IGCSE ECONOMICS • EXERCISE SHEET

3.1 Money and banking

Name: ____________ Class: ________ Date: __________ **Total: 16 marks**

KEY WORDS commercial banks 商业银行 • money 货币 • central bank 中央银行 • medium of exchange 交换媒介 • store of value 价值储藏

Objective

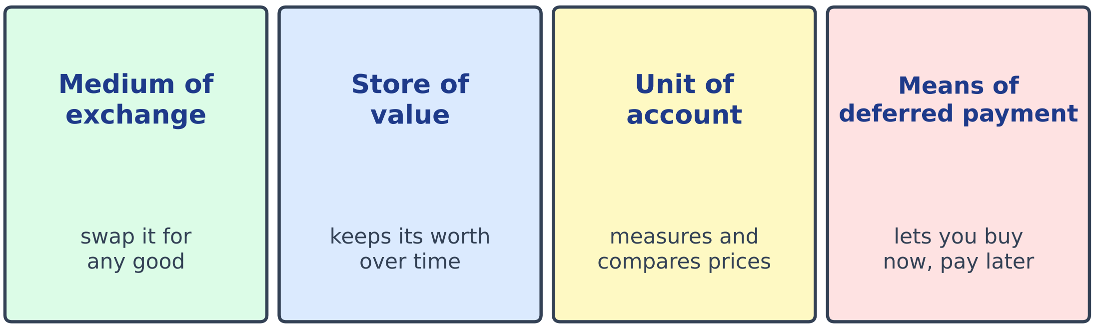
Build the skills to answer exam questions on **money and banking 货币与银行** — the **functions of money 货币职能**, the **characteristics of money 货币特征**, and the roles of the **central and commercial banks 中央与商业银行**.

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



Exam: list all four functions — medium of exchange, store of value, unit of account, deferred payment

*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]