

Principles of Economics (English Medium) - ICOM Part 1 Economics English Medium Chapter 12 Short Questions Preparation

Q1. What is metallic money ?

Ans 1: Metallic money consists of different types of coins which are made up of gold, silver and copper etc. In Pakistan coins of one, two, five rupees are the examples of metallic money.

Q2. How many kinds are of paper money ?

Ans 1: There are two kinds of paper money.
a. Convertible paper money.
b. Inconvertible paper money.

Q3. Define deflation.

Ans 1: When general price level decreases continuously it is known as deflation

Q4. Write characteristics of goods money material.

Ans 1: 1. General acceptability.
2. Divisibility.
3. Transferability.
4. Durability

Q5. What is bank rate ?

Ans 1: The rate of interest at which central bank re-discounts the bills of exchange of members banks.

Q6. Write any four causes of inflation.

Ans 1: 1. Deficit financing or rise in supply of money.
2. Increase in cost of production
3. Govt. development expenditures.
4. Devaluation.

Q7. What is demand pull inflation ?

Ans 1: When general price level increases due to increase in aggregate demand is known as demand pull inflation.

Q8. What is near money ?

Ans 1: Near money is that money which is not generally acceptable as a medium of exchange but it can be converted into cash money. Government securities, prize bonds, debentures and defense saving certificates are the examples of near money.

Q9. Write four functions of money.

Ans 1: 1. A medium of exchange.
2. A standard of value.
3. A store of value
4. A standard of deferred payments.

Q10. What is open market operation ?

Ans 1: When central bank sells or buys government securities in open market is known as open market operation.
