbaijan to improve their financial literacy and to make better financial decisions.

In conclusion, government plays a crucial role in promoting financial literacy.

Through policy-making, regulation, education, and the provision of resources, governments can help individuals to gain the skills they need to manage their money effectively.

### **Comprehension Questions:**

1. What is financial literacy?
2. How can government promote financial literacy through policy-making and education initiatives?
3. What kind of resources can government provide to support financial literacy?
4. What is the role of government in regulating financial institutions?
5. How can financial institutions help in promoting financial literacy?
6. Why is it important for government initiatives to focus on helping vulnerable groups?
7. How has the government of Azerbaijan recognized the importance of financial literacy?
8. What efforts has the government of Azerbaijan made to improve financial literacy?
9. Why is it important for individuals to have financial literacy skills?
10. What can be the impact of government initiatives on financial inequality?

### **New Words:**

1. Financial Literacy: The ability to understand and use various financial skills, including personal financial management, budgeting, and investing.
2. Policy-making: The process of creating rules, regulations, and guidelines used in governing a specific sector or system.
3. Regulation: A rule or directive made and maintained by an authority.

4. Financial Institutions: Organizations that focus on dealing with financial and monetary transactions, such as banks, insurance companies, credit unions, and finance companies.
5. Vulnerable Groups: Specific populations that are more likely to be at risk of poor health or lack access to healthcare for a variety of reasons.
6. Financial Inequality: The unequal distribution of household or individual income across the various participants in an economy.
7. Public Awareness Campaigns: Large scale efforts to inform and educate the public about an issue.
8. Financial Counselling Services: Services that provide free, confidential help to those in financial difficulty to help them manage their financial problems.
9. Financial Well-being: The state of being in good financial health, where a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life.
10. Financial Decisions: Choices made regarding the management, investment, and usage of money.

**Fill in the gaps:**

1. A government can promote financial \_\_\_\_\_ through policy-making and education initiatives.
2. The government can provide resources to support financial \_\_\_\_\_.
3. Governments set rules for \_\_\_\_\_ institutions to ensure that they provide clear information to customers.
4. Governments can encourage financial institutions to provide \_\_\_\_\_ education for their customers.
5. Government initiatives can focus on helping \_\_\_\_\_ groups.
6. In \_\_\_\_\_, the government has recognized the importance of financial literacy.
7. Efforts have been made to improve financial education in \_\_\_\_\_ and to provide public awareness campaigns.
8. Government plays a crucial role in promoting \_\_\_\_\_ literacy.

9. These initiatives can help to reduce financial \_\_\_\_\_ and improve financial well-being.

10. Through policy-making, regulation, education, and the provision of resources, governments can help individuals to gain the skills they need to manage their \_\_\_\_\_ effectively.

**Writing Tasks:**

1. Write an essay discussing the importance of financial literacy and the role of government in promoting it.

2. Discuss the initiatives taken by the government of Azerbaijan to promote financial literacy among its citizens.

3. Analyze the impact of government policies and regulations on the level of financial literacy among individuals in Azerbaijan.

## Lesson 45: Microfinance: A Tool for Economic Empowerment

Microfinance is a type of banking service that is provided to individuals who do not have access to typical banking services. At its core, microfinance is about providing financial opportunities for individuals who would otherwise have no access to such services.

The concept is simple. A microfinance institution lends small amounts of money to individuals, often for the purpose of starting or expanding a small business. These borrowers, who are typically poor and lack collateral, are able to use the loans to invest in their businesses, earn income, and improve their lives.

Microfinance is more than just providing loans. Many microfinance institutions also offer other financial services, such as savings accounts and insurance. They also provide training and education to help borrowers manage their businesses and repay their loans.

Microfinance has the potential to be a powerful tool for economic empowerment. By giving people access to financial services, microfinance can help them escape from poverty. It can also empower them by giving them the ability to control their own economic future.

In many countries, microfinance has made a significant difference. In Bangladesh, for example, the Grameen Bank has been a pioneer in providing microfinance services to the poor. The bank's success has shown that microfinance can be both socially beneficial and financially viable.

Microfinance has also had a positive impact in Azerbaijan. Over the past few years, microfinance institutions in the country have been growing rapidly. They have been successful in reaching out to people in rural areas, where access to traditional banking services is often limited.

However, microfinance is not without its challenges. High interest rates and the risk of over-indebtedness are some of the concerns associated with microfinance. Therefore, it is important for microfinance institutions to adopt responsible lending practices and for governments to provide effective regulation.

Despite these challenges, microfinance continues to be a valuable tool for economic empowerment. With the right policies and practices, microfinance can contribute significantly to poverty reduction and economic development.

### **Comprehension Questions:**

1. What is microfinance?
2. Why is microfinance important for individuals who do not have access to traditional banking services?
3. What services do microfinance institutions provide aside from lending money?
4. How does microfinance contribute to economic empowerment?
5. How has microfinance made a difference in countries like Bangladesh?
6. How has microfinance impacted Azerbaijan?
7. What are the challenges associated with microfinance?
8. Why is it important for microfinance institutions to adopt responsible lending practices?
9. How can governments provide effective regulation for microfinance institutions?
10. How can microfinance contribute to poverty reduction and economic development?

### **New Words:**

1. **Microfinance:** A type of banking service that is provided to individuals who do not have access to typical banking services.
2. **Collateral:** Something pledged as security for repayment of a loan, to be forfeited in the event of a default.
3. **Economic Empowerment:** The capacity of women and men to participate in, contribute to and benefit from growth processes in ways that recognize the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth.
4. **Over-indebtedness:** A state of having too much debt, which can lead to more serious financial problems like bankruptcy.
5. **Interest Rates:** The proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage of the loan outstanding.

6. Financially Viable: Capable of generating sufficient income to cover operation, maintenance and replacement costs, and allowing for profits or surpluses.
7. Economic Development: The process by which a nation improves the economic, political, and social well-being of its people.
8. Rural Areas: Geographical areas that are located outside towns and cities.
9. Poverty Reduction: Strategies that aim to reduce the level of poverty in a country.
10. Responsible Lending Practices: Guidelines which aim to protect consumers from taking on loans they cannot afford to pay back.

**Fill in the gaps:**

1. A \_\_\_\_\_ institution lends small amounts of money to individuals, often for the purpose of starting or expanding a small business.
2. Many \_\_\_\_\_ institutions also offer other financial services, such as savings accounts and insurance.
3. By giving people access to financial services, microfinance can help them escape from \_\_\_\_\_.
4. In Bangladesh, the Grameen Bank has been a pioneer in providing \_\_\_\_\_ services to the poor.
5. Over the past few years, microfinance institutions in \_\_\_\_\_ have been growing rapidly.
6. High \_\_\_\_\_ rates and the risk of over-indebtedness are some of the concerns associated with microfinance.
7. It is important for microfinance institutions to adopt responsible \_\_\_\_\_ practices.
8. Governments can provide effective \_\_\_\_\_ for microfinance institutions.
9. Despite these challenges, microfinance continues to be a valuable tool for \_\_\_\_\_ empowerment.
10. Microfinance can contribute significantly to poverty \_\_\_\_\_ and economic development.

**Writing Tasks:**

1. Write an essay on the impact of microfinance on economic development in Azerbaijan.
2. Discuss the challenges faced by microfinance institutions and suggest possible solutions.
3. Analyze the role of microfinance in poverty reduction and economic empowerment.

## **Additional questions for topics which will be used in exams.**

### **Lesson 1: Introduction to Finance: Definitions and Concepts**

1. Write an essay discussing the importance of financial literacy for young adults entering the workforce.
2. Imagine you are explaining the concept of risk and return to a friend who is new to finance. Write a letter explaining these concepts in simple terms.
3. Conduct research on a recent financial scandal and write a report analyzing the ethical implications of the event.

### **Lesson 2: The Role of Finance in Society**

1. Write a persuasive essay arguing for the implementation of financial education programs in schools to improve financial literacy among young people.
2. Analyze the impact of technological advancements on the financial industry and write a report outlining the benefits and challenges they present.
3. Imagine you are a financial advisor. Write a letter to a client explaining the importance of diversifying their investment portfolio and providing recommendations based on their financial goals.

### **Lesson 3: Types of Financial Markets**

1. Choose a specific financial market (e.g., stock market, bond market, commodity market) and write an essay discussing its characteristics and functions.
2. Research the concept of insider trading and write a report examining its impact on financial markets and the measures taken to prevent it.
3. Imagine you are a financial analyst. Write a letter to a potential investor recommending whether to invest in a particular financial market based on your analysis.

### **Lesson 4: Understanding Banks and Their Functions**

1. Write an essay discussing the role of banks in promoting economic growth and stability.

2. Research the concept of fractional reserve banking and write a report explaining how it works and its implications for the economy.
3. Imagine you are a bank manager. Write a letter to a customer explaining the benefits of opening a savings account and providing tips for effective money management.

### **Lesson 5: The Stock Market: An Overview**

1. Write a persuasive essay arguing for the benefits of long-term investing in the stock market.
2. Research a famous stock market crash (e.g., the Great Depression, the Dot-Com Bubble) and write a report analyzing its causes and consequences.
3. Imagine you are a stockbroker. Write a letter to a client recommending specific stocks based on their investment goals and risk tolerance.

### **Lesson 6: Understanding Taxes: Income, Sales, and Property**

1. Write an essay discussing the importance of tax compliance and its impact on government revenue and public services.
2. Research the progressive tax system and write a report explaining how it works and its effects on income distribution.
3. Imagine you are a tax consultant. Write a letter to a small business owner explaining the tax deductions they may be eligible for and providing advice on minimizing their tax liability.

### **Lesson 7: Role of Central Banks**

1. Write a persuasive essay arguing for the independence of central banks and the importance of their role in monetary policy.
2. Research the concept of quantitative easing and write a report analyzing its impact on the economy.
3. Imagine you are a central bank governor. Write a letter to the government explaining the reasons behind a recent interest rate decision and its expected effects on the economy.

### **Lesson 8: Importance of Savings and Investments**

1. Write an essay discussing the benefits of long-term savings and the various investment options available to individuals.
2. Research the concept of compound interest and write a report explaining its effects on savings and investments over time.
3. Imagine you are a financial planner. Write a letter to a young client explaining the importance of starting an investment portfolio early and providing guidance on suitable investment strategies.

### **Lesson 9: Financial Planning for Young Adults**

1. Write a persuasive essay arguing for the inclusion of financial planning courses in university curricula to prepare young adults for managing their personal finances.
2. Research the concept of budgeting and write a report outlining effective budgeting strategies for young adults.
3. Imagine you are a financial advisor. Write a letter to a young client offering guidance on setting financial goals and creating a personalized financial plan.

### **Lesson 10: The Role of Government in Financial Regulation**

1. Write an essay discussing the importance of financial regulations in maintaining stability and protecting consumers in the financial industry.
2. Research a financial crisis (e.g., the 2008 global financial crisis) and write a report analyzing the regulatory failures that contributed to it.
3. Imagine you are a government official. Write a letter to the public explaining the government's role in financial regulation and the measures taken to ensure a safe and fair financial system.

### **Lesson 11: Introduction to International Trade**

1. Write a persuasive essay arguing for the benefits of international trade and globalization for economic growth and development.
2. Research a trade agreement (e.g., NAFTA, the European Union) and write a report analyzing its impact on the participating countries' economies.

3. Imagine you are an international trade consultant. Write a letter to a local business owner explaining the potential advantages and challenges of entering foreign markets.

### **Lesson 12: Understanding Financial Risks and Rewards**

1. Write an essay discussing the relationship between risk and return in investment decisions.
2. Research different types of financial risks (e.g., market risk, credit risk) and write a report explaining how they can be managed and mitigated.
3. Imagine you are a financial risk analyst. Write a letter to a potential investor assessing the risk-reward profile of a specific investment opportunity.

### **Lesson 13: Overview of Financial Institutions**

1. Write a persuasive essay arguing for the importance of a diverse and competitive financial sector in supporting economic growth.
2. Research a specific financial institution (e.g., commercial bank, insurance company) and write a report analyzing its role and functions in the economy.
3. Imagine you are a financial institution manager. Write a letter to customers explaining the benefits of their products and services and encouraging them to use the institution's services.

### **Lesson 14: Personal Finance: Budgeting and Saving**

1. Write an essay discussing the significance of budgeting and saving for achieving financial goals and maintaining financial stability.
2. Research the concept of emergency funds and write a report outlining the importance of having one and strategies for building it.
3. Imagine you are a personal finance advisor. Write a letter to a client providing advice on creating a budget and setting financial priorities.

### **Lesson 15: Understanding Interest Rates and Their Impact**

1. Write a persuasive essay arguing for the importance of understanding interest rates and their impact on personal and business finances.

2. Research the relationship between interest rates and inflation and write a report explaining how changes in interest rates affect the economy.
3. Imagine you are a mortgage lender. Write a letter to a potential homebuyer explaining the factors that determine mortgage interest rates and providing advice on obtaining the best rate.

### **Lesson 16: Fundamentals of Insurance: Concepts and Applications**

1. Write an essay discussing the purpose and benefits of insurance in managing financial risks.
2. Research a specific type of insurance (e.g., life insurance, health insurance) and write a report analyzing its features and coverage.
3. Imagine you are an insurance agent. Write a letter to a client explaining the importance of having adequate insurance coverage and providing recommendations on suitable insurance products.

### **Lesson 17: Basics of Bonds: Buying, Selling, and Trading**

1. Write a persuasive essay arguing for the inclusion of bonds in an investment portfolio and their benefits for diversification and income generation.
2. Research different types of bonds (e.g., government bonds, corporate bonds) and write a report comparing their characteristics and risks.
3. Imagine you are a bond trader. Write a letter to a potential investor explaining the process of buying, selling, and trading bonds and offering recommendations on suitable bond investments.

### **Lesson 18: Role of Finance in Economic Development**

1. Write an essay discussing the importance of finance in promoting economic development and the role of financial institutions in supporting economic growth.
2. Research the concept of microfinance and write a report analyzing its impact on poverty reduction and economic development.
3. Imagine you are an economic advisor to the government. Write a letter outlining strategies to attract foreign investment and promote entrepreneurship for economic development in Azerbaijan.

### **Lesson 19: Understanding Loans: Types and Terms**

1. Write a persuasive essay arguing for responsible borrowing and the importance of understanding loan terms and conditions.
2. Research different types of loans (e.g., personal loans, mortgage loans) and write a report explaining their features, interest rates, and repayment terms.
3. Imagine you are a loan officer. Write a letter to a borrower explaining the loan application process and providing guidance on choosing the most suitable loan option.

### **Lesson 20: Corporate Finance: An Overview**

1. Write an essay discussing the significance of corporate finance in managing a company's financial resources and maximizing shareholder value.
2. Research the concept of capital structure and write a report explaining how companies determine the optimal mix of debt and equity financing.
3. Imagine you are a financial manager in a corporation. Write a letter to the board of directors explaining the financial strategies to enhance the company's performance and shareholder value.

### **Lesson 21: Principles of Accounting: Basics for Finance Students**

1. What are the key principles of accounting and how do they apply to financial decision-making?
2. How do the concepts of assets, liabilities, and equity relate to one another in accounting?
3. What is the role of accounting in providing information for financial analysis and decision-making?

### **Lesson 22: Introduction to Financial Technology (FinTech)**

1. What is FinTech and how is it changing the financial industry?
2. What are some examples of FinTech innovations and their impact on financial services?
3. How is FinTech being used to improve financial inclusion and access to financial services?

### **Lesson 23: Basics of Real Estate Financing**

1. What are the different types of real estate financing options available to individuals and businesses?
2. How do lenders evaluate borrowers for real estate financing and what factors do they consider?
3. What are some common challenges and risks associated with real estate financing and how can they be mitigated?

### **Lesson 24: Understanding Financial Statements**

1. What are the key components of financial statements and what information do they provide?
2. How can financial statements be used to evaluate the financial health and performance of a company?
3. What are some common methods for analyzing financial statements and what insights can they provide?

### **Lesson 25: Public Finance and Fiscal Policy**

1. What is public finance and how does it relate to fiscal policy?
2. How do governments use fiscal policy tools such as taxation and government spending to achieve economic goals?
3. What are some common challenges and trade-offs associated with the design and implementation of fiscal policy?

### **Lesson 26: Importance of Credit and Credit Scores**

1. What is credit and why is it important for individuals and businesses?
2. How are credit scores calculated and what factors influence them?
3. What steps can individuals take to improve their credit scores and access better credit terms?

### **Lesson 27: Basics of Foreign Exchange (Forex) Trading**

1. What is foreign exchange trading and how does it work?

2. What factors influence exchange rates and how do they impact international trade and investment?
3. What are some common risks associated with foreign exchange trading and how can they be managed?

### **Lesson 28: Understanding the Global Financial Crisis of 2008**

1. What were the underlying causes of the global financial crisis of 2008?
2. How did the crisis unfold and what were its consequences for the global economy?
3. What lessons were learned from the crisis and what steps have been taken to prevent similar crises in the future?

### **Lesson 29: Concepts of Trade Deficits and Surpluses**

1. What are trade deficits and surpluses, and how do they arise in international trade?
2. What are some common causes of trade imbalances, and how do they impact domestic economies?
3. How can governments use trade policy tools to address trade imbalances, and what are some potential challenges associated with these approaches?

### **Lesson 30: Basics of Cryptocurrency and Blockchain**

1. What is cryptocurrency, how does it work, and what are its key features?
2. How does blockchain technology underpin cryptocurrency systems, and what other applications does it have?
3. What are some common challenges, risks, and opportunities associated with cryptocurrency, both for individuals and for society as a whole?

### **Lesson 31: Ethics in Finance: A Critical Examination**

1. Why is ethics important in finance, and what are some common ethical challenges faced by finance professionals?
2. How can ethical principles be applied in financial decision-making, both at the individual level, as well as at the organizational level?

3. What role do regulatory bodies play in promoting ethical behavior in finance, and what challenges do they face in enforcing ethical standards?

### **Lesson 32: Great Depression**

1. What were the underlying causes of the Great Depression, both domestically within the United States as well as globally?
2. How did the Great Depression unfold, both in terms of its economic impact as well as its social consequences?
3. What lessons were learned from the Great Depression, both in terms of economic policy as well as broader societal changes?

### **Lesson 33: Retirement Planning: An Early Start**

1. Why is retirement planning important, even for young adults just starting their careers?
2. What are some key considerations when planning for retirement, such as savings goals, investment strategies, etc.?
3. How can individuals make informed decisions about retirement planning, taking into account factors such as inflation, life expectancy, etc.?

### **Lesson 34: Money: History, Characteristics, and Types**

1. What is money, how has it evolved over time, and what characteristics define it as a medium of exchange?
2. What are the different types of money that exist today (e.g., physical currency, digital currency), how do they differ from one another, etc.?
3. How do central banks manage money supply within an economy, what tools do they use to do so (e.g., interest rates), etc.?

### **Lesson 35: Environmental, Social, and Governance (ESG) Investing**

1. What is ESG investing and how does it differ from traditional investing approaches?
2. What are the key factors that investors consider when making ESG investment decisions?

3. How can ESG investing contribute to sustainable development and what are some potential challenges associated with this approach?

### **Lesson 36: Inflation: Causes and Consequences**

1. What is inflation and how is it measured?
2. What are some common causes of inflation and how do they impact the economy?
3. How do central banks use monetary policy tools to manage inflation and what are some potential challenges associated with this approach?

### **Lesson 37: Venture Capital and Private Equity: An Overview**

1. What is the difference between venture capital and private equity, and how do these forms of financing work?
2. What types of companies typically seek venture capital or private equity financing, and what are the key considerations for investors when evaluating potential investments?
3. What are some common challenges and risks associated with venture capital and private equity investing, and how can they be managed?

### **Lesson 38: Risk Management in Finance**

1. What is risk management in finance and why is it important?
2. What are some common types of financial risks that individuals, businesses, and governments face, and how can they be managed?
3. How do financial institutions use tools such as derivatives to manage risk, and what are some potential challenges associated with these approaches?

### **Lesson 39: Mergers and Acquisitions: Financial Aspects**

1. What are mergers and acquisitions, and how do they differ from one another?
2. What are the key financial considerations for companies when evaluating potential merger or acquisition opportunities?
3. How do mergers and acquisitions impact the financial performance of the companies involved, both in the short-term as well as in the long-term?

### **Lesson 40: Understanding the Money Supply**

1. What is the money supply, how is it measured, and why is it important for the economy?
2. How do central banks use monetary policy tools to manage the money supply, and what are some potential challenges associated with this approach?
3. How does the money supply impact other economic variables such as interest rates, inflation, etc., and what are the implications for individuals, businesses, and governments?

### **Lesson 41: Understanding Bankruptcy: Causes and Consequences**

1. What is bankruptcy and how does it differ from insolvency?
2. What are some common causes of bankruptcy for individuals and businesses, and what are the consequences of declaring bankruptcy?
3. How does the bankruptcy process work, and what are the rights and responsibilities of the parties involved?

### **Lesson 42: History of Banking and Finance**

1. How has the banking and finance industry evolved over time, and what have been some key historical developments?
2. What role have banks and financial institutions played in shaping economic history, both at the national and global levels?
3. How have historical events such as financial crises, wars, etc. impacted the development of the banking and finance industry?

### **Lesson 43: Global Financial Institutions: The IMF and World Bank**

1. What are the IMF and World Bank, what are their respective roles and functions, and how do they differ from one another?
2. How do these institutions work to promote global economic stability, growth, and development?
3. What are some common criticisms of these institutions, and how have they responded to these criticisms?

#### **Lesson 44: The Role of Government in Promoting Financial Literacy**

1. Why is financial literacy important, and what role can governments play in promoting it among their citizens?
2. What are some common approaches that governments use to promote financial literacy, such as educational programs, public awareness campaigns, etc.?
3. What are some challenges associated with promoting financial literacy, and how can governments overcome these challenges?

#### **Lesson 45: Microfinance: A Tool for Economic Empowerment**

1. What is microfinance, how does it work, and what are its key features?
2. How can microfinance be used to promote economic empowerment among disadvantaged populations?
3. What are some common challenges associated with microfinance, both for borrowers as well as for lenders, and how can these challenges be addressed?

## **10 end-term assignments:**

1. "The Impact of Financial Literacy Programs on the Financial Decision-Making Skills of Young Adults in Azerbaijan: A Research Paper"
2. "Developing a Comprehensive Financial Plan for a Start-Up Business in Azerbaijan"
3. "Government Regulations in the Financial Industry: A Presentation on the Role and Effects in Azerbaijan"
4. "Corporate Finance Decision-Making in Azerbaijan: A Case Study Analysis"
5. "A Comparative Analysis of Stock Markets: Azerbaijan and an International Perspective"
6. "Enhancing Financial Literacy among Young Adults in Azerbaijan: A Survey-Based Study and Strategies for Improvement"
7. "The Economic Implications of International Trade in Azerbaijan: Opportunities and Challenges"
8. "Financial Risk Management in Azerbaijani Businesses: Designing an Effective Risk Mitigation Plan"
9. "Empowering Disadvantaged Communities in Azerbaijan: A Business Proposal for a Microfinance Institution"
10. "Financial Institutions and Sustainable Economic Development in Azerbaijan: Promoting Entrepreneurship and Innovation"

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