

MONEY AND BANKING

4 hours



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KazGUU

MONEY AND BANKING

► OBJECTIVES:

- Identify professional terminology enabling Ss to widely apply it;
- Develop critical thinking skills;
- Enhance Ss ability for speaking, reading, listening, writing;

Warming-up



Brainstorming on:

- ✓ Vocabulary
- ✓ Pronunciation
- ✓ Grammar

*A fool and his money are soon parted.
Money doesn't grow on trees.
A beggar can never be bankrupt.
Money makes money.*

VOCABULARY on “MONEY and BANKING”

MEMORIZE THESE WORDS AND EXPRESSIONS BELOW:

- Money Currency
- Banking system Supply of money
- Commodity money Saving
- Fiat money Transaction
- Bank money Central bank
- Book credit Balance sheet
- Check Asset
- Medium of exchange Liability
- Store of value Time deposit
- Unit of account Banking sector
- Liquid Reserve requirement
- Demand for money Loan



Well-known songs about Money

Listen to them and try to memorize words

What band has been singing the first song “Money”?

What vocalist is on the photo in the right corner?

What words and phrases have you recognized?



Pronunciation and text comprehension

You must pronounce the words correctly in order to be understood by people.

Read sentences below and address your questions to the Tutor, if any:

The role of **money** and the **banking system** is an important part of the study of economics. Money, after all, is involved in nearly all economic transactions. This topic explains the nature and functions of money, the demand for money, supply of money and the role of banking system in the money-creation process.

Reference: Н.М.Дюканова “Английский язык для экономистов”, p.256



Pay attention to the following grammar material:

A handful of nouns appear to be plural in form but take a singular verb:

The news is bad.

Gymnastics is fun to watch.

Economics/mathematics/statistics is said to be difficult. ("Economics" can sometimes be a plural concept, as in "The economics of the situation demand that")

Numerical expressions are usually singular, but can be plural if the individuals within a numerical group are acting individually:

Fifty thousand dollars is a lot of money.

One-half of the faculty is retiring this summer.

One-half of the faculty have doctorates.

Fifty percent of the students have voted already.

Question:

Is there a plural form for a word "Tenge"?



Definition of Money

What is money? Money is any good that is widely used and accepted in transactions involving the transfer of goods and services from one person to another. Economists differentiate among 3 different types of money:

Types of money

Commodity money
(gold coins)



Fiat money
(Tenge bills, US Dollar bills, etc)



Bank money
(checks)



ForexAW.com

Reference: Н.М.Дюканова “Английский язык для экономистов”, p.257

Definition of Money (cont'd)

Commodity money is a good whose value serves as the value of money.

Gold coins are an example of commodity money.

In most countries, commodity money has been replaced with fiat money.

Fiat money is a good, the value of which is less than the value it represents as money.

Tenge bills, US dollar bills are an example of fiat money because their value as slips of printed paper is less than their value as money.

Bank money consists of the book credit that banks extend to their depositors.

Transactions made using checks drawn on deposits held at banks involve the use of bank money.

Question: What kind of money do you have in your wallets?

Reference: Н.М.Дюканова “Английский язык для экономистов”, p.257



FUNCTIONS OF MONEY

Money is often defined in terms of the 3 functions or services that it provides. Money serves as medium of exchange, as a store of value, and as a unit of account.

Functions of money

Medium of exchange

(e.g., barter)

Store of value

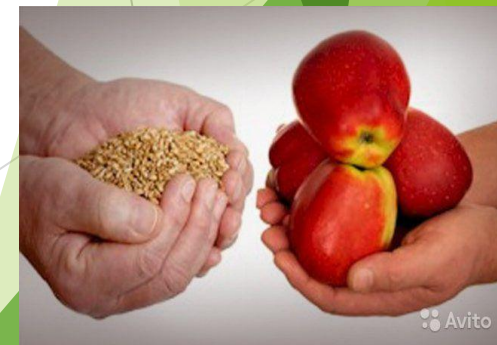
*(e.g., availability of various
denominations)*

Unit of account

*(e.g., price or value
of a good)*

Task: Match pictures on the right to the functions of money.

Reference: Н.М.Дюканова “Английский язык для экономистов”, р.257



Functions of money (cont'd)

Match below definitions to a graph on a previous slide:

Money must hold its value over time; that is it must be a store of value. Money is more liquid than most other stores of value because as a medium of exchange, it is readily accepted everywhere. Furthermore, money is available in a number of convenient denominations.

Money also functions as unit of account, providing common measure of the value of goods and services being exchanged. Knowing the value or price of a good, in terms of money, enables both the supplier and the purchaser of the good to make decisions about how much of the good to supply and how much of the good to purchase.

Money's most important function is as a medium of exchange to facilitate transactions. Without money, all transactions would have to be conducted by barter, which involves direct exchange of one good or service for another. Money serves as a medium of exchange that is accepted in all transactions, by all parties, regardless of whether they desire each other's goods or services

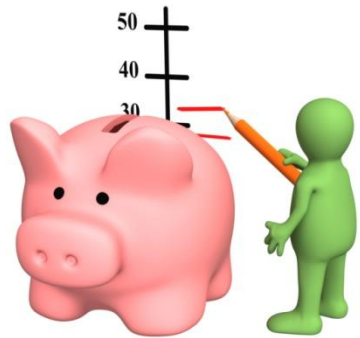
Reference: Н.М.Дюканова “Английский язык для экономистов”, p.257



THE DEMAND FOR MONEY

The demand for money is affected by several factors, including:

- ❑ Level of income
- ❑ Interest rates
- ❑ Inflation
- ❑ Uncertainty about the future



Reference: Н.М.Дюканова “Английский язык для экономистов”, р.258

THE DEMAND FOR MONEY (cont'd)

The way in which these factors affect money demand is usually explained in terms of motives for demanding money.

Motives for demanding money:



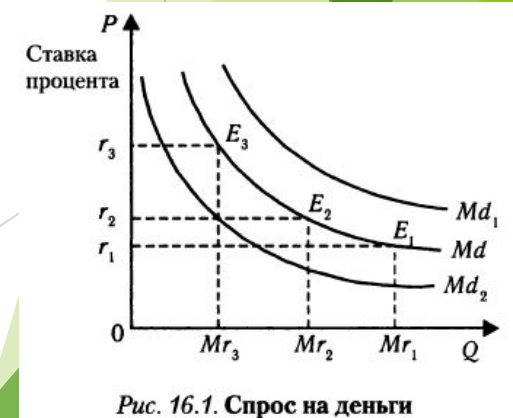
The transactions



The precautionary



The speculative



Reference: Н.М.Дюканова “Английский язык для экономистов”, p.258

SUPPLY OF MONEY

THERE ARE SEVERAL DEFINITIONS OF THE SUPPLY OF MONEY:

M1 is the narrowest and most commonly used. It includes:

*M1= all currency (coins and notes) in circulation+
all checkable deposits held at banks (bank money)+
all traveler's checks*

M2 is a somewhat broader measure of the supply of money

M2=M1 (see above) + savings + time deposits held at banks

An even broader measure of the money supply is M3.

*M3 = M2 (see above) + large denomination+ long-term
deposits (e.g., > USD 100.000)*

Reference: Н.М.Дюканова “Английский язык для экономистов”, p.258



BANKING SECTOR

Banks performs 2 crucial functions:

1. They receive funds from depositors and, in return,
 - a) provide these depositors with a checkable source of funds;
 - b) with interest payments
2. They use the funds that they receive from depositors to make loans to borrowers. That means: they serve as intermediaries in the borrowing and lending process.

Reference: Н.М.Дюканова “Английский язык для экономистов”, р.258



BANKING SECTOR (Cont'd)

The **reserve requirement** is the fraction of deposits set aside for withdrawal purposes.

The reserve requirements are determined by the nation's bank authority, a government agency known as the **central bank**.



Reference: Н.М.Дюканова “Английский язык для экономистов”, р.258

BANKING SECTOR (CONT'D)

Banks earn profits by borrowing funds from depositors at zero or low rates of interest and using these funds to make loans at higher rates of interest.



Reference: Н.М.Дюканова “Английский язык для экономистов”, p.258

BANKING SECTOR (CONT'D)

THE BALANCE SHEET SUMMARIZES THE BANK'S ASSETS AND LIABILITIES.

ASSETS: VALUABLE ITEMS THAT THE BANK OWNS AND CONSIST PRIMARILY OF THE BANK'S RESERVES AND LOANS.

LIABILITIES: VALUABLE ITEMS THAT THE BANK OWES TO OTHERS AND CONSIST PRIMARILY OF THE BANK'S *DEPOSIT LIABILITIES* TO ITS DEPOSITORS

Reference: Н.М.Дюканова “Английский язык для экономистов”, p.259



BANKING SECTOR (CONT'D)

A BANKING FIRM'S **ASSETS MUST ALWAYS
EQUAL ITS LIABILITIES.**



HOME TASK:

- 1) **MEMORIZE WORDS AND EXPRESSIONS**
- 2) **PREPARE A BRIEF INFORMATION ON DIFFERENT KAZAKHSTAN BANKS**
- 3) **MEMORIZE TOPIC'S MATERIAL ASSURING FULL COMPREHENSION ACCORDINGLY**



EXTRA-QUESTIONS:

- 1) **WHAT KZ NOTE WAS AWARDED IN 2013?**
- 2) **WHAT KZ NOTE WAS AWARDED IN 2014?**
- 3) **WHAT IS A RATING AGENCY?**
- 4) **WHAT IS A RATING OF KAZAKHSTAN IN 2014 by "STANDARD & POORS"?**
- 5) **PROVIDE AN EXAMPLE OF A COUNTRY WITH TRIPLE A +.**

USEFUL LINKS AND REFERENCES:

<http://www.kazinvest.kz/>

<http://nationalbank.kz/>

<http://www.kase.kz/>

<http://www.kazinvest.kz/web/banki>

MONEY AND BANKING

Lesson outcomes:

- Students are able to identify professional terminology and widely apply it;
- Critical thinking skills are progressively developed;
- Students ability for speaking, reading, listening, writing are enhanced.



*A fool and his _____ are soon parted.
_____ doesn't grow on trees.
A beggar _____ never be bankrupt.
Money makes _____.*

THANK YOU!