

3.1 Money and banking

Name: _____ Class: _____ Date: _____

Total: 16 marks

KEY WORDS commercial banks • money • central bank
• medium of exchange • store of value

Objective

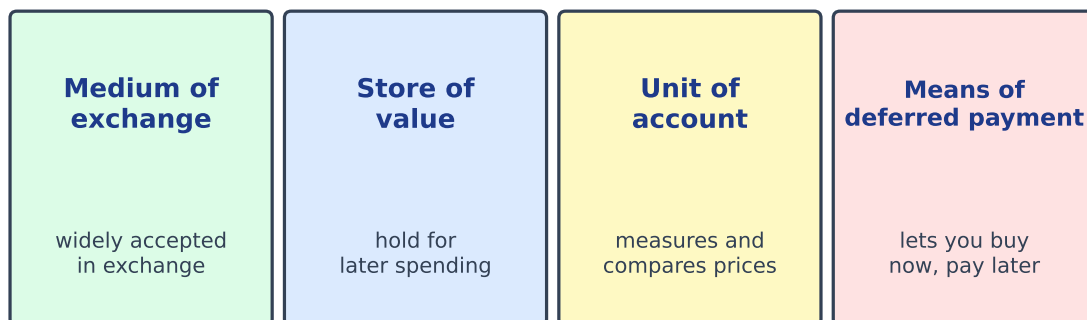
Build the skills to answer exam questions on **money and banking** – the **functions of money**, the **characteristics of money**, and the roles of the **central and commercial banks**.

You must be able to:

- state the four functions of money
- state the characteristics of good money
- explain the roles of the central bank and commercial banks

1 Key knowledge and worked examples

■ What money does



Explain the relevant function; inflation can reduce purchasing power

*Money solves the problem of **barter***

- **Four functions:** medium of exchange, store of value, unit of account, means of deferred payment.
- **Characteristics:** durable, portable, divisible, limited in supply, hard to copy, accepted.

- **Central bank** : issues notes, sets **interest rates** . **Commercial banks** : keep savings, lend, allow payments.

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State the four functions of money. [2]

2.2 Identify two characteristics of good money. [2]

2.3 State one role of a central bank. [1]

3 Exam-style questions

3.1 Money acts as a **store of value** because it: [1]

- ☐ **A** can be swapped for goods
☐ **B** keeps its value to be spent later
☐ **C** measures the value of things
☐ **D** lets people buy now and pay later

3.2 Explain why money is better than barter as a way to trade. [4]

3.3 Analyse the difference between the roles of a central bank and a commercial bank.^[6]
