Solutions

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

Each answer shows the steps, then the **result**.

2.1

- the four functions of money
- **medium of exchange**, **store of value**, **unit of account**, **means of deferred payment** (K)

2.2

- any **two** of: **durable** / **portable** / **divisible** / **limited in supply** / **hard to copy** / **accepted** (K, K)

2.3

- any **one** of: **issues banknotes** / **sets interest rates** / **looks after the banking system** (K)

3.1 B

- a **store of value** keeps its value to be spent **later** (K)
- A is a medium of exchange; C is a unit of account; D is deferred payment

3.2

- barter needs a **double coincidence of wants** — slow and difficult (K)
- money is accepted by everyone as a **medium of exchange** (An)
- you can sell for money and buy from anyone, so trade is much easier (An)

3.3

- a **central bank** is the government's bank: it issues notes, sets interest rates and oversees the system (K)
- a **commercial bank** serves people and firms: savings, loans and payments (An)
- the central bank **runs** the system; commercial banks **serve customers** within it (An)