

CONTENT DEVELOPMENT TYPES OF MONEY

1. **Coins:** A coin is a metal money with definite amount and weight issued and stamped by the central authority responsible for the issuance of money in a country
2. **Paper Money:** As the name indicates, it is in form of paper note which originated from the receipts the goldsmith issued to people who kept gold and other valuables with them.
3. **Bank Money or Bank deposit:** This is the money one keeps in the bank for safe keeping which can be given back to the owner on demand
4. **Foreign money:** It is the money of other countries of the world which serves as money in the foreign exchange market e.g Dollar, pounds sterling's etc.
5. **Token Money:** This is money whose intrinsic worth is less than its nominal or face value. That is its value as piece of metal is not identical with its value as piece of money i.e is the use of cheap metal such as aluminum zinc etc in place of gold and silver coin which were getting scarce.
6. **Commodity Money:** Different commodities were used to different parts of the world as medium of exchange and they are presently called commodity money. These have two values one as money two as commodity. These commodities include: Cowries, gold, diamond, silver, shark teeth, cows, salt, cattle, elephant tusk etc
7. **Gold backed money:** This is money that can easily be converted or changed into gold by the central authority that issues money if its holder so desires. This system of exchanging paper notes or coins for gold originated from the gold smith who assured people that the receipts they issued to them can easily be exchanged for gold.
8. **Legal tender:** A legal tender is money which is backed with the force of law in a country which makes it generally acceptable as a medium of exchange. It's an offence for anybody in a country to reject a legal tender.
9. **Fiduciary Note Issue:** This is the type of money that is not backed by either gold or any foreign currency. Law.

SUPPLY OF MONEY

Supply of money refers to the total amount of all forms of money in circulation in a country at a given period of time. The supply of money includes the total bank deposit. Supply of money refers to the total stock of money available for use in an economy it consists of the following coins, bank notes and bank deposit.

ACTIVITY: Explain the various forms of money which include, coin, bank deposit, paper money, commodity money etc.

EVALUATION:

1. Explain supply of money
2. Explain demand for money
3. List and explain the forms of money

Assignment

Explain the factors that affect the supply of money in a country.

Demand for money

This is the desire to hold money in liquid or cash form as against spending the money which can be for transaction purpose, precautionary and speculative purpose.

Reasons or motives for money by Lord Keynes

1. Transaction motive: people hold money for the day-to –day transaction such as buying the daily need of the family.
2. Precautionary motive: people hold money in liquid form to enable them meet any unforeseen or emergency expenditure such as sickness, unexpected visitor, breakdown or damages of one's car and so on.
3. Speculative motive: this refers to the demand for money in order to take advantage of profitable investment opportunities which may arise.

Value of money and the price level

Value of money refers to the quantity of goods and services a given amount of money can purchase.

There is an inverse relationship between the price level and value of money is the value of money increases the purchasing power of money will also increase.

Measurement of value of money

The value of money is measured by

Index number = price in current year /price in the previous years *
100/1