



# Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

Revision Class-10<sup>th</sup>

(Based on N C E R T pattern)

Date:- 12.10.XX.

Economics

Money and credit

**1. How does money solve the problem of double coincidence of wants? Explain with an example.**

Or

**What is meant by the double coincidence of wants? Explain with an example.**

**Ans. (1)** When there was a barter system, exchanging of goods was difficult. The demand of two persons for each other's commodity should have raised at the same time, otherwise, the exchange was not possible. This is called double coincidence of wants.

(2) Money by providing the crucial intermediate step eliminates the need for double coincidence of wants.

(3) For example, it would not be necessary for the farmer to look for cloth manufacturer who will buy his grains and at the same time, sell him the cloth. Thus, money has solved this problem because now people do not have to search for one who will be ready to exchange his goods. This is because now money acts as a medium of exchange.

**2. What was the shortcoming of the barter system that led to the evolution of money as a medium of exchange?**

Or

**How can money easily exchange it for goods or services? Give example to explain.**

**Or**

**Do you think money makes it easier to exchange things? Explain with the help of an example.**

**Ans.** (1) A person holding money can easily exchange it for any commodity or service that he or she might want. Everyone prefers to receive payments in money and then exchange the money for things that he/she wants.

(2) When there was a barter system, exchanging goods was very difficult. The demand of two persons for each other's commodity should have raised at the same time, otherwise, the exchange was not possible. This is called double coincidence of wants.

(3) Money had solved this problem because now people do not have to search for one who will be ready to exchange his goods. This is because money acts as a medium of exchange.

**3. What is the Barter System? Explain by giving examples.**

**Ans.** (1) Barter system can be defined as a transaction system wherein goods are directly exchanged without the use of money. In this system, the demand of two persons for each other's commodity should have raised at the same time. Otherwise, the exchange was not possible. This is called double coincidence of wants.

(2) (i) For example, a bookseller sells his books in exchange for wheat. In this case, both parties i.e., bookseller and wheat farmer have to agree to sell and buy each other's commodities.

(ii) Double coincidence of wants is an essential feature of this system.

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