



Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

Class-10th

(Based on N C E R T pattern)

Date:- 31.08.XX.

Economics

Money and credit

Question 1.

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

Answer:

Money acts as a medium of exchange. Money can be exchanged for any kind of commodity or service of one's choice or need. Before money was introduced, people practised barter system. They exchanged goods with each other.

Example, A farmer could buy a dhoti from a weaver or a pair of shoes from a cobbler in exchange of grains he produced.

1. The problem with the barter system was that both the parties had to agree to sell and buy each other's product. This is known as double coincidence of wants.
2. In barter system, where goods are directly exchanged without the use of money, it is essential that there is a double coincidence. Double coincidence is a situation where two persons need or desire to have each other's product.
3. Money solves this problem as with money we can buy whatever we want and whenever we want, without having to exchange something in return.

Question 2.

How is money used in everyday life? Explain with examples.

Answer:

- Money plays a central role in our daily life. It is used as a medium of exchange to carry out transactions.
- Money buys us food, clothing, shelter and other basic necessities of life.
- Money provides us social security. It is needed to procure services like transport, education, healthcare, entertainment, recreation, and so on. Money facilitates business and trade and is the basis of the working of an economy.

Question 3.

Explain with examples, how people are involved with the banks.

Answer:

- Banks help people to save their money and keep their money in safe custody of the bank. Banks accept deposits from the public and also help people to earn interest on their deposits.
- People can withdraw the money deposited with the bank at the time of their need. As the money can be withdrawn on demand, these are called demand deposits.
- Banks also grant loans to people for a variety of purposes. In times of need individuals, business houses and industries can borrow money from the banks.

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