

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

Q1. Write five advantages of paper money.

Ans 1: 1- Saving of metals 2- Saving of coinage

Ans 2: 3- No fall in the value 4- Easy transferability

Ans 3: 5- Elastic supply

Q2. Define legal tender money.

Ans 1: Legal tender money means the money which is legally accepted. The people of a country are bound to accept it in general dealings and payments of debts. The person who refuses to accept it is a criminal in the eye of law. He is entitled to punishment.

Q3. State the relationship between prices and value of money.

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

Q4. Explain unlimited legal tender money.

Ans 1: The kind of money which has no specific limit to be accepted by the people whatever amount of this kind of money may be, it is accepted by every one and no one can refuse it.

Q5. Write four limitations of credit creation.

Ans 1: 1- Need of cash 2- Presence of borrowers 3- Shortage of guarantees.

Ans 2: 4- Policy of central bank

Q6. What is a sight bill of exchange?

Ans 1: It is the type of bill which requires the buyer to make payment at the sight of the bill. Its procedure is this: that the seller sends the goods to the buyer by a transport company or railway. He sends the sight bill and receipt of transport company or railway to the branch of a bank of that city where the goods are sent and informs the buyer about it.

Q7. Write Fisher's equation of exchange.

Ans 1: $P = MV + M'V'/T$

Q8. Write assumptions of equatity theory of money.

Ans 1: 1- Quantity of goods should not change.
2- Velocity of cirulation of money shuld nbot clange.

Ans 2: 3- Quantity of barter trade should not change.
4- Quantity of hoaded oney shuld ot change

Ans 3: 5- Issued money should be in use.

Q9. Write main sources of supply of money.

Ans 1: 1- Individual savings 2- Public savings 3- Corporate savings

Ans 2: 4- Insurance companies

Q10. What is domestic bill of exchange.

Ans 1: If the bill of exchange is used for transaction of goods by the traders of same country then such bill is called domestic bill.
Time period of this bill may be from three months to nine months.
