

random idea

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****Commercial Money****

Commercial money is a type of money that is used in commerce and trade. It is generally accepted as a medium of exchange and a store of value. Commercial money is typically issued by a central authority, such as a government or a central bank.

• *Characteristics of Commercial Money:*

- ****Universally accepted:**** It can be used to purchase goods and services in various places.
- ****Stable value:**** Its value remains relatively constant over time, making it a reliable store of value.
- ****Easily divisible:**** It can be subdivided into smaller units for convenience in transactions.
- ****Durable:**** It can withstand wear and tear during frequent use.
- ****Convenient:**** It is easy to carry and use in various transactions.

• *Functions of Commercial Money:*

- ****Medium of exchange:**** Facilitates transactions by eliminating the need for barter.
- ****Store of value:**** Allows individuals and businesses to save money for future use.
- ****Unit of account:**** Provides a common denominator for comparing the value of different goods and services.
- ****Standard of deferred payment:**** Facilitates contracts and borrowing arrangements, as its value remains stable over time.

• *Types of Commercial Money:*

- ****Fiat currency:**** Money that is issued by a government and declared to be legal tender. Its value is not backed by a physical commodity, but by the trust in the issuing authority.
- ****Commodity money:**** Money that has intrinsic value as a commodity, such as gold or silver. Its value is determined by its scarcity and desirability.
- ****Banknotes:**** Paper notes issued by a central bank and usually backed by the government or other valuable assets.
- ****Demand deposits:**** Money held in bank accounts that can be withdrawn on demand.

• *Advantages of Commercial Money:*

- Facilitates economic transactions efficiently.
- Provides a stable measure of value.
- Enables savings and investment.

- Promotes economic growth and stability.

- ***Disadvantages of Commercial Money:****

- Can be prone to inflation or deflation.
- Can be subject to counterfeiting and fraud.
- May not be universally accepted in all countries.