

<p style="text-align: center;"><b>CommClass.in</b> F.Y.J.C Subject: Economics Ch. 2. Money</p>	DATE: _____
	TIME: 1 hrs
	MARKS: 20

**Q.1. Complete the following statement by choosing the correct alternative. (2)**

(1) Goods and services exchanged for goods and services called .....

(a) Credit money (b) Paper money (c) Animal money (d) Barter exchange

**Ans: (d) Barter exchange**

(2) Arrange in the order of evolution of money.

(a) Animal money (b) Metallic money (c) Electronic money (d) Paper money

**Ans: (a) Animal money (b) Metallic money (d) Paper money (c) Electronic money**

**Q.2. Give economic term of the following. (3)**

(1) System that makes use of currency for facilitating payments - **Monetary System.**

(2) Credit instrument through which bank deposits are transferable - **Cheque**

(3) Money not accounted for in the bank and not disclosed to the government - **Black Money.**

**Q.3. Identify and explain the concepts (4)**

(1) Charu used her debit card to purchase a shirt for her younger brother.

Ans:-

**(A) Explanation of the concept:-** Plastic money.

**(B) Explanation of concept:** Plastic money is a money in the form of credit cards and debit cards that is used in transaction due to advanced technology.

(2) Malathi purchased a house through an agent. The agent accepted the commission amount in cash but did not issue a receipt to her.

Ans:-

**(A) Explanation of the concept:-** Black money.

**(B) Explanation of concept:** Black money is a type of money which is received in cash but not accounted for and on which tax is not paid to the government.

**Q.4. State with reasons whether you agree or disagree with the following statements (Any One) (4)**

1. There are many good qualities found in modern currency.

**Ans:-** Yes, I agree with this statement.

**Reasons:-**

Definitions of Money:

Prof Walker: "Money is what money does".

**The qualities of money are as follows:**

**1. General Acceptability:** Anything which is used as money must be easily accepted by all for exchange purpose.

**2. Divisibility:** Money should be easily divisible into smaller denominations to facilitate small transactions.

**3. Durability :** Money should also possess the characteristic of durability. Currency notes and coins are being used repeatedly and shall continue to do so for years together on account of durability.

**4. Cognizability :** Money must be easily recognised. It should have certain distinct marks so as to avoid confusion by the receiving person.

**5. Portability :** It should be easy to carry from one place to another without any difficulty, expense and inconvenience, e.g. currency notes are easily portable.

**6. Homogeneity :** Money of a particular denomination must be homogeneous or identical in its features.

**7. Stability :** Money should have (1) stable monetary value. It serves as a measure of value to exchange goods and services. These goods can be sold and purchased in future as per requirements.

**2. Many tasks are accomplished by money.**

**Ans:-** Yes, I agree with this statement.

**Reasons:-**

**1. Primary Functions of money :** Money performs primary functions as a medium of exchange and a measure of value.

**2. Secondary functions of money :** It performs secondary functions of standard of deferred payments, store of value and transfer of value.

**3. Contingent functions of money :** It also performs contingent functions of estimating and dividing national income, providing basis of credit, imparting liquidity to wealth and estimating macroeconomic variables.

**Q.5. Answer the following in detail. (Any One)**

**(7)**

**(1) What are the types of money?**

**Ans: 1) Animal money :** In protohistoric period, 'animal money' was used as a means of exchange, e.g. cow, sheep, goat etc. However, **due to their indivisible nature**, commodity money came into existence.

**2) Commodity money :** In olden days, the commodities to be used as money were dependent upon climatic conditions and culture, e.g. animal skin, grains, shells, feathers, tusk, salt, rare articles and stones were used as a medium of exchange. **Due to the problem of storage** of such commodities, metallic money came into existence.

**3) Metallic money :** Metallic money used durable metals such as gold, silver, copper, aluminum, nickel etc. However, scarcity of precious metals and lack of uniformity in metallic pieces gave rise to the use of metallic coins.

**4) Metallic coins :** In ancient times, rulers of various kingdoms used small pieces of metals and affixed their seals on them. With the passage of time, the monetary system was taken over by the government authorities with a view to give uniformity and legal status to metallic coins. Coins can be classified as under :

**a) Standard or full bodied coins :** Full bodied coins are those whose face value is equal to their intrinsic value. Face value indicates the exchange value fixed by issuing authority. These coins are made out of precious metals like gold, silver etc. Standard coins were used for some days during the British period.

**b) Token coins :** Token coins are those whose face value is higher than their intrinsic value. These coins are made of cheaper metals like aluminum, nickel etc. These coins are of lower denominations and are generally used for settling smaller transactions. In India, all coins in circulation today are token coins. Difficulties in transportation of token coins gave rise to paper money.

**5) Paper Money :** Paper Money was a substitute for metallic money. In course of time, issue of currency notes was monopolized by the Central Bank. Paper money consists of paper currency issued by Government and Central Bank of the country. In India, one rupee note and all coins are issued by the Government of India. Currency notes of higher denominations are issued by the Central Bank (Reserve Bank of India). Inconvenience in handling and risk of storing paper money gave rise to bank money.

**6) Bank Money or Credit Money :** Bank money refers to deposits which are in the form of cash saved by the people. It is used to create credit money. This can be withdrawable and transferable on demand, by means of cheque, demand draft etc. Cheque, demand draft are not actual money but credit instruments through which deposits are transferable. Credit money plays an important role in economic development. On the background of global economy, cashless transaction gained importance thereby giving rise to plastic money.

**7) Plastic Money :** Plastic Money is easy to use in transaction due to advanced technology. Debit cards and credit cards are used as plastic money. Further innovation in smart transactions led to the introduction of electronic money.

**8) Electronic Money :** E-money or Electronic money is a monetary value that is stored and transferred electronically through a variety of means i.e. a mobile phone, tablet, smart cards, computer etc. It is backed by the Central Bank. Electronic money is used

for purchases and transactions globally. Digital wallets are also a form of stored electronic money.

## **(2) Explain the difficulties in barter system.**

Ans: **1) Problem of double coincidence of wants :** Lack of double co-incidence of wants was one of the major limitations of barter system. For instance, person 'A' has cloth and he wants rice in exchange and person 'B' has rice but he does not want cloth in exchange. In this case exchange between 'A' and 'B' would not take place as their wants do not coincide with each other.

**2) Lack of common measure of value :** While exchanging goods for goods, there was no standard unit of account to determine the value of a commodity. e.g., it was difficult to compare two litres of milk with two kilograms of rice.

**3) Difficulties in storage of goods :** It is necessary to store goods for future consumption. Sometimes due to perishable nature of certain goods it was difficult to store them for future. Perishable commodities like milk, eggs, fish, vegetable etc. were difficult to store. Difficulties were also experienced due to lack of space required to store heavy and bulky goods.

**4) Indivisibility of certain goods :** In barter system it was inconvenient to divide animals, house etc. into small parts, so it was difficult to fix proportion of one commodity in exchange for another commodity, e.g. Individual 'A' has a sack of wheat and he wants a goat in exchange. Individual 'B' has a goat and he wants only half a sack of wheat. In this situation exchange between the two commodities is impossible due to indivisible nature of goat, for it being a live stock.

**5) Problem of making deferred payments :** Deferred payment means payments to be made in future. Repayment of loan was difficult due to exchange of commodities, e.g. it was difficult to repay the perishable goods in the same condition in future.