

THE BUSINESS ENVIRONMENT

Read the following text about types of businesses, then complete the gaps with words from the list below.

brokers	bullish	bearish	bonds	debt
market economy	reform	compete	smallest	liable for
provides services	individual	proprietorship	enterprises	remedy
anyone	corporation	publicly	risk	worthless
creditors	entity	unlimited		

Forms of Business

You know what a business is, and so does everybody. It may be a small barber's shop or a huge international company; indeed, any organization that produces or sells goods or 1 _____.

A small business is usually owned by one owner or proprietor, and its legal form is a sole proprietorship. Other names for proprietorship are single proprietorship, individual enterprise, sole ownership, or 2 _____. A baker, a butcher, or a greengrocer may be examples of sole proprietors. Probably in every country, proprietorships represent the largest number of businesses, but usually they are the 3 _____ in size.

The sole proprietor receives all profits on the business operations or suffers the losses of the business and is 4 _____ all obligations of the proprietorship. In other words, the owner has unlimited liability for the business; this means that all assets owned by the proprietor, both business and personal, are subject to the claims of business 5 _____.

A partnership is similar to a proprietorship except that it has more than one owners. The partners share profits (or losses) of the partnership according to an agreed system. Partnerships are also used for small businesses and for professional practices (law, medicine, and public accounting). As in the case of a sole proprietorship, a partnership is not a legal 6 _____ separate from its owners: a partner is personally responsible for the debts of the partnership. In a general partnership, all partners have 7 _____ liability. In a limited partnership, one or more partners may limit their liability, but at least one partner must assume unlimited liability.

Typically, companies assume limited liability. This means that the financial 8 _____ of the owners of the company (its shareholders) is limited to the amount of money invested, in other words, to the value of their shares in the company. If the company fails, their shares will be 9 _____, but the owners won't be liable for more than they invested.

In Britain, a limited company can be owned privately, by a certain number of owners. Usually the letters Ltd. or Co. Ltd. are written after the name of such companies. If the shares are available to 10 _____ who wishes to buy any of them (i.e. the shares are traded on the stock exchange), the company is a public limited company, and the letters plc. stand after the names of such companies.

In the United States, a company is usually called a 11 _____. That is why the abbreviations Corp., Co. (company) or Inc. (incorporated, i.e. registered) are commonly used after the name of businesses in the US. A corporation can be closely held (owned by only a few people), or 12 _____ held, which roughly corresponds to (private) limited liability companies or public limited companies in Britain.

In a global economy, multinational and international companies play an increasingly significant role. At the same time, SMEs – small and medium sized 13 _____ – also perform an important function in the national economies.

The Business Environment in Hungary

The late 1980s saw dramatic changes in Hungary's economic climate. Although tentative measures had been taken earlier to 14 _____ the general state of decline, the real breakthrough came with a series of new Acts that created the framework for a free 15 _____. First, the bank system was transformed, and a tax 16 _____ was introduced. In 1988, the Companies Act was passed, which allowed the establishment of various forms of business. The Law on Accounting, introduced first in 1991, managed to bring the Hungarian accounting system in line with international standards.

Politically, however, the real change was marked by the first free elections in Hungary since 1948, held in May 1990.

Since that time, Hungary has become a full member of the European Union, with a free market economy that can 17 _____ with the challenges of the international market.

Shares (called stocks in American English) of Hungarian companies and 18 _____ are traded on the Budapest Stock Exchange. Anyone can invest their savings in these securities (i.e. shares or bonds). Shares represent ownership in a company, while bonds represent 19 _____ of businesses or other organisations, including governments. These securities are traded by members of the stock exchange, but investors can buy them through 20 _____.

When the economy is booming, businesses are doing well and people will be willing to buy shares; the stock market will be lively or 21 _____, which means that buyers hope that stock prices will increase. When businesses are not doing well, the stock price will decline, and people will tend to sell their stocks; the stock exchange then is said to be 22 _____.