***Assignment***

Q1.

Finance refers to sources of **money** for a **business**. Firms **need** finance to: start up a **business**, eg pay for premises, new equipment and advertising. run the**business**, eg having enough **cash** to pay staff wages and suppliers on time.

#### 1. Function # 1. A Medium of Exchange:

The only alter­native to using money is to go back to the barter system. However, as a system of ex­change the barter system would be highly impracticable today.

For example, if the baker who supplied the green-grocer with bread had to take payment in onions and carrots, he may either not like these foodstuff or he may have sufficient stocks of them.

#### 2.Function # 2. A Measure of Value:

Under the barter system, it is very difficult to measure the value of goods. For example, a horse may be valued as worth five cows or 100 quintals of wheat, or a Maruti car may be equivalent to 10 two- wheelers. Thus one of the disadvantages of the barter system is that any commodity or service has a series of exchange values.

#### 3. Function # 3. A Store of Value (Purchasing Power):

A major disadvantage of using commodities — such as wheat or salt or even animals like horses or cows — as money is that after a time they deteriorate and lose economic value. They are, thus, not at all satisfactory as a means of storing wealth. To realise the problems of saving in a barter economy let us consider a farmer. He wanted to save some wheat each week for future consumption. But this would be of no use to him in his old age because the ‘savings’ would have gone off.

#### 4.Function # 4. The Basis of Credit:

Money facilitates loans. Borrowers can use money to obtain goods and services when they are needed most. A newly married couple, for example, would need a lot of money to completely furnish a house at once. They are not required to wait for, say ten years, so as to be able to save enough money to buy costly items like cars, refrigerators, T.V. sets, etc.

#### 5.Function # 5. A Unit of Account:

An attribute of money is that it is used as a unit of account. The implication is that money is used to measure and record financial transactions as also the value of goods or services produced in a country over time. The money value of goods and services produced in an economy in an accounting year is called gross national product. According to J. R. Hicks, gross national product is a collection of goods and services reduced to a common basis by being measured in terms of money.

#### 6.Function # 6. A Standard of Postponed Payment:

This is an extension of the first function. Here again money is used as a medium of exchange, but this time the payment is spread over a period of time. Thus, when goods are bought on hire-purchase, they are given to the buyer upon payment of a deposit, and he then pays the remaining amount in a number of installments.

**Q2.**

## Qualities of a Good Money Material

1. General acceptability: A good money material must be generally acceptable. People should not hesitate to exchange their goods for the material. Precious metals like gold and silver are always acceptable.
2. Portability: A satisfactory money material must be of high value for its bulk. Since it has to be moved about from place to place, it must be possible for us to carry it from one place to another without difficulty, expense, or inconvenience. Precious metals such as gold and silver are satisfactory in this regard. Even paper money is ideal in this regard. Iron, for instance, would not be satisfactory in this respect.
3. Cognizability: The material used as money should be easily recognizable. Gold and silver, for example, can be easily recognized by their color and heavy weight for small bulk.
4. Durability: The material used as money should not deteriorate. The early forms of money such as corn, fish, and skin were unsuitable in this regard. Gold coins will last many hundreds of years.
5. Divisibility: The material must be capable of division without difficulty and without loss of value on account of division. Metals have this advantage.
6. Homogeneity: All coins of the material should be of the same quality. One coin should not be superior to another.
7. Malleability: A material must be capable of being moulded without much difficulty. Even if a material is divided into a number of pieces, they must be capable of being reunited without loss. Gold is excellent for such purposes.
8. Stability of value: This is another important quality of a good money material. Commodities, which are subject to violent changes in supply and demand, are unfit for money. For, the value of money, like any other thing, is determined by its supply and demand. If there are violent changes in its supply and demand, its value is not likely to be stable. Since money is used as a store of value and standard of deferred payments, it cannot perform these two functions well, if there is no stability of value for money. If money goes on losing its stability of value, it will not be accepted as money.

**Q3.**

**a. quasi money**

A term used to describe highly [liquid assets](http://www.investorguide.com/definition/liquid-assets.html) other than [Cash](http://www.investorguide.com/definition/cash.html)that can be quickly exchanged for cash. Examples of quasi money would [include](http://www.investorguide.com/definition/include.html) [bank account](http://www.investorguide.com/definition/bank-account.html) balances, Certificates of [deposit](http://www.investorguide.com/definition/deposit.html) and U.S. Treasury Bills. The amount of quasi money in an [economic](http://www.investorguide.com/definition/economic.html) is often used by central bankers, economists and fundamental forex traders to [compute](http://www.investorguide.com/definition/compute.html) the current [level](http://www.investorguide.com/definition/level.html) of the [money supply](http://www.investorguide.com/definition/money-supply.html) in a country. also called [near money](http://www.investorguide.com/definition/near-money.html).

Near **money** (synonym: **quasi**-**money**) is a term used in economics to describe highly liquid assets which are not **cash** but can easily be converted into **cash**. Examples of near **money** are as follows: Savings accounts. **Money funds**. Bank time deposits (certificates of deposit)

b. Bitcoin is a digital currency (also called crypto-currency) that is not backed by any country's central bank or government. Bitcoins can be traded for goods or services with vendors who accept Bitcoins as payment. Bitcoin-to-Bitcoin transactions are made by digitally exchanging anonymous, heavily encrypted [hash](https://searchsqlserver.techtarget.com/definition/hashing) codes across a peer-to-peer ([P2P](https://searchnetworking.techtarget.com/definition/peer-to-peer)) network. The P2P network monitors and verifies the transfer of Bitcoins between users. Each user's Bitcoins are stored in a program called a digital [wallet](https://whatis.techtarget.com/definition/wallet), which also holds each address the user sends and receives Bitcoins from, as well as a [private key](https://searchsecurity.techtarget.com/definition/private-key) known only to the user.