**The Functions of Money**

In groups, consider the answers to the following questions in order to explore the functions of money.

|  |  |
| --- | --- |
| **Function** | **Details** |
| Medium of Exchange |  |
| Measure of Value |  |
| Deferred Payment |  |
| Store of Value |  |

**Mr Wilson’s Thinking Further Challenge**The latest set of banknotes has increased security features. Why is it important to make money difficult to counterfeit, in order to stabilise the supply?

**Medium of exchange**

*What would happen in a barter economy with no money?*

*What are the problems with this?*

*What is meant by the* ***double coincidence of wants****?*

**Measure of value**

*How does money help us compare the values of different goods/services?*

*What would happen to money’s ability to compare values if i****nflation*** *occurred (increasing prices of goods and services)?*

*In a bartering system, why would it be difficult to compare the value of different goods and services with one another?*

**Deferred Payment**

*How does the value of money allow for banks to lend money to businesses and consumers, which is then paid back in the future?*

*How does money allow for contracts to be created?*

*Why is it beneficial for businesses to arrange future transactions?*

*If inflation (increasing prices of goods and services) occurred, how might this impact upon the ability to make deferred payments?*

**Stored Value**

*How does the value of money allow for a worker to delay the purchase of goods and services, instead of buying everything as soon as they are paid?*

*What would happen in this situation if high inflation occurred (increasing prices of goods and services)?*

*Explain how inflation can decrease the value of money.*