

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

Q1. 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.

Q2. Write any four bad effects of inflation.

- Ans 1:**
1. Increase in the cost of living.
 2. Decrease in savings.
 3. Decrease in exports.
 4. Increase in unequal distribution of wealth.

Q3. How many kinds are of legal tender money ?

- Ans 1:** It has two kinds:
- i. Limited legal tender money.
 - ii. Unlimited legal tender money.

Q4. 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.

Q5. What is convertible paper money ?

Ans 1: That paper money which can be converted into standard money (like gold, silver or foreign exchange) on demand. For example, in Pakistan 10, 50, 100, 500, 1000 and 5000 rupees notes are convertible paper money. This kind of money is issued by central bank.

Q6. Write any four causes of deflation.

- Ans 1:**
1. Decrease in government expenditures.
 2. Decrease in investment.
 3. Decrease in population.
 4. Decrease in wages.

Q7. What is barter system ?

Ans 1: System of exchange of goods with goods and services without using money is called barter system. For example if a person exchanges wheat with rice to another person that is called barter system.

Q8. Write characteristics of goods money material.

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

Q9. What is fiscal policy ?

Ans 1: The policy which is regulated by central government to control inflationary and deflationary situations is known as fiscal policy.

Q10. Define stagflation.

Ans 1: When general price level increases with higher unemployment level is known as stagflation.
