

SHORT QUESTION

Q.1. Define Barter system.

Barter system is a system where **goods are exchanged directly for goods without money.**

Example: Wheat exchanged for cloth.

Q.2. Write three difficulties of barter system.

1. Double coincidence of wants
 2. Lack of standard value
 3. Indivisibility of goods
-

Q.3. What is money?

Money is **anything generally accepted for exchange of goods and services.**

Example: Rupees.

Q.4. Write the four duties of money.

1. Medium of exchange
 2. Measure of value
 3. Store of value
 4. Standard of deferred payments
-

Q.5. Money is medium of exchange. How?

Money is accepted by all to buy goods and services, avoiding barter.

Example: Buying fruits from the market with cash.

Q.6. Write four characteristics of good money.

1. Durability
2. Portability
3. Divisibility

4. Acceptability

Q.7. Give three examples of bank money.

1. Cheques
 2. Credit cards
 3. Demand drafts
-

Q.8. How money plays a role as a source of government payments?

Government collects taxes, fines, and fees in money, which can be used for public services.

Example: Tax collected in rupees used for building roads.

Q.9. What is meant by homogeneity as a feature of money?

All units of money are **identical in value and appearance.**

Example: Every 100 rupee note has the same value.

Q.10. Explain lack of store of value as difficulty of barter system.

In barter system, **goods like fruits or vegetables cannot be stored for a long time** and may spoil, making it difficult to save wealth.

Example: Farmer cannot store 50 kg of wheat for a year to trade later because it may rot.

LONG QUESTION

Q.1. What is meant by barter system? State difficulties/inconveniences of barter system.

Definition of Barter System

Barter system is an **ancient method of exchange** in which goods are exchanged directly for other goods **without using money.**

Example:

A farmer gives 5 kg of wheat to a tailor in exchange for one shirt.

Difficulties/Inconveniences of Barter System

1. **Double coincidence of wants**
Both parties must want what the other offers.
Example: The farmer wants a shirt, and the tailor wants wheat at the same time.
 2. **Lack of standard value**
Difficult to determine fair exchange value.
Example: How many kg of wheat equals 1 shirt?
 3. **Indivisibility of goods**
Some goods cannot be divided easily.
Example: Cannot divide a cow to exchange for grain.
 4. **Lack of store of value**
Perishable goods cannot be stored for long.
Example: Fruits may spoil before trade.
 5. **Difficulty in future payments**
Barter cannot easily support credit transactions.
Example: Paying wheat after 1 month is difficult.
 6. **Transport problems**
Exchanging bulky goods is inconvenient.
Example: Moving 100 kg of wheat to trade.
-

Q.2. What is meant by money? Explain important functions of money.

Definition of Money

Money is **anything widely accepted as a medium of exchange** for goods and services. It facilitates trade and overcomes the problems of the barter system.

Example:

Rupees in Pakistan, Dollars in the USA.

Important Functions of Money

1. **Medium of Exchange**
Money is used to buy and sell goods.
Example: Buying groceries with cash instead of exchanging wheat.

2. **Measure of Value / Standard of Value**

Money gives a common measure to compare values of goods.

Example: A shirt costs 200 rupees, and wheat costs 50 rupees per kg.

3. **Store of Value**

Money can be saved for future use without losing value.

Example: Keeping cash in a bank account for future expenses.

4. **Standard of Deferred Payments**

Money is used to settle debts in the future.

Example: Paying rent after one month.

5. **Unit of Account**

Money helps in keeping accounts and recording transactions.

Example: Business accounts show profits and losses in rupees.

6. **Legal Tender**

Money is recognized by law as acceptable for payment.

Example: Government accepts rupees for taxes.

EXAM CHAMBER