



Pakistan School
Kingdom of Bahrain

**A warm welcome to all
the students to our
virtual class.**

We are going to start our First online economics class today. I hope we all will enjoy and learn.

❖ Rules for class:

- 1) Be on time for all your classes.
- 2) Respect all the participants of the class.
- 3) Do not create any disturbance.
- 4) Pay attention to your teacher.
- 5) Raise hand if you have a question.
- 6) Enter the class with your actual name to mark your attendance.
- 7) Ask only relevant questions to topic taught.

Chapter 9

Money

Brainstorming

- ▶ Short Question Answer
- ▶ How we measure the value of Goods?
- ▶ How we standard the value of deferred payments with the help of Money?
- ▶ Why Money concept is better than the Barter system?

Lesson Objectives:

- ▶ By the end of this part of lesson, students will be able to:
 1. Categorized the Different Kinds of Money.
 2. Determine the kinds of Credit Money.

Money

Definition of Money

- “Anything which is widely accepted in payments for goods or in discharge of other kinds of business obligations.”

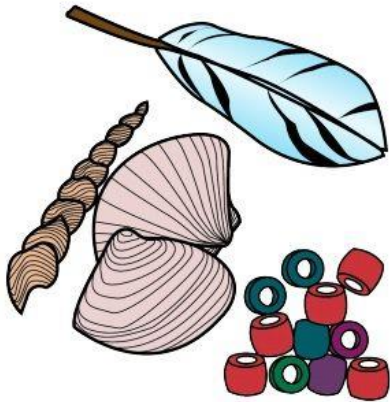
Or

- Anything that is generally acceptable as a means of exchange and that at the same time acts as a measure and a store of value.



History of Money

TIMELINE: THE HISTORY OF MONEY



**Feathers, shells,
beads**



**Gems, precious
metals, coins**



Money Today

PAST

PRESENT

Kinds of Money

▶ Basically there are three kinds of Money

▶ **Metallic Money**

▶ **Paper Money**

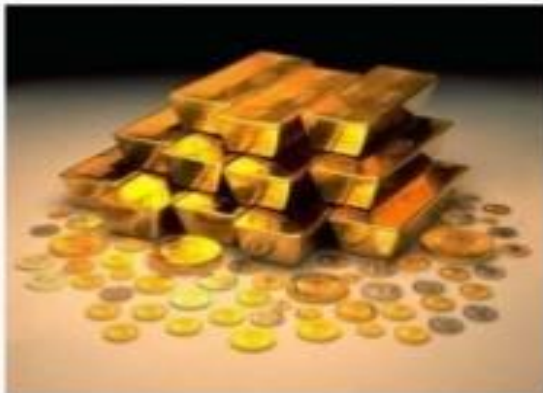
▶ **Credit Money**

Metallic Money

2. METALLIC MONEY

The next step in the evolution was the discovery of precious metals like Gold, Silver, Copper.

“Metallic Money consist of coins made of Gold, Silver, Copper or nickel as a mode of payment.”



Types of Metallic Money

2. METALLIC MONEY

Metallic money can be:

FULLY BODIED

Whose Face Value is equal to the value of metal contained in it.



TOKEN MONEY

Its Face Value is Higher than Intrinsic Value (Value of Metal)



Kinds OF Metallic Money

- **Full Bodied Money**

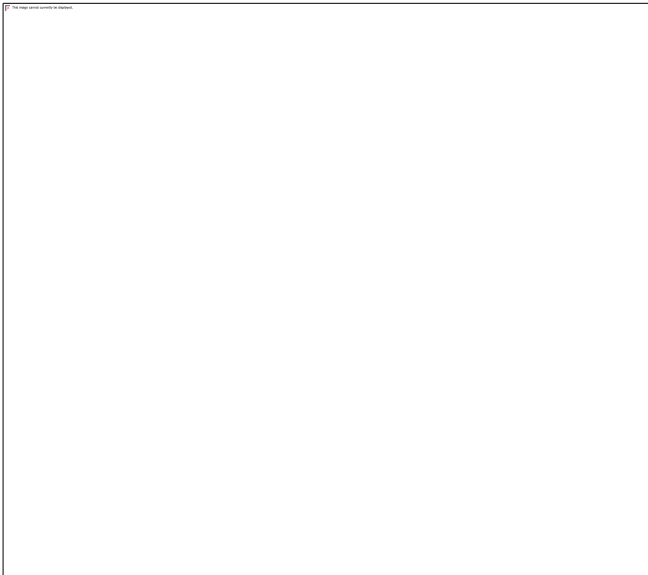
whose face value is equal to the intrinsic value.

- **Token Money**

It face value or printed value is higher than the value of metal Contain in it. Now a day's all coins in Pakistan are the examples of token money.

Assessment

Identify the Metallic Money



Paper Money

3. PAPER MONEY

- When paper currency was introduced as a mode of payment.
- Originated as a receipt issued by Goldsmiths.
- These receipts were then later on used for payments.
- Difference in the value of receipts was becoming a problem then.





Issuance of Paper Money

- **Currency Issuance.** In most cases, currency issuance is managed and monitored by a country's central bank, which is also referred to as a monetary authority. ... In other countries, the central bank's governor is appointed by the government. Money, i.e. banknotes and coins, has a long history as a means of exchange. Money, i.e. banknotes and coins, has a long history as a means of exchange. At first, the value of the money came from the commodity out of which it was produced, usually some precious metal like gold, silver or copper.

Types of Money



Money: item used to buy goods and services

Commodity Money: money with an alternative use



Representative Money: money backed by something valuable



Fiat Money: money that is valuable because the Government backs it



Legal Tender: paper money and coins used within a nation

Types of Representatives Paper Money

Kinds OF Paper Money

- **Representatives paper money**

Representative paper money is on which is fully backed by gold or metallic reserves. This means that govt. is in a position to convert all the notes into gold.

- **Convertible paper money**

Convertible paper money is such a form of money which can be converted into gold & metallic reserves but not all the notes issued by the govt. are fully backed by the gold.

- **Fiat paper money**

Fiat paper money is that we have got in our pocket. Neither it is convertible, nor it is fully backed by gold or metallic reserves.

Representative paper money

- It is that money which is fully backed by equivalent metallic reserves.
- The holder of the bank note can easily get it converted into the metallic money on demand.
- Goldsmith receipt is an example of representative money.
- Up to 1933 America was issuing representative dollars and up to 1925 UK was issuing representative pounds.





Convertible paper money



- ❖ Paper money which carries a promise by the issuer that the paper can be converted into the standard money metal at some future date.
- ❖ The state or the central bank which issues convertible paper currency does not keep 100% of metallic reserve.
- ❖ Some part of the total supply of convertible paper money is fully backed by the standard metal money is known as **Covered issue**.

INCONVERTIBLE PAPER MONEY

- The paper money that can't be converted into Gold and Silver.
- Also called as Legal Tender Money.
- Examples are Notes and Coins issued by government.



Assessment

► Choose the correct answer

► 1: Money is anything that is generally acceptable as a

(a) Medium of Exchange

(b) Store of Value

(c) Both a & b

2: Metallic Money_____

(a) Notes

(b) Coins

(c) Credit Money

3: Currency issued by_____

(a) President

(b) Central Bank

(c) Prime Minister

Short Question Answer

▶ How many types of Metallic Money?

▶ _____

▶ Define Convertible Money.

▶ _____

▶ What is Barter System?

▶ _____

Credit Money

Credit Money

Consider as an IOU

- Claim against a person to purchase goods
- Something that is not immediately repayable, a promise of future payment
- Examples: credit cards, banknotes,

Common example of credit money



4. CREDIT MONEY

- Includes Bank money (different instruments offered by the Banks.)
- Cheques, Drafts, P.O, T.C are examples.
- Convenient, Safe and easily convertible into cash.
- Its like Near Money.



Types of Credit Money

- ▶ **Cheque**
- ▶ **Bank Drafts**
- ▶ **Bill of Exchange**

Cheque

- ▶ A cheque is a document that orders a bank to pay a specific amount of money from a person's account to the person in whose name the cheque has been issued.

Specimen of Cheque

Bank of Framework 2
Box 8
Multidimensional, Infinity 88888

1025

DATE Moment Point

PAY TO THE ORDER OF _____ \$ _____

DOLLARS

MEMO Super Account Investment

⑆0000000000⑆ ⑆0000000000⑆ 1025

HSBC BANK LTD
770-1, Ayer Road, Cheong, One
Vasco-da-gama-40111, Goa
MISB / NEST PSC, HSB-2000014
4010001

PAYABLE AT PAR AT ALL BRANCHES OF HSBC BANK LTD
AC PAYEE ONLY

PAY Sample Payee Company

RUPEES One Crore Twenty Three Lacs Forty Five
Thousand Six Hundred Seventy Eight Rupee Only

Rs. ... 1,23,45,678.00 ...

0999999999

Weekly Interest on Demand
Date: 2011 JAN 12

Performent

Sample
Authorized Signatures

Simply sign
and deposit
into a bank
account of
your choice.

HSBC The Hongkong and Shanghai Banking Corporation Limited

DATE 日期 11/11/11
DD / MM / YY

PAY 祈付 _____

SINGAPORE DOLLARS 新元 TWO THOUSAND FOUR HUNDRED

ONLY

Please Sign →

Valid till 16 December 2011

PLEASE SIGN ABOVE THIS LINE

⑆0000000000⑆

SECURA 30047671

Tear along dotted line.

Bank Draft

- ▶ A bank Draft is used to transfer any amount from one city to another city generally. It is drawn by one bank to another bank. its specified amount is ordered to pay to a named person or to his order

Specimen of Bank Draft

[illegible]

Central Bank

COLABA

ADITYA RAHUL CHAVLIKER

ON DEMAND PAY

RUPES Twenty One Thousand Eight Hundred and Seventy Eight only.

RUPEES

SENT OVER 21878/-

0-112962

A

MUMBAI

00933230 0000160000

16

00000021878000

Bank Draft Samples

HDFC BANK PAYABLE AT PAR THROUGH CLEARING/TRANSFER AT ALL BRANCHES OF HDFC BANK LTD. *Preferred*
Weekly Holiday on Sunday
Date **31-12-2009**

A/c Pay Only Non Negotiable

PAY **Jitendra Mansukhbhai Patel** XXXXXXXXXX
OR BEARER

RUPEES **** Nine Hundred Ninety Nine Rupees Only****

Rs. **** 999 /--**

A/c No. **HDFC PLUS**

For BATH TIGHT METALS PVT LTD
Demo Company Pvt. Ltd.

Mr. John Jain
Authorized Signatories

HDFC BANK LTD.
Crystal Plaza, 1st Floor, 150 Feet Ring Road,
Off Ambawadi Road, Rajkot-360005 Gujarat
RTGS / NEFT / FSC : HDFC000M079
5019-10000

A/c Pay Only Non Negotiable

DATE **31-12-2009**

PAY **Jitendra Mansukhbhai Patel**

RUPEES **** Nine Hundred Ninety Nine Rupees Only****

Rs. **** 999 /--**

SBGEN A/c No. 015301007444

ICICI Bank
ICICI Bank Limited
Rajkot Branch
Jalhind Press Building, Opp. Sharda Baug,
Rajkot, GUJARAT - 360 001

Demo Company Pvt. Ltd.

Mr. John Jain

ICICI Bank Ltd. Rajkot Branch

Bill of Exchange

- ▶ **A Bill of Exchange is a written document drawn by creditor on his debtor with an instruction to pay amount owing, on a specified date, to a named person or to his order to the bearer.**

Trade 2 (Credit Form of Trade)



Buyer

Bill of Exchange



Goods Dispatched



Seller

Debtor & Creditor

- ▶ A debtor is a person, company, or other entity that owes money. In other words, the debtor has a debt or legal obligation to pay the amount owed. For example, a debtor is somebody who has taken out a loan at a bank for a new car.
- ▶ A creditor is an entity, a company or a person of a legal nature that has provided goods, services, or a monetary loan to a debtor. Keep track of money your company is owed with online accounting software.

EDITOR



LOAN



DEBTO



Parties of Bill

- The maker of bill of exchange is called the **Drawer**.
- The person who is directed to pay is called **Drawee**.
- The person who will receive the money is called the **Payee**.

Bill of Exchange	
London, 31 January 2000	Amount: US\$ 250,000
At 60 days after sight	pay against this Sole Bill of Exchange
to the order of	Ourselves
the sum of	US Dollars Two hundred and fifty thousand
for value	Received
To:	For and on behalf of
Singapore Import Banking Company Bank Street Singapore	UK Export Company Ltd
Drawn under UK Export Banking Company Ltd, Documentary Credit No 12345, Dated 29 September 1999	<i>Jas. Smith</i> James Smith, Director

Specimen of Bill of Exchange

BILL OF EXCHANGE

STAMP

Rs. 8,800/-

Mr. Avadhoot Raktade,
586, Main Road,
Ajara,
1st May, 2013

Two months after date pay to me or my order the sum of rupees Eight Thousand Eight Hundred only for the value received.

Mr. Mukund Aglawe,
133, Chandni Chowk,
Panvel

Sd/-
Avadhoot Raktade

ACCEPTED
Sd/-
Mukund Aglawe
[5th May, 2013]

Sample Format - Bill of Exchange

Amount - 2,00,000

Place, Date

Stamp

60 days after the date, pay Mr. ABC a sum of 2,00,000, for value received.

www.AccountingCapital.com

Accepted
(Signed)

Drawee's Name

Drawee's Address

Drawer
(Signed)


Drawer's Address

Closure

- ▶ **Key Points**
- ▶ **Kinds of Money**
- ▶ **Types of Metallic money**
- ▶ **Types of Paper Money**
- ▶ **Types of Credit Money**

Home Work

- ▶ **Collect some Sample of Bank Draft & Cheque from Internet ant past on a chart Paper**
- ▶ **Or**
- ▶ **Write about the different kinds of Cheque**

The background features abstract, overlapping green geometric shapes, primarily triangles and polygons, in various shades of green, creating a modern and dynamic look.

Thank you.
See you in the
next lesson