

Chapter

Money, Savings and Investments

I. Choose the Correct Answer.

1. Which metals were used for metallic money?

- a) gold
- b) silver
- c) bronze
- d) all the above

Answer:

- d) all the above

2. Who designed the symbol (₹) of Indian rupee?

- a) Udayakumar
- b) Amartya Sen
- c) Abijith Baneijee
- d) None of these

Answer:

- a) Udayakumar

3. The value of money is

- a) Internal value of money
- b) External value of money
- c) Both a & b
- d) None of these

Answer:

- c) Both a & b

4. Which is the Bank Money?

- a) Cheque
- b) Draft
- c) Credit and Debit cards
- d) All the above

Answer:

- d) All the above

5. Pick out the incorrect one: Investment can be made in different vehicle.

- a) Stock
- b) bonds
- c) Mutual fund
- d) Pay tax

Answer:

- a) stock

6. Among the following who are responsible for Black Money?

- a) Tax evaders
- b) Hoarders
- c) Smugglers
- d) All of the above

Answer:

- d) All of the above

II. Fill in the blanks.

1. Online Banking is also known as

Answer:

Internet banking

2. is what money does.

Answer:

Money

3. Electronic banking is also known as

Answer:

NEFT

4. Credit cards and Debit cards are Money.

Answer:

Plastic

5. In the year Reserve Bank of India was established.

Answer:

1935

III. Match the Following.

1. Barter system	a) tax evaders
2. Reserve Bank act	b) Electronic Money
3. E. Money	c) Consumer's disposable income
4. Savings	d) Exchanged goods for goods
5. Black money	e) 1935

Answer:

1. Barter system	d) Exchanged goods for goods
2. Reserve Bank act	e) 1935

3. E. Money	b) Electronic Money
4. Savings	c) Consumer's disposable income
5. Black money	a) tax evaders

IV. Write the One Word Answer.

1. The word Money is derived from?

Answer:

The word Money is derived from the Roman word "Moneta Juno"

2. Who Prints and issues paper currencies in India?

Answer:

The Reserve Bank of India.

V. Choose the Correct Statement:

1. Barter system had many deficiencies like

I. Lack of double coincidence of wants

II. No difficulties of storing wealth

III. Common measure of value

IV. Indivisibility of commodities

a) I and II is correct

b) I and IV is correct

c) I, III and IV is correct

d) All are correct

Answer:

c) I, III and IV is correct

VI. Find out the odd one:

1. Recent forms of money transactions are

a) Credit card

b) Barter system

c) Debit card

d) Online banking

Answer:

b) Barter System

2. Effects of black money on the economy is

a) Dual economy

b) Undermining equity

c) No effects on production

d) lavish consumption spending

Answer:

c) No effects on production

VII. Write Short Answer:

1. What is the Barter System?

- The barter system is exchanging goods for goods without the use of money in the primitive stage.
- It is an old method of exchange.

2. What are the recent forms of money?

- ATM,
- Bank,
- Online Banking
- Mobile Banking

3. Short note on E-Banking and E-Money.

Answer:

E-Money: Electronic Money is money which exists in banking computer systems and is available for transactions through an electronic system.

E-Banking: Electronic banking, also known as National Electronic Funds Transfer (NEFT), is simply the use of electronic means to transfer funds directly from one account to another rather than by cheque or cash.

4. What are the essentials of Money in your life?

Answer:

- Money is a fundamental need of human beings.
- Money is useful to us to pay for tuition, travel, and communication, to have fun and to buy hundred of different things.
- It also used for transactions, to store wealth etc.

5. What is the Value of Money?

Answer:

The value of money is the purchasing power of money over goods and services in a country.

6. What is Savings and Investment?

Answer:

- Savings represent the part of a person's income which not used for current consumption rather kept aside for future use.
- Investment refers to the process of investment fund in a Capital asset with the view to generate returns.

7. What is meant by Black Money?

Answer:

1. Savings represents that part of the person's income which is not used for consumption
2. Investment refers to the process of investing funds in a capital asset, with a view to generating returns

8. What are the effects of black money on the economy?

Answer:

Effects of Black money on Economy are:

- Dual economy.
- undermining equality.
- Effect on production.
- Distribution of scarce resource

VIII. Write Brief Answer.

1. What are the disadvantages of the barter system?

Answer:

1. Lack of double coincidence of wants,
2. Common measure of value
3. Indivisibility of commodities
4. Difficulties of storing wealth

2. Write about the evolution of Money?

Answer:

- The word Money is derived from Roman word "Moneta Juno".
- It is the Roman goddesses and the Republic money of Roman Empire.
- The Indian Rupee is derived from Sanskrit word 'Rupya' which means silver coins.
- Today we use paper notes, coins as money.
- But evolution of this stage has not happened overnight.
- It took thousands of years to reach such a stage.
- There are many stages of evolution of money. The earliest and primitive stage is the Barter system.

3. What are the functions of Money? and explain it.

Answer:

Functions of money are classified into Primary or Main function, Secondary function, and Contingent function.

Primary or main functions:

The important functions of money performed in the very economy are classified under main functions:

1. Medium of exchange or means of payment – Money is used to buy goods and services.
2. Measure of value – All the values are expressed in terms of money it is easier to determine the rate of exchange between various type of goods and services.

Secondary functions:

The three important of secondary functions are

1. Standard of deferred payment – Money helps the future payments too. A borrower borrowing today places himself under an obligation to pay a specified sum of money on some specified future date.
2. Store of value or store of purchasing power – Savings were discouraged under barter system as some commodities are perishable. The introduction of money has helped to save it for future as it is not perishable.
3. Transfer of value or transfer of purchasing power – Money makes the exchange of goods to distant places as well as abroad possible. It was therefore felt necessary to transfer purchasing power from one place to another.

Contingent functions:

- Basis of credit
- Increase the productivity of capital
- Measurement and Distribution of National Income

4. Explain the types of Bank Deposits.

Answer:

1. Student Savings Account:

There are savings accounts some banks offer specifically for young people enrolled in high school or college, and they main feature more flexible terms such as lower minimum balance requirements.

2. Savings Deposits:

Savings deposits are opened by customers to save the part of their current income. The customers can withdraw their money from their accounts when they require it. The bank also gives a small amount of interest to the money in the saving deposits.

3. Current Account Deposit:

Current accounts are generally opened by business firms, traders and public authorities. The current accounts help in frequent banking transactions as they are repayable on demand.

4. Fixed Deposits:

Fixed deposits accounts are meant for investors who want their principle to be safe and yield them fixed yields. The fixed deposits are also called as Term deposit as, normally, they are fixed for specified period.

5. What is the difference between savings and investment?

Answer:

Basis for comparison	Savings	Investment
Meaning	Savings represent that part of the person's income which is not used for consumption.	Investment refers to the process of investing funds in capital asset, with a view to generate returns.
Purpose	Savings are made to fulfill short term or urgent requirements.	Investment is made to provide returns and help in capital formation.
Risk	Low or negligible	Very high
Returns	No or Less	Comparatively high
Liquity	Highly liquid	Less liquid

6. What are the effects of black money on the economy?

Answer:

Effects of Black Money on the economy

1. Dual economy
2. Tax evasion, thereby loss of revenue to the government.
3. Undermining equity
4. Widening gap between the rich and poor
5. Lavish consumption spending
6. Distortion of production pattern
7. Distribution of scarce resource
8. Effects on production.