

Concept of Money - Reason-Based (Comp. of Sub)

Q.1. Money is what money does.

Ans. True. Basically, money facilitates exchange of goods and services. Accordingly, money is defined as 'anything that acts as a medium of exchange'.

Q.2. Introduction of money has removed the major drawback of double coincidence of wants in the barter system of exchange.

Ans. True. Use of money as a medium of exchange has removed the major drawback of double coincidence of wants in the barter system of exchange. With the introduction of money, acts of sale and purchase have been separated.

Q.3. Fiat money is that money which is accepted as a medium of exchange because of the trust between the payer and the payee.

Ans. False. Fiat money is that money which is issued by order/authority of the government.

Q.4. Cheques are fiat money.

Ans. False. Cheques are fiduciary money because these are accepted as a means of payment on the basis of trust, not on the basis of any order of the government.

Q.5. Commodity value of a ten rupee coin in India is more than its money value.

Ans. False. Commodity value of a ten rupee coin in India is definitely less than its money value. Otherwise, people would have melted the coins and sold them as a commodity.

Q.6. Money value of a Thousand rupee note is what is written on it.

Ans. True. Money value of money is the value which is inscribed on a coin or written on a paper note. Thus, money value of a Thousand rupee note is what is written on it.

Q.7. Money is a dynamic factor.

Ans. True. Money is a dynamic factor because it has imparted dynamism to the process of production, consumption, investment and exchange.

Q.8. Money has facilitated the sale and purchase of goods and services.

Ans. True. Money has facilitated the sale and purchase of goods and services. With the use of money as a medium of exchange, goods and services can be purchased for money any time. Similarly, goods and services can be sold for money any time.

Q.9. Measurement of value was very difficult in the barter system of exchange.

Ans. True. Measurement of value was very difficult in the barter system of exchange because there was no common unit of value.

Q.10. Emergence of financial market increases the consumption and investment expenditure in the economy.

Ans. True. Financial market offers funds for investment as well as the purchase of consumer durables. Availability of funds through financial market has led to a multiple increase in consumption expenditure as well as investment expenditure.