

APPENDIX

CHAPTER 2

Trade and Commerce

The exchange of goods and services to satisfy the need of consumers is known as trade or commerce. Trade usually refers to the exchange of a particular product. For instance, people often say that a country's main trade is in coffee or a tea or sugar. The word commerce covers all aspects of trading. In many countries there is a department of government that is responsible for seeing that trade goes smoothly.

Specialization is the best way of using our productive factors: natural resources capital goods, and labour. Natural resources include forest, good farming land, coal, gas, or any material that is in the earth and can be turned to the use of people. Capital goods are the factories, machinery, and tools that are used to manufacture finished goods from natural resources. The term labour refers to the people behind the machinery. It includes the workers who invent new product and new methods of production, workers who are managers and planners, and workers who run the machine.

Not every country, nor even every region in a country, has the same kind of productive resources. Some countries have fertile, rolling farmland; others are mainly land desert or mountain regions; and some may be so industrialized that little room is left for farmland. These countries can become prosperous only by specializing in trading. People living in cities need the crop from farms. But farmers can not harvest their crops without machinery produced by factories. And then the factories can not operate without minerals from the desert or mountain regions. By trading with one another, the different areas can use their resources to best advantage.

But people have a preference in what they buy. They buy only what they want and can pay for. This is called consumer demand. If all the farmers planted potatoes, the market would be flooded with potatoes, and people would not be able to find other vegetables. Therefore, farmers produce the variety of foods that consumers want. Competition for the consumer's money makes industries produce goods as cheaply and attractively as possible.

Questions.

1. What is commerce?
2. What are our productive factors?
3. What is the best way of using our productive factors.
4. What is/are: a. Natural resources
b. Capital
c. Labour
5. What are the benefits of trading for the different area?
6. What is called consumer demand?
7. What should the industries do to attract consumer's money?

Answer.

1. The exchange of goods and services to satisfy the needs of consumers.
2. Natural resources, capital goods, and labour.
3. Specialization.
4. *Natural resources* include forest, good farming land, coal, gas, or any material that is in the earth and can be turned to the use of people.
Capital goods are the factories, machinery, and tools that are used to manufacture finished goods from natural resources.
Labour refers to the people behind the machinery. It includes the workers who are managers and planners, and workers who run the machine.
5. By trading with one another, the different areas can use their resources to the best advantage.
6. Consumer demand: they buy only what they want and can pay for.
7. Produce goods as cheaply and attractively as possible.

Analysis.

1. Knowledge.
2. Knowledge.
3. Knowledge.
4. Knowledge.
5. Knowledge.
6. Knowledge.
7. Knowledge.

CHAPTER 3

Money and Banks

Sometimes people have extra money. They do not want to lose it or have it stolen. They deposit the money in a bank, to keep it safe. At other times, people may not have enough money for their needs. They ask a bank to lend them the money they need. Of course, they must pay the bank for this service. A family that borrows Rp. 500,000.00 from a bank must pay interest on the loan. When the loan is paid back, the borrowers may actually have to pay Rp. 505,000.00.

The Rp. 5,000.00 is income for the bank. Some of this money is to pay people who work in the bank. Some is used to buy equipment or to advertise. And some is given to people who deposit in the bank. The bank not only keeps money safe for depositors but also pays depositors for the use of their money. If you put Rp. 1,000,000.00 in a bank and leave it there for a year the bank may give you Rp. 150,000.00 or 15 percent interest. In other words, at the end of one year, your Rp. 1,000,000.00 will have grown to Rp. 1,150,000.00.

This example illustrates the two important functions that banks serve—they keep money safe, and they lend money. There are some 47 banks in Indonesia today. Some have dozens of branches. Others have only one office.

A bank's assets (money and property) come from many sources. Some come from deposits. Some come from money invested in the bank by stockholders. And some come from profits from the bank's operation.

Most of the day-to-day business of a bank involves the traditional services of accepting deposits and making loans. But banks provide many other services as well.

There are two main types of deposits—time deposits and demand deposits. Money put in savings accounts usually stays there for a period of time. Hence, savings accounts are type of time deposit. Money put into a checking can be withdrawn or transferred from the bank without previous notice, by presenting a demand in the form of the check. Hence, checking account are demand deposits.

Questions.

1. What is the main idea of the first paragraph?
2. What is income of the bank for?
3. What is interest?
4. Write down two main functions that banks serve.
5. Where do the bank's assets come from?
6. What is the difference between time deposits and demand deposits?
Explain your answer.
7. "Some" come from deposits. (Paragraph 4)
What does the word "some" refer to?
8. Money put in saving account usually stays "there" for a period of time.
(Paragraph 6)
What does the word "there" refer to?

Answer.

1. Interest on the loan when a family borrows some money from a bank.
2. To pay people who work in the bank, to buy equipment for advertised, and some is given to people who deposit in the bank.
3. Money that are given by the bank because we have kept it at the bank.
4. To keep money safe and lend money.
5. From deposits, money invested in the bank by stockholders, profits from the bank operation.
6. Time deposits: money put in savings accounts usually stays there for a period time. Demand deposits: money put into a checking can be withdrawn or transferred from the bank without previous notice, by presenting a demand in the form of the check.
7. Some → bank's assets
8. There → savings accounts

Analysis.

1. Comprehension.
2. Knowledge.
3. Comprehension.
4. Knowledge.
5. Knowledge.
6. Application.
7. Comprehension.
8. Comprehension.

CHAPTER 4

Small-Scale Production Industries

Nearly all the things we eat, wear, and use every day are produced by industry. Companies that make the same kinds of products can be grouped into industries. All the meat packing companies make up the meat packing industry. Other companies make up the food processing industry, the automobile industry, and so forth.

What about small-scale production industries? They are usually small companies that manufacture shoes, furniture, candy, or sweets, dresses and kitchen utensils, such as pots, pans, kettles, brushes, etc. The manufacturers of the companies carry on the business in a small way. They do so on a small-scale. They employ only a few persons to make goods.

A big company has many expenses other than salaries and materials. In order to let public know about its products, the company must advertise. But a small company does not advertise its products. If it needs money, it can borrow money from a government bank or cooperative. The big company borrows money from commercial bank to buy supplies, to replace worn-out equipment, or to expand the manufacturing plant.

In business it is necessary for small-scale production industries to compete in price or quality in order to succeed. Some kinds of business are competitive. In spite of his small business, a manufacturer should know about marketing, that is how to market the goods, for instance during a recession the market will be dull. And if the flow of the goods is constant the price will be steady.

Questions.

1. What is industry?
2. What are companies?
3. What are small-scale production industries?
Can you mention some of them?
4. Why do they call small-scale?
5. What is the difference between a big company and a small company?
6. What should the small-scale industries do in order to succeed?
7. What does the word 'his' (The last paragraph) refer to?
8. What should the businessman do to make the price steady?

Answer.

1. Industry is a place where is used to make things.
2. Companies are groups of people working together.
3. They are usually small companies that manufacture shoes, furniture, candy, or sweets, dresses and kitchen utensils, such as pots, pans, kettles, brushes, etc. The manufacturers of the companies carry on business in a small way.
4. Because they employ only a few persons to make goods.
5. A big company has many expenses other than salaries and materials.
A small company does not advertise its products.
6. To compete in price or quality.
7. *His* → a businessman or manufacturer.
8. He will flow of the goods.

Analysis.

1. Comprehension.
2. Comprehension.
3. Comprehension.
4. Analysis.
5. Knowledge.
6. Knowledge.
7. Comprehension.
8. Knowledge.