

Economics - ICS Part 2 Economics English Medium Chapter 2 Online Short Questions Test

Q1. State relationship between prices and value of money.

Ans 1: There exists inverse functional relationship between prices and value of money it means value of money falls due to rise in prices and value of money rises due to fall in prices.

Q2. What is meant by near money

Ans 1: The money which is not used once for business dealings but it can be converted in net cash after a little effort, is called near money. Saving deposits, time deposits deposited in bank, Government securities, bonds, shares of firms are near money.

Q3. What is meant by money of account.

Ans 1: It means the unit of money by which the value of goods and services is expressed. Money of account of Pakistan is rupee because all people count their money in rupees. In the same way, price of all goods and services is also expressed in rupees.

Q4. Write kinds of money.

Ans 1: 1- Metallic money 2- paper money 3- Credit money
4- Legal tender money

Ans 2: 5- Near money 6- Money of account 7- Foreign exchange.

Q5. Write main instrument of credit money.

Ans 1: Promissory note, cheque, draft and bills of exchange etc.

Q6. What is credit card.

Ans 1: This is a modern kind of credit money. Bank issues credit card to its account holder on his desire. Credit card holder can buy goods on credit according to the amount written on the card from the shop and firms specified by the bank without making cash payment.

Q7. Write components of supply of money.

Ans 1: Coins, currency notes and credit money

Q8. Write formula of credit creation.

Ans 1: $\text{Primary deposit} \times 1 / \text{Cash reserve ratio}$

Q9. What are the methods of issuing of notes.

Ans 1: 1- Fixed fiduciary system 2- Proportional Reserve system.

Q10. What is meant by convertible paper money.

Ans 1: The paper money which can be converted into standard metallic money e.g. gold, silver, or foreign exchange on demand is called Convertible paper money. These notes are issued by the central bank of the country.
