IGCSE ECONOMICS • EXERCISE SHEET

3.1 Money and banking

Name: ____________ Class: ________ Date: __________ **Total: 15 marks**

Objective

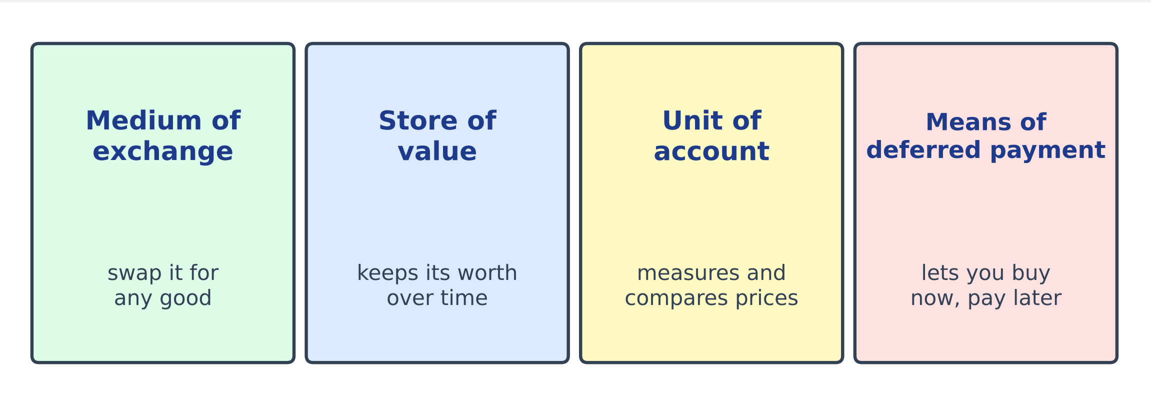
Build the skills to answer exam questions on **money and banking** 货币与银行—the **functions of money** 货币职能, the **characteristics of money** 货币特征, and the roles of the **central and commercial banks** 中央与商业银行.

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 Worked examples

■ What money does



Money solves the problem of ***barter*** 物物交换

- **Four functions: medium of exchange** 交换媒介, **store of value** 价值储藏, **unit of account** 记账单位, **means of deferred payment** 延期支付手段.
- **Characteristics:** durable, portable, divisible, limited in supply, hard to copy, accepted.
- **Central bank** 中央银行: issues notes, sets **interest rates** 利率. **Commercial banks** 商业银行: 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]

4 Go further

You are now ready for the real exam questions on this subtopic. Open the **3.1 Money and banking** past-paper sheet in the Library, or try these in **Practice mode**:

- 0455/13 N25 —Q10 (money)
- 0455/23 N25 —Q3 (banking, structured)
- 0455/13 J25 —Q1 (functions of money)

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 medium of exchange; store of value; unit of account; means of deferred payment (2 for all four; 1 for two or three).

2.2 any two of: durable; portable; divisible; limited in supply; hard to copy; accepted (1 + 1).

2.3 any one of: issues banknotes; sets interest rates; looks after the banking system (1).

3.1 **B**. A store of value keeps its value to be spent later.

3.2 *[4]* K 1 + An up to 3 —with barter you must find someone who has what you want *and* wants what you have (a "double coincidence of wants") → this is slow and difficult → money is accepted by everyone as a medium of exchange → so you can sell for money and buy what you need from anyone, making trade much easier.

3.3 *[6]* K/App/An —a central bank is the government's bank: there is one per country, and it issues notes, sets interest rates and oversees the whole banking system. A commercial bank is an ordinary bank used by people and firms: it keeps savings safe, lends money and allows payments → so the central bank runs and controls the system, while commercial banks serve customers within it.