

Barter and the invention of money

Fill in the Blanks

- In ancient time before money was invented, the system of exchange employed was known as _____. But it is very inconvenient and costly.
- Write the correct answers on the lines provided.

The inconvenience of barter	
1. _____.	<ul style="list-style-type: none"> The condition under which each person needs to have the goods wanted by the other person is hard to achieve.
2. Higher cost of agreeing to an exchange ratio.	<ul style="list-style-type: none"> People incur a higher cost in agreeing to an exchange ratio as goods differ in _____ and _____.
3. _____.	<ul style="list-style-type: none"> Since the heterogeneous nature of goods, it is trouble when measuring the _____ of good during trade.
4. Inconvenience of storing wealth	<ul style="list-style-type: none"> Some goods are easily deteriorate and loss their _____, so it is difficult to accumulate _____.

- Underline the INCORRECT part from each of the following and write down the correct answers.
 - A agrees to exchange his three apples for B's pineapple. B finds out two of the apples are too small in size. He wants to change the quantity of apples in the exchange. A refuses and they argue. The argument arises as the double coincidence of wants is difficult to meet in barter.

 - B wants to exchange his goat for a horse of A's. But A would like to have an ox. The exchange of goods is not possible as there is a lack of a common measure of value.

 - A believes an orange can be exchanged for ten strawberries. But B believes ten strawberries can be exchanged for a bunch of grapes. C believes an orange is good enough for one strawberry. Exchange is not possible as the double coincidence of wants cannot be met.

 - A eventually exchanges a T-shirt for B's ten strawberries. He wants to exchange the strawberries for a cap in next week. However the strawberries are rotten the next day. In barter, it is inconvenient to store wealth.

Definition and functions of money

1. Money is anything that is generally acceptable as a medium of _____ for settling _____ or _____.
2. Write the correct answers on the lines provided.

The function of money	
1. _____	<ul style="list-style-type: none"> • When money is used, goods are exchanged for money and money for goods.
2. As a store of value	<ul style="list-style-type: none"> • The _____ stored in money can be used to buy _____ and _____ in the future.
3. As a standard of deferred payment	<ul style="list-style-type: none"> • When two parties enter an agreement that involves future payment, that _____ is expressed in terms of money.
4. _____	<ul style="list-style-type: none"> • This means that the prices and value of goods and services are expressed _____.

Types of money

Write the correct answers in the lines provided.

Types of money	Definition	Examples
1. _____	_____ goods that are used as a generally accepted medium of exchange for settling transactions.	Cattle, shell, grain, salt, silk, gold, silver.
2. Convertible paper money	Fully converted into the same _____ of gold and silver.	Gold certificates or silver certificates in the ancient time.
3. _____	They are not convertible into gold or silver. Coins and paper money used today are fiat money. Even they are not convertible into gold or silver and don't carry _____ value, people trust their creditability as they are declared by the government as _____.	Hong Kong Dollar, U.S. Dollar, Australian Dollar, Japanese Yen.
4. Bank deposits	In a modern society, most of the money used is _____.	Demand deposits, _____, time deposits and _____.
5. _____	Money is stored electronically in certain _____. The expense will be directly deducted from the cash card.	Octopus, the EPS system
6. Money substitute	They are not money; they act as a _____ medium of exchange.	Credit cards, gift certificates.

Credit cards and the functions of money

1. In Hong Kong, credit cards are widely used in transactions. They can perform certain functions of money but they are not money. They are _____.
2. Credit cards is a convenient _____ as we can use them to exchange for goods and services. However, credit card payments are only welcome in some locations. They are not widely accepted as a medium of exchange.
3. Credit cards can also be used as a means of _____. Although they have no purchasing power themselves, they enable us to get goods and services first and pay for them at a future date. When future payments are due, card holders will need to settle them with _____.
4. Credit cards have no value in themselves. They cannot serve as a _____.

Types of bank deposits

Identify the services provided by various types of bank deposits by ticking the box provided below.

	With cheque books	Interest paid	With fixed interest rate	With floating interest rate	With fixed deposit period	Transferable	With ATM card
Demand deposits							
Saving deposits							
Time deposits							
Negotiable certificates of deposit							

The properties of money

There are several properties of good money:

Properties	Definition
1. _____	<ul style="list-style-type: none"> • Good money should be _____ to everyone for settling payments or debts or else it will stop being a medium of exchange.
2. _____	<ul style="list-style-type: none"> • The supply of money should be _____ to ensure that it will be an effective medium of exchange. • It can also prevent the rise of price level and reduction of _____.
3. _____	<ul style="list-style-type: none"> • Good money should be durable to withstand the wear and tear during transactions. If it wears out easily, it will be more inconvenient and costly to use money in transactions.
4. _____	<ul style="list-style-type: none"> • Money should be easy to carry to reduce the cost and trouble of using money.
5. _____	<ul style="list-style-type: none"> • Money needs to be divisible into small _____. • This helps lower the cost and trouble of using money.
6. _____	<ul style="list-style-type: none"> • It should possess uniform physical characteristics that are easily distinguished.

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