**Economics – Ms. Gardner Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Chapter 11 Homework Scored by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Money and Banking Total Points \_\_\_\_\_\_\_\_/75**

**1. List the Functions and Characteristics of Money below: (\_\_\_\_\_\_\_\_/7)**

|  |  |
| --- | --- |
| **3 Functions of Money:** | **4 Characteristics of money:** |
|  |  |

**2. Determine whether each statement below is true or false. Circle your answer. (\_\_\_\_\_/10)**

|  |  |  |  |
| --- | --- | --- | --- |
| **1.** | **T** | **F** | **Silver is an example of fiat money** |
| **2.** | **T** | **F** | **Commodity money has no intrinsic value** |
| **3.** | **T** | **F** | **Anything can be money, as long as people will accept it in exchange for resources, goods, services, or in repayment of debts** |
| **4.** | **T** | **F** | **Good money must be durable, abundant, and easy to transport** |
| **5.** | **T** | **F** | **Money functions as a medium of exchange, a store of value, and a unit of account** |

**3. Indicate which function of money is described in each problem below: (\_\_\_\_\_\_\_\_\_/12)**

|  |  |
| --- | --- |
| **Situation** | **Function of Money:** |
| **John wants a new car and he owns a painting. The car dealership doesn’t want his painting. He sells his painting for money and then spends that money on the car he wants** |  |
| **2. Mark bought a house for $200,000. Five years later, he sold it for $280,000. Although the house is not money, which function of money does it serve?** |  |
| **3. Suppose that teachers are willing to receive their pay in the form of Twinkies. Each Twinkie serves which function of money?** |  |

**4. For each statement below, identify which characteristic of money explains why the**

**statement is true: (\_\_\_\_\_\_\_\_\_/10)**

|  |  |
| --- | --- |
| **Statement:** | **Characteristic of Money:** |
| **A coin is a better form of money than a boat** |  |
| **Silver is a better form of money than gravel** |  |
| **A coin is a better form of money than a white rose** |  |
| **Dollar bills are a better form of money than water** |  |
| **A coin is a better form of money than a house** |  |

**5. Identify the major components of the money supply: (Text, pg. 430) (\_\_\_\_\_\_\_\_/10)**

|  |  |
| --- | --- |
|  | **Major components:** |
| **M1** |  |
| **M2** |  |

**6. Matching. Match the letter of each term in the column on the left to the MOST ACCURATE description in the column on the right. (\_\_\_\_\_\_\_\_\_/14)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Term:** |  |  | **Description:** |
| **a.** | **Fiat money** | **1.** |  | **Anything that people will accept in return for resources, goods, services, or in debt repayment.** |
| **b.** | **Money** | **2.** |  | **Money that has an alternative use as an economic good** |
| **c.** | **Legal tender** | **3.** |  | **Money by government decree** |
| **d.** | **Demand deposits** | **4.** |  | **Fiat currency that must be accepted in payment for debts** |
| **e.** | **Deregulation** | **5.** |  | **Funds that can be removed from a bank by writing a check** |
| **f.** | **Creditor** | **6.** |  | **The removal or relaxation of government restrictions** |
| **g.** | **Commodity money** | **7.** |  | **A person or institution to whom money is owed** |

**7. In each group below, identify the one item that does not belong and cross it out. Then explain how the remaining three are related: (\_\_\_\_\_\_\_\_\_/12)**

|  |  |
| --- | --- |
| **Group:** | **Explanation of how remaining three are related:** |
| **Durability**  **Accountability**  **Portability**  **Divisibility** |  |
| **Medium of exchange**  **Store of value**  **Measure of wealth**  **Measure of Value** |  |
| **Savings deposits**  **Demand deposits**  **Coins and currency**  **Traveler’s checks** |  |