**Qno1:**

**What is money? And why it is important in economy?**

**Ans:**

Money is anything which is generally accepted has a medium of exchange , measure of value, store of value, and means for standard of deferred payments.

OR

Money is anything which law says money.

**Functions of money,**

Money is medium of exchange

Measure of value (price)

Store of value

Standard of deferred payments

**Money importance in economy,**

Money plays an important role in the economy because money is the main element on which the economy is running. In the economy today money performs several functions. Money serves as a standard of value in which other values are measured. Money is a store of value, that is, the means in which wealth can be held. It acts as a standard for deferred payments.

However, the most important function of money which distinguishes it from other goods is that it serves as a medium of exchange. That is, money is a means of payment for goods and services. It is this use of money that distinguishes a monetary economy from a barter economy. A monetary economy is one in which goods are sold for money and money is used to buy goods.

**Qno2**

**What is barter system, why it vanished?**

**Ans:**

It is a type of economy in which there exists direct exchange of goods and service without the involvement of money.

In this system a commodity is exchange with another.

For example,

If I have apples and I need bananas so according to barter system I would have to find a person who have bananas and he needs apples so then I will give my apples to him in exchange of bananas

**Why did the barter system vanished?**

Barter system have some limitations that is why it vanished the limitations are following,

**Lack of double coincidence**

It means that both of them should agree to buy one another commodity which was hard to find.

**Lack of common measure of value(no price)**

**Lack of divisibility**

Many things that can not be divided there exchange was difficult. For example animals

**Lack of store of value**

In case of barter system value could not be store for future.

**Lack of standard of deferred payments** .

In case of barter system deferred payments were not possible .

**Qno3**

**Functions of money?**

**Ans**,

Medium of exchange

Measure of value

Store of value

Standard of deferred payments

**Medium of exchange:**

Money can be used for buying and selling goods and services. If there were no money, goods would have to be exchanged through the process of barter. For example: If I raise chickens and want to buy cows, I would have to find a person who is willing to sell his cows for my chickens. Such arrangements are often difficult. But Money eliminates the need of the double coincidence of wants.

**Standard of Deferred Payments:**

Money as a standard of deferred payments means that money acts as a ‘standard’ for payments, which are to be made in future. Every day, millions of transactions take place in which payments are not made immediately. Money encourages such transactions and helps in capital formation and economic development of the economy.

**Store of Value**

Money serves as a store of value. Because people are confident that money keeps its value over time, they’re willing to save it for future exchanges.

## **Measure of Value**

## Money simplifies exchanges because it serves as a measure of value. We state the price of a good or service in monetary units so that potential exchange partners know exactly how much value we want in return for it. This practice is a lot better than bartering because it’s much more precise than an ad hoc agreement that a day’s work in the field has the same value as three meals.

**Qno3**

**What are financial markets and what are there roles in economic development?**

**Ans:**

Financial markets is the marketplace where buyer and seller creates and exchange financial securities /assets such as shares, debentures, bonds etc.

There are two main sectors,

**Households sector,**

These are the one who saves the money like as our parents do these are also called savers.

**Businesses firms**

They always need funds.

Financial market creates a link between the house hold and the business firms.

The household will keep there money in bank if the firm need funds they go and ask for loan from the bank or the household will go and invest there money in the market.

**Roles in economic**

For any country who want to attain economic development so it need more investment and production. This can happen only when there is a facility for savings. When these savings are float into the market in the form of investment. Here, the role of financial institutions is important, since they induce the public to save by offering attractive interest rates. Than these savings or investment Are given to the firms which are involved in production and distribution. So this helps the economy grow.

**Qno3b**

**What are the causes of inflation in Pakistan?**

In Pakistan the main cause of inflation is the regular increase in the daily used items like oil , sugar ,etc. The second main factor is the increase the price if oil has the price if the oil it increase its increase the price of main more items that are related with oil. The third one is the industries most the industries in Pakistan are closed due to government policy which have caused unemployment .

* Corruption .
* The excessive amount of printing of bank notes.
* Bad political situation.

**Remedies of inflation in Pakistan**

* Output Growth rate should be increased
* The flow of money should b control
* Government must take steps to eliminate corruption
* Population should be controlled
* Agriculture sector should be developed
* Industrial sector should be developed