

2. Money, Savings and Investment

Exercise

1 A. Question

Choose the correct answer:

Money' is what it does' is defines by

A. Crowther

B. Walker

C. Robertson

Answer

money is defined as – the current medium of exchange in the form of coins or banknotes is counted as money. It was first defined by professor walker.

1 B. Question

Choose the correct answer:

The purchasing power of money depends upon the

A. Price level

B. Demand level

C. Supply level

Answer

It means the value of the money. Purchasing power is the value of a currency expressed in terms of the amount of goods and services one unit of that currency can buy.

1 C. Question

Choose the correct answer:

..... is used as a standard for future payment.

A. ChequeB. Money

C. Credit card

Answer

Money is used as a standard for future payment. Money is a convenient form of storing wealth.

1 D. Question

Choose the correct answer:

..... is the unit of account and a standard of common measurement.

- A. Medium of exchange
- B. Measure of value
- C. Store of value

Answer

Price of any commodity is its value in monetary terms. It makes economically calculations easy.

1 E. Question

Choose the correct answer:

The portion of income not spent on Is saving.

- A. Consumption
- B. production
- C. Distribution

Answer

Income means money received, especially on a regular basis, for work or through investment. The money out of someone's income not spent on consumption is called savings.

2 A. Question

Fill in the blanks:

..... is one of the greatest inventions of man.

Answer

Money is one of the greatest inventions of man. It helped in solving many problems related to barter system and helped in easy transactions.

2 B. Question

Fill in the blanks:

The word money is derived from the Latin word

Answer

The word money is derived from the Latin word **Moneto**

It is the surname of Roman Gog ' Junto'

2 C. Question

Fill in the blanks:

The most important function of money is that it acts as

Answer

The most important function of money is that it acts as **Medium of exchange**

It is freely used in exchange of goods and services

2 D. Question

Fill in the blanks:

Money is a convenient form of storing one's

Answer

Money is a convenient form of storing one's **Wealth**

It is because it can easily be converted into marketable asset such as land, jewelry etc.

2 E. Question

Fill in the blanks:

..... is inevitable for capital formation and economic growth.

Answer

Savings is inevitable for capital formation and economic growth.

Savings is directly linked with investment, greater the saving more the investment in an economy.

3. Question

Match the following:

1. Moneta	Old system of exchange of goods
2. Store of value	Fundamental invention
3. Savings	Money
4. Money	Function of money
5. Barter system	Contribution to economic growth

Answer

1. Moneta - Money

Moneta is the Latin term from which '**Money**' was derived

2. Store of Value – Function Of money

Money acts as a medium of storing an individual's wealth, as it can easily be converted in to marketable asset such as land, jewelry etc.

3. Savings- Contribution to economic growth

Savings is directly linked with investment, greater he saving more the investment in an economy.

4. Money – Fundamental Invention

5. Barter System - Old system of exchange of goods

It is a system of exchange of good or service in return of desired goods and services, no money was used for trading.

4 A. Question

Write brief answers:

How did Prof. Walker define money?

Answer

Professor Walker defined money as “Money is what Money does”, i.e. money is the function of its characteristics.

4 B. Question

Write brief answers:

Write briefly about the importance of money.

Answer

Following is the importance of Money:

- a. it's a medium of exchange
- b. it helps individual's store their wealth
- c. it is used as a standard for deferred payment
- d. it's a measure of value

Money is significant in all economic activities such as Savings and Investments, and in today's world, no economy can function smoothly without money.

4 C. Question

Write brief answers:

Explain the barter system.

Answer

It is a system of exchange of good or service in return of desired goods and services, no money was used for trading. Barter system of exchange was used in ancient time. When the concept of money was not properly developed in these times barter system was used.

4 D. Question

Write brief answers:

Explain the standard of deferred payments.

Answer

Money is used as a standard for future payment. Business nowadays works on credit cycle, where credit is money (good or service) utilized in advance with a promise of future payment. In such transactions money is the standard tool.

4 E. Question

Write brief answers:

Define saving and investments.

Answer

Savings is inevitable for capital formation and economic growth. The portion of income not spend on consumption is called savings.

Whereas investment means addition to the existing production capacities. Both savings and investments are interlinked.

5 A. Question

Answer in detail:

Describe the functions of money.

Answer

Following are the functions of money:

- a. Money is used as a standard for future payment. Business nowadays works on credit cycle, where credit is money (good or service) utilized in advance with a promise of future payment. In such transactions money is the standard tool.
- b. Money acts as a medium of storing an individual's wealth, as it can easily be converted in to marketable asset such as land, jewelry etc.
- c. It is freely used in exchange of goods and services, hence it's a medium of exchange
- d. It is a tool used for measurement. Money is the value of any goods and commodities. Its price is its value in monetary terms.

5 B. Question

Answer in detail:

Discuss the significance of money.

Answer

Money is significant as it has influenced all the branches of the economy, such as, production, consumption, distribution, exchange and public finance.

Money is also needed in important economic activities such as Savings and Investments, and in today's world, no economy can function smoothly without money.

5 C. Question

Answer in detail:

Write in detail about saving and investment.

Answer

Savings is inevitable for capital formation and economic growth. The portion of income not spend on consumption is called savings. Whereas investment means addition to the existing production capacities, such as buying of plant and machinery. Both savings and investments are interlinked.

If the savings are good, it will lead to good investment potential and hence, leading to economic growth.

Savings is done by the consumers, whereas investments are made by entrepreneurs.

Formative Assessment

1. Question

Prepare a chart

Prepare a chart showing Indian currencies and coins.

Answer



2. Question

Discussion:

Discuss with your friends how the system of trading is done without the use of money.

Answer

The system of trading, where money is not used for exchange of goods and services is known as barter system. It is a system of exchange of good or service in return of desired goods and services, no money was used for trading.

For example, if Rahul has a banana and his friend Ramesh has an apple, and they both exchange their commodity in return of their products, then such co-incidence of want, and trading is referred to as barter system.

3. Question

Conduct a Survey:

Conduct a survey in your locality whether exchange took place in the form of barter system.

Answer

In my locality, there is no exchange made without the use of money. Money is commonly and widely used as a medium of exchange and any economic activity and transactions are conducted through the use of money.

4. Question

Understand:

Try to understand what is “commodity money”.

Answer

Commodity money is money whose value comes from a commodity of which it is made. Example, if a coin is made of gold, the value of gold (say Rs 100) and the extrinsic value of money (say Rs 10), will be known as commodity money, (Rs 110).

5. Question

Project report:

Prepare a project report how consumer and entrepreneurs are performing for development of economy.

Answer

Savings is done by the consumers, whereas investments are made by entrepreneurs. Savings is inevitable for capital formation and economic growth. The portion of income not spent on consumption is called savings. Whereas investment means addition to the existing production capacities, such as buying of plant and machinery. Both savings and investments are interlinked.

Such activities help to generate wealth in economy, through employment and thus both consumers' who create demand for goods and services and the

entrepreneurs who fulfill this demand are performing activities to develop the economy.