

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

Q1. What is inconvertible paper money ?

**Ans 1:** That kind of money which cannot be converted into standard money like gold, silver or foreign exchange on demand. This kind of money is issued by government of the country.

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. 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.

Q4. 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.

Q5. Define money.

**Ans 1:** Any thing that is generally acceptable as medium of exchange and at the same time as a measure plus store of a value is called Money.

Q6. Write any four difficulties barter system.

**Ans 1:** 1. Lack of double co-incidence of wants.  
2. Lack of common measure of value.  
3. Indivisibility of goods.  
4. Difficulty in storing of value.

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 mother person that is called barter system.

---

Q8. What is deficit financing ?

**Ans 1:** When central bank prints new currency without keeping any reserves is known as deficit financing.

---

Q9. What is meant by devaluation ?

**Ans 1:** A reduction in the fixed exchange rate between a country's currency as compared to foreign currency is known as devaluation.

---

Q10. 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.

---