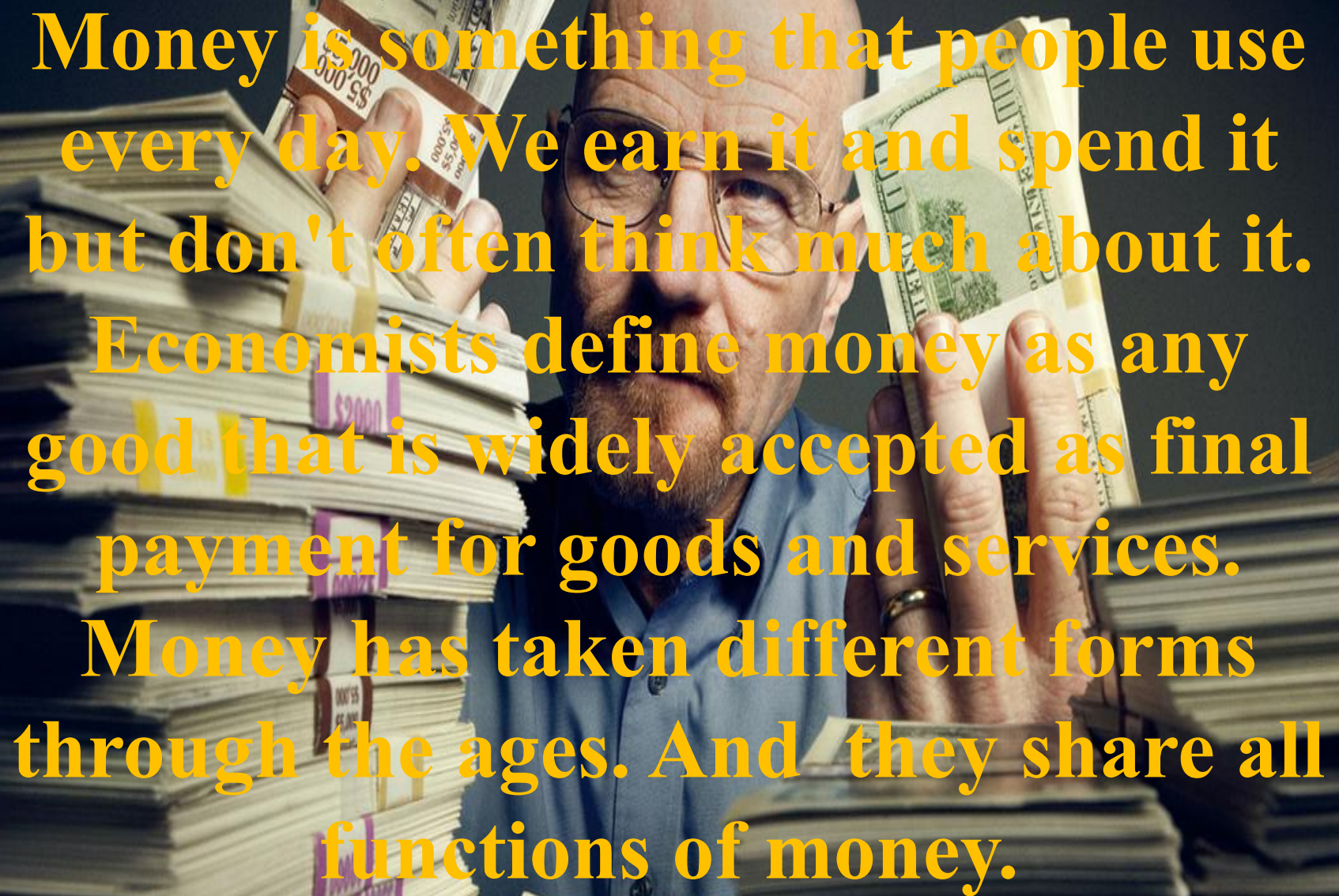




Money and its functions

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Money is something that people use every day. We earn it and spend it but don't often think much about it. Economists define money as any good that is widely accepted as final payment for goods and services. Money has taken different forms through the ages. And they share all functions of money.

Money: Functions

Primary



A Medium of Exchange



A Measure of Value

Secondary



Store of Value



Deferred Payments



Transfer of Value

Contingent



Basis of Credit



Income distribution



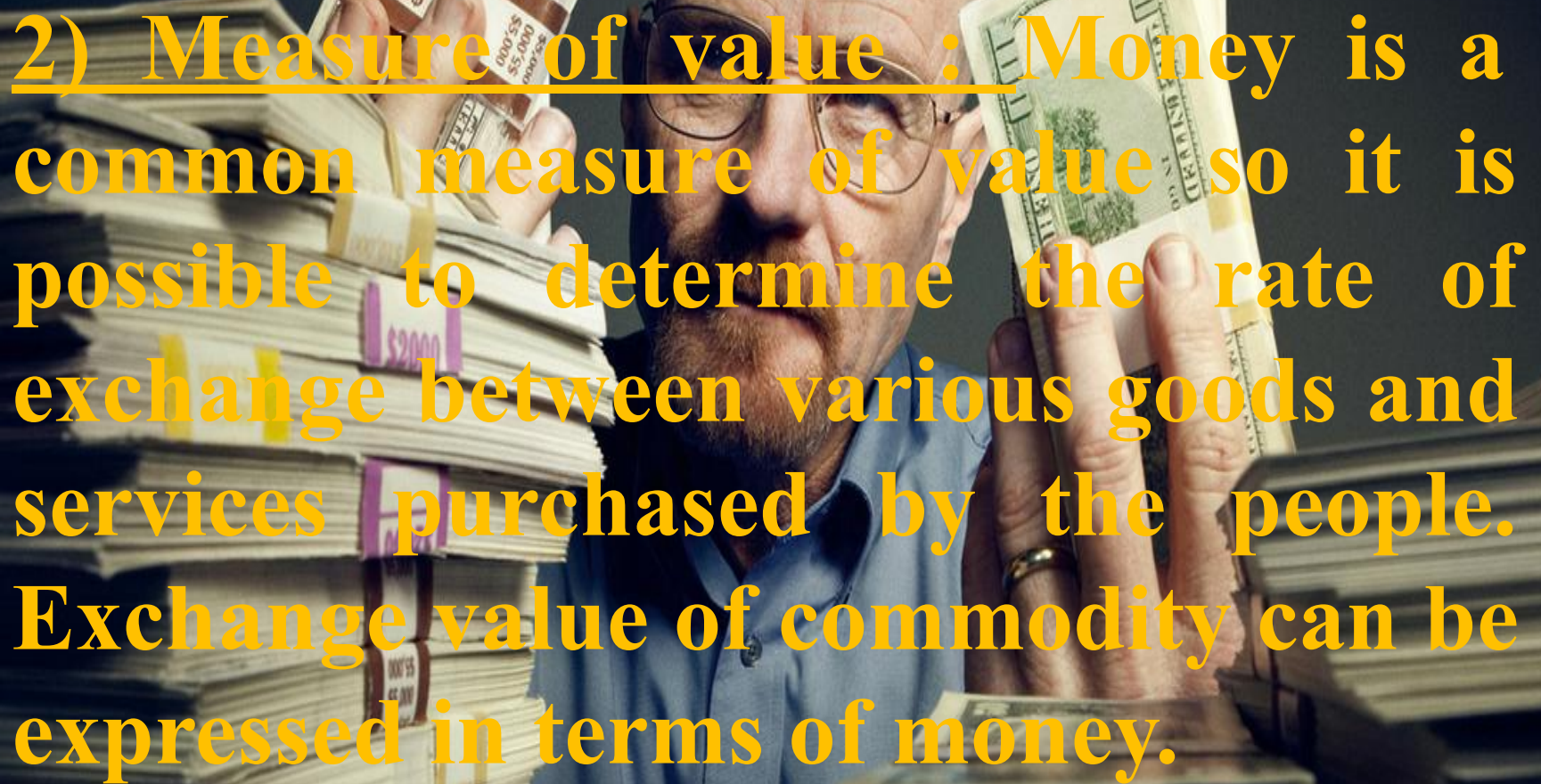
Equalize Marginal utility

mrunal.org

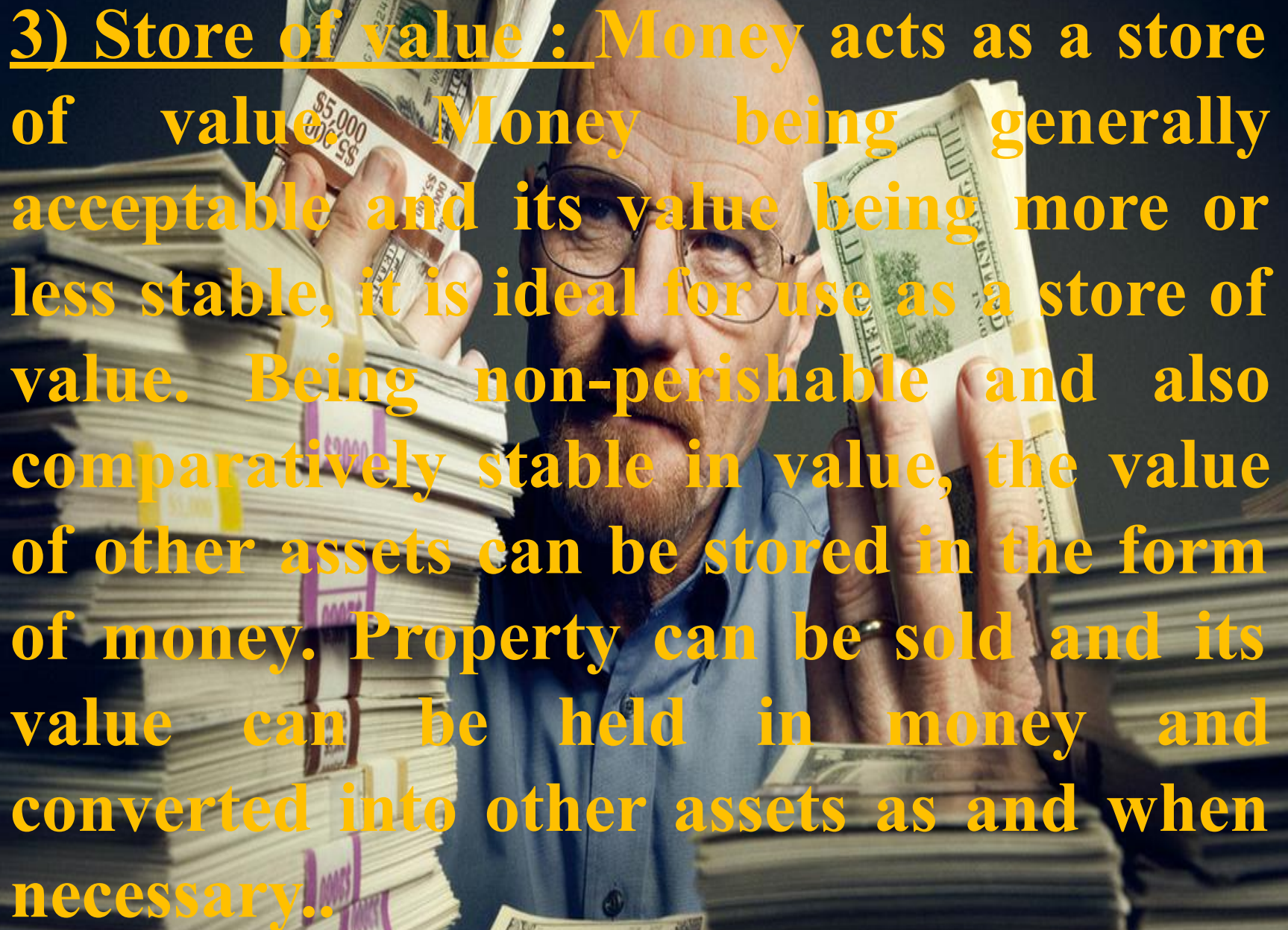
Functions of Money



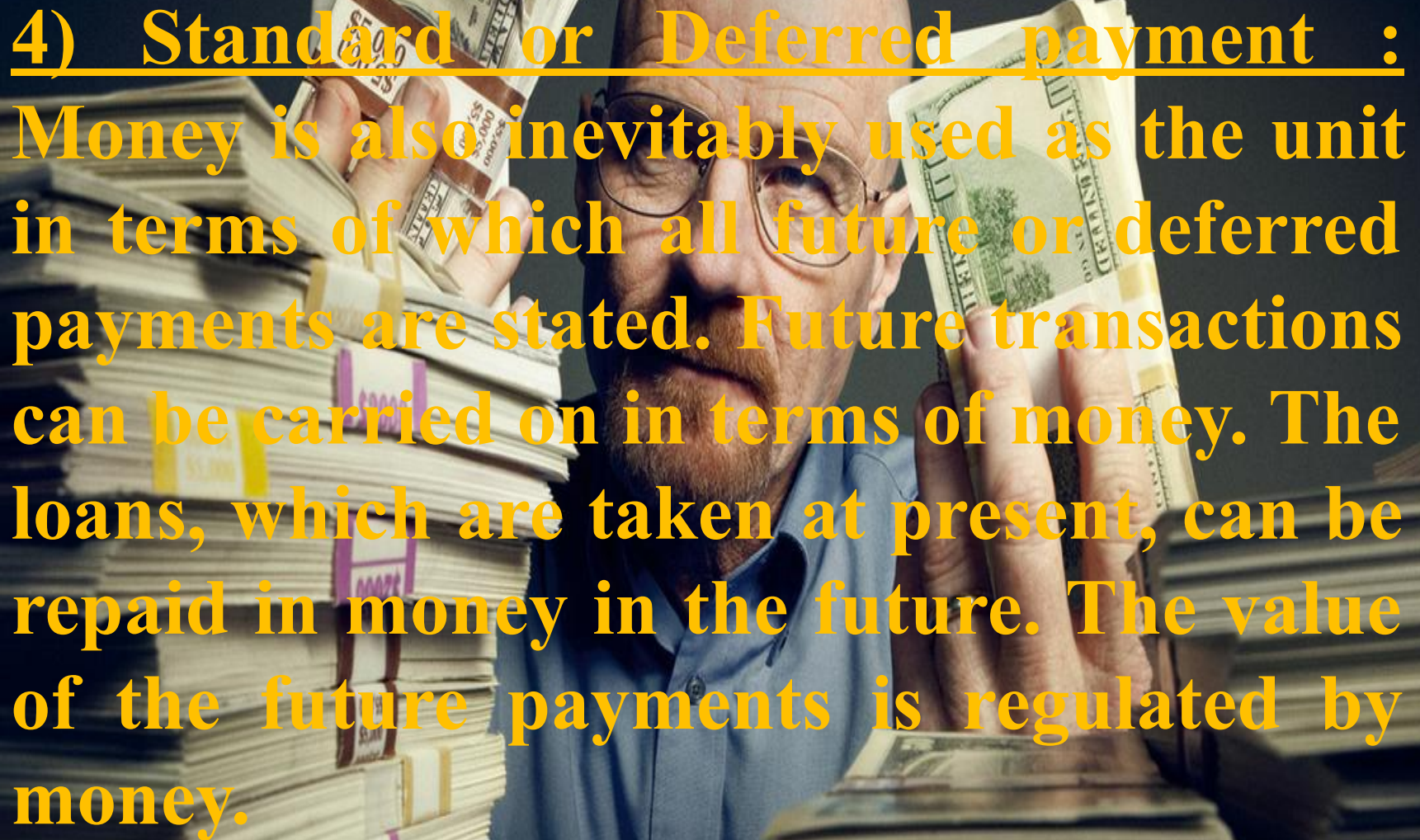
1) Medium of exchange : Money acts as a medium of exchange as it's generally accepted. On the payment of money, purchase of goods and services can be made i.e. goods and services are exchanged for money. Money bifurcates buying and selling activities separately so it facilitates the exchange transactions.



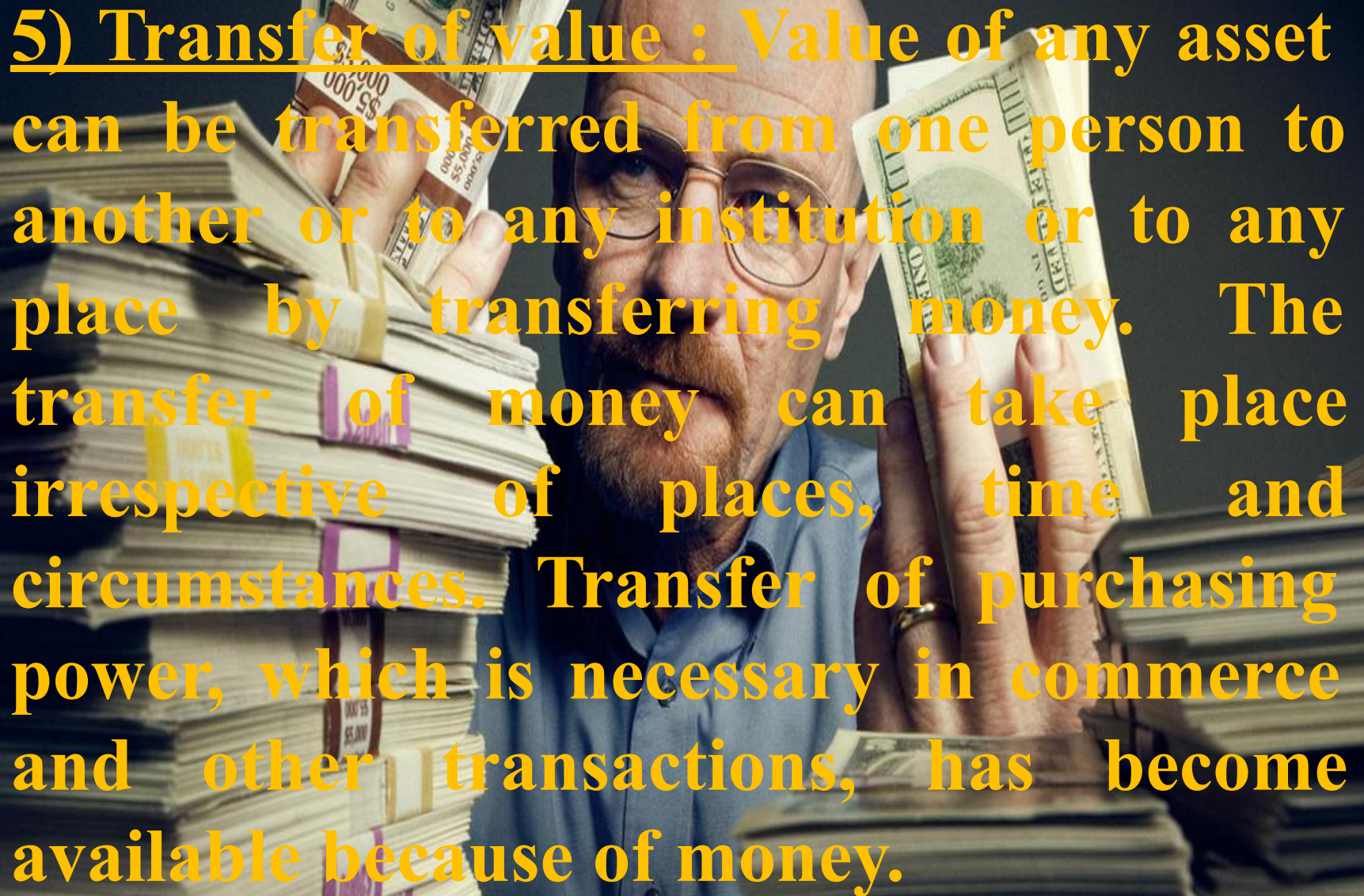
2) Measure of value : Money is a common measure of value so it is possible to determine the rate of exchange between various goods and services purchased by the people. Exchange value of commodity can be expressed in terms of money.



3) Store of value : Money acts as a store of value. Money being generally acceptable and its value being more or less stable, it is ideal for use as a store of value. Being non-perishable and also comparatively stable in value, the value of other assets can be stored in the form of money. Property can be sold and its value can be held in money and converted into other assets as and when necessary..



4) Standard or Deferred payment :
Money is also inevitably used as the unit in terms of which all future or deferred payments are stated. Future transactions can be carried on in terms of money. The loans, which are taken at present, can be repaid in money in the future. The value of the future payments is regulated by money.



5) Transfer of value : Value of any asset can be transferred from one person to another or to any institution or to any place by transferring money. The transfer of money can take place irrespective of places, time and circumstances. Transfer of purchasing power, which is necessary in commerce and other transactions, has become available because of money.